

Proposed Accounting Standards Update

Issued: September 2, 2026
Comments Due: November 19, 2026

Codification Improvements

The Board issued this Exposure Draft to solicit public comment on proposed changes to the *FASB Accounting Standards Codification*®. Individuals can submit comments in one of three ways: using the electronic feedback form on the FASB website, emailing comments to director@fasb.org, or sending a letter to “Technical Director, File Reference No. 2026-ED500, FASB, 801 Main Avenue, PO Box 5116, Norwalk, CT 06856-5116.”

Notice to Recipients of This Exposure Draft of a Proposed Accounting Standards Update

The Board invites comments on all matters in this Exposure Draft until November 19, 2026. Interested parties may submit comments in one of three ways:

- Using the electronic feedback form available on the FASB website at [Exposure Documents Open for Comment](#)
- Emailing comments to director@fasb.org, File Reference No. 2026-ED500
- Sending a letter to “Technical Director, File Reference No. 2026-ED500, FASB, 801 Main Avenue, PO Box 5116, Norwalk, CT 06856-5116.”

All comments received are part of the FASB’s public file and are available at www.fasb.org.

The *FASB Accounting Standards Codification*® is the source of authoritative generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. An Accounting Standards Update is not authoritative; rather, it is a document that communicates how the Accounting Standards Codification is being amended. It also provides other information to help a user of GAAP understand how and why GAAP is changing and when the changes will be effective. A copy of this Exposure Draft is available at www.fasb.org.

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Summary and Questions for Respondents

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

The Board has a standing project to address suggestions received from stakeholders on the Accounting Standards Codification and to make other incremental improvements to generally accepted accounting principles (GAAP). This evergreen project facilitates Codification updates for a broad range of Topics arising from technical corrections, unintended application of the Codification, clarifications, and other minor improvements. The resulting amendments are collectively referred to as Codification improvements.

The Board decided that the types of issues that it will consider through this project are improvements that are not expected to have a significant effect on current accounting practice or result in significant costs to most entities.

An explanation of why each amendment in this proposed Update is being made is provided in the “Amendments to the *FASB Accounting Standards Codification*®” section. Therefore, there is no separate section for the Board’s basis for conclusions in this proposed Update.

Who Would Be Affected by the Amendments in This Proposed Update?

The amendments in this proposed Update would affect a wide variety of Topics in the Codification and would apply to all entities within the scope of the affected accounting guidance.

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

The amendments in this proposed Update address 21 disparate issues. Overall, the proposed amendments would (1) clarify existing guidance, (2)

correct errors, or (3) make minor improvements. Collectively, these changes would make the Codification easier to understand and apply.

The Board would specifically like to highlight Issues 6, 11, 12, and 18 through 20 to ensure that stakeholders provide feedback on those issues. However, respondents should review the entire proposed Update to provide feedback and evaluate the effects of the proposed amendments.

Issue 6—Clarify the Scope of the Practical Expedient and Accounting Policy Election When Developing an Estimate of Expected Credit Losses

The amendments in Accounting Standards Update No. 2025-05, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*, introduced a practical expedient and an accounting policy election to simplify the application of the guidance in Subtopic 326-20, *Financial Instruments—Credit Losses—Measured at Amortized Cost*, to current accounts receivable and current contract assets arising from transactions accounted for under Topic 606, *Revenue from Contracts with Customers*. Paragraph BC21 of Update 2025-05 noted that the Board decided to expand the scope of the amendments to include current accounts receivable and current contract assets acquired in a business combination accounted for under Topic 805, *Business Combinations*, including assets recognized in the consolidation of a variable interest entity (VIE) that is not a business, to promote consistency in applying Topic 326, regardless of how the assets were generated (that is, whether the assets are originated through sales in the normal course of operations or acquired). However, because paragraph 326-20-30-10A includes examples of certain transactions, stakeholders questioned whether the scope of the practical expedient and accounting policy election includes current accounts receivable and current contract assets (arising from transactions accounted under Topic 606) that were acquired in transactions accounted for under other Topics, such as an asset acquisition accounted for under Subtopic 805-50, *Business Combinations—Related Issues*, or an asset transfer accounted for under Topic 860, *Transfers and Servicing*. The proposed amendments to paragraph 326-20-30-10A would clarify that the practical expedient and the accounting policy election apply to those assets regardless of whether they are originated or acquired by an entity.

