

FINANCIAL ACCOUNTING SERIES

ACCOUNTING STANDARDS UPDATE

No. 2018-06
May 2018

Codification Improvements to Topic 942, Financial Services—Depository and Lending

An Amendment of the *FASB Accounting Standards Codification*®

Financial Accounting Standards Board

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Please ask for our Product Code No. ASU2018-06.

FINANCIAL ACCOUNTING SERIES (ISSN 0885-9051) is published monthly with the exception of May, July, and November by the Financial Accounting Foundation, 401 Merritt 7, PO Box 5116, Norwalk, CT 06856-5116. Periodicals postage paid at Norwalk, CT and at additional mailing offices. The full subscription rate is \$255 per year. POSTMASTER: Send address changes to Financial Accounting Series, 401 Merritt 7, PO Box 5116, Norwalk, CT 06856-5116. | **No. 465**

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Summary

Why Is the FASB Issuing This Accounting Standards Update (Update)?

The FASB is issuing this Update to supersede outdated guidance related to the Office of the Comptroller of the Currency's Banking Circular 202, *Accounting for Net Deferred Tax Charges* (Circular 202).

The Board has an ongoing project on its agenda about Codification improvements to clarify the *FASB Accounting Standards Codification*® or to correct unintended application of guidance. Those Codification improvement items generally are not expected to have a significant effect on current accounting practice or to create a significant administrative cost for most entities. The amendments in this Update are of a similar nature of the items, and, therefore, the Board is addressing the improvements through the Codification improvements project. The Board decided to issue a separate Update to increase stakeholders' awareness of the improvements to Topic 942, Financial Services—Depository and Lending.

Who Is Affected by the Amendments in This Update?

The amendments in this Update remove outdated guidance related to Circular 202 and should have no effect on reporting entities.

What Are the Main Provisions?

The amendments in this Update supersede the guidance in Subtopic 942-740, Financial Services—Depository and Lending—Income Taxes, that is related to Circular 202 because that guidance has been rescinded by the Office of the Comptroller of the Currency (OCC) and no longer is relevant.

How Do the Main Provisions Differ from Current Generally Accepted Accounting Principles (GAAP) and Why Are They an Improvement?

The amendments in this Update supersede the guidance within Subtopic 942-740 that has been rescinded by the OCC and no longer is relevant. A cross-reference

between Subtopic 740-30, Income Taxes—Other Considerations or Special Areas, and Subtopic 942-740 is being added to the remaining guidance in Subtopic 740-30 to improve the usefulness of the Codification.

When Will the Amendments Be Effective?

The amendments in this Update are effective upon issuance of this Update.

Amendments to the *FASB Accounting Standards Codification*[®]

Introduction

1. The Accounting Standards Codification is amended as described in paragraphs 2–6. In some cases, to put the change in context, not only are the amended paragraphs shown but also the preceding and following paragraphs. Terms from the Master Glossary are in **bold** type. Added text is underlined, and deleted text is ~~struck out~~.

Amendments to Subtopic 740-30

2. Add Section 740-30-60, Income Taxes—Other Considerations or Special Areas—Relationships, with no link to a transition paragraph, as follows:

Income Taxes—Other Considerations or Special Areas

Relationships

General

> Financial Services—Depository and Lending

740-30-60-1 For guidance on the tax consequences of bad debt reserves of savings and loans (and other qualified thrift lenders) that arose in tax years beginning before December 31, 1987, see Subtopic 942-740 on financial services—depository and lending—income taxes.

Amendments to Subtopic 942-740

3. Amend paragraph 942-740-15-2, with no link to a transition paragraph, as follows:

Financial Services—Depository and Lending—Income Taxes **Scope and Scope Exceptions**

> **Overall Guidance**

942-740-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section 942-10-15, with specific entity exceptions noted below.

> **Entities**

942-740-15-2 The guidance in this Subtopic is applicable to stock and mutual savings and loan associations and mutual savings banks, ~~except for the regulatory accounting principle issue addressed in paragraph 942-740-45-1.~~

4. Supersede paragraph 942-740-45-1 and its related heading, with no link to a transition paragraph, as follows:

Other Presentation Matters

~~> Differences Between Regulatory Accounting Principles and GAAP~~

~~**942-740-45-1** Paragraph superseded by Accounting Standards Update No. 2018-06. The Comptroller of the Currency's Banking Circular 202, Accounting for Net Deferred Tax Charges, issued July 2, 1985, limits the net deferred tax debits that can be carried on a bank's statement of condition for regulatory purposes to the amount that would be recoverable by carryback of net operating losses. The Comptroller's circular shall not affect presentations intended to comply with generally accepted accounting principles (GAAP) and that application of Topic 740 in this instance is a difference between regulatory accounting principles and GAAP.~~

Amendments to Status Sections

5. Amend paragraph 740-30-00-1, by adding the following item to the table, as follows:

740-30-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
740-30-60-1	Added	2018-06	05/07/2018

6. Amend paragraph 942-740-00-1, by adding the following items to the table, as follows:

942-740-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
942-740-15-2	Amended	2018-06	05/07/2018
942-740-45-1	Superseded	2018-06	05/07/2018

The amendments in this Update were adopted by the unanimous vote of the seven members of the Financial Accounting Standards Board:

Russell G. Golden, *Chairman*
James L. Kroeker, *Vice Chairman*
Christine A. Botosan
Marsha L. Hunt
Harold L. Monk, Jr.
R. Harold Schroeder
Marc A. Siegel

Background Information and Basis for Conclusions

Introduction

BC1. The following summarizes the Board's considerations in reaching the conclusions in this Update. It includes reasons for accepting certain approaches and rejecting others. Individual Board members gave greater weight to some factors than to others.

BC2. The amendments in this Update improve the Codification by removing guidance related to Circular 202 that has been rescinded by the OCC and no longer is relevant. Therefore, the Board concluded that the expected benefits of the amendments justify the expected costs.

BC3. The FASB issued a proposed Accounting Standards Update, *Technical Corrections and Improvements to Topic 942, Financial Services—Depository and Lending: Elimination of Certain Guidance for Bad Debt Reserves of Savings and Loans*, on June 27, 2017, with a 60-day comment period. The Board received six comment letters. Overall, respondents supported removing the guidance related to Circular 202 that no longer is relevant because the Circular was rescinded by the OCC. The proposed Update also would have superseded guidance related to what was believed to be outdated deferred tax guidance on bad debt reserves of savings and loans that arose after December 31, 1987. Through the comment letter process, the Board determined that the guidance is still relevant for certain small banks and thrift savings associations and, therefore, should not be superseded. Section 1616, *Repeal of Bad Debt Reserve Method for Thrift Savings Associations*, of the Small Business Job Protection Act amended Section 593, *Reserves for Losses on Loans*, of the Internal Revenue Code by repealing the bad debt reserve method of accounting for thrift savings associations. However, Section 1616 did not amend Section 585, *Reserves for Losses on Loans of Banks*, that allows the use of the bad debt reserve method of accounting for banks in which the average adjusted bases of all assets of the bank are less than \$500 million or the bank is a member of a parent-subsidiary controlled group and the average adjusted bases of all assets of the group are less than \$500 million. Therefore, the Board decided to retain that guidance.

Comptroller of the Currency's Banking Circular 202

BC4. Circular 202, which was issued on July 2, 1985, limited the net deferred tax debits that could be carried on a bank's balance sheet for regulatory purposes to the amount that would be coverable by the net operating losses carrybacks.

That circular has been rescinded. Therefore, the Codification guidance related to it no longer is relevant, and the Board decided to supersede that guidance.

Effective Date and Transition

BC5. The amendments in this Update are effective upon issuance of this Update.

BC6. The Board considered transition disclosures but concluded that the disclosures are unnecessary for the amendments in this Update because no accounting requirements are affected.

Amendments to the XBRL Taxonomy

The amendments to the *FASB Accounting Standards Codification*® in this Accounting Standards Update do not require improvements to the U.S. GAAP Financial Reporting Taxonomy (Taxonomy). Any stakeholders who believe that improvements to the Taxonomy are required should provide their comments and suggested improvements at [Taxonomy Improvements](#) provided at www.fasb.org.