Issue 11—Clarify Consolidation Requirements of Rabbi Trusts

Stakeholders indicated that it is unclear in Subtopic 710-10, Compensation—General—Overall, whether an entity must (1) evaluate whether a rabbi trust is a VIE and (2) apply the guidance in Topic 810, Consolidation, when a rabbi trust is a VIE. The proposed amendments would clarify that the guidance in paragraph 710-10-45-1 only applies to a rabbi trust that is not a VIE and that if the rabbi trust is within the scope of the VIE guidance, the guidance in Topic 810, including disclosures, applies.

Issue 12—Clarify Guidance for Modified Share-Based Payment Awards

Stakeholders indicated that it is unclear whether a modification to a nonvested employee share-based payment award after the grantee is no longer an employee causes the award to be subject to a Topic other than Topic 718, Compensation—Stock Compensation. The proposed amendments would clarify that the recognition and measurement guidance in Topic 718 should continue to apply throughout the life of the instrument to a freestanding financial instrument or a convertible security issued to a grantee that is an employee, unless its terms are modified after the grantee both vests in the award and is no longer an employee.

Issue 18—Clarify the Normal Purchases and Normal Sales (NPNS) Scope Exception Assessment

Paragraph 815-10-15-23 states that the assessment of whether a contract qualifies for the NPNS scope exception should be performed only at the inception of the contract. However, paragraph 815-10-15-39 states that documenting compliance of the requirements for the NPNS scope exception could be done at the inception of the contract or at a later date. The lack of alignment between that guidance creates confusion resulting in the potential for diversity in practice about whether the assessment must be performed only at inception or whether it may be performed at a later date. The proposed amendments would (1) update paragraph 815-10-15-23 to clarify that the assessment of whether a contract qualifies for the NPNS scope exception is performed at the time that the NPNS scope exception is elected, either at the inception of the contract or at a later date, (2) add paragraph 815-10-15-29A to clarify that the clearly and closely related underlying assessment is only

required upon election of the NPNS scope exception, which may be later than the contract inception date, and (3) update paragraph 815-10-15-33 to make conforming changes.

Issue 19—Update the Derivatives Scope Guidance Diagram and Clarify the Market Risk Benefits Derivatives Scope Exception

Paragraph 815-10-55-2 includes a diagram that is a visual supplement to the guidance in the Scope and Scope Exceptions Section of Subtopic 815-10, Derivatives and Hedging—Overall, that depicts the process for determining whether a freestanding contract is within the scope of that Subtopic. That diagram has not been consistently updated for changes to the derivatives scope guidance, resulting in several inconsistencies between the guidance in Section 815-10-15 and that diagram. The proposed amendments would update the diagram to be consistent with the current guidance in Section 815-10-15 and would add a reference to clarify the market risk benefits derivatives scope exception.

Issue 20—Clarify the Application of the Spot Method for Net Investment Hedges

The guidance in the Subsequent Measurement Section of Subtopic 815-35, Derivatives and Hedging—Net Investment Hedges, is unclear on whether the spot method can be elected to assess the effectiveness of a hedging instrument if the hedging relationship is not considered perfectly effective. When the amendments in Accounting Standards Update No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, were issued, the Board did not intend to limit the application of the spot method to only perfectly effective hedges. The proposed amendments would clarify that an entity may elect to apply the spot method to net investment hedges when the hedging relationship is not considered perfectly effective but must include any mismatches related to the conditions described in paragraph 815-35-35-9 in its effectiveness assessment.

Other Issues

The following table summarizes the 15 other amendments in this proposed Update:

Area of Improvement	Summary of Proposed Amendments
Issue 1—Clarify Requirements for Comparative Financial Statements	Update paragraph 205-10-45-3 to clarify that any exceptions to the comparability of amounts presented for prior-year periods and those presented for the most recent period should be disclosed in accordance with Topic 250, Accounting Changes and Error Corrections.
Issue 2—Remove Reference to a Superseded Paragraph	Update paragraph 220-10-50-6 to remove the reference to superseded paragraph 220-10-45-17B.
Issue 3—Clarify NFP Requirements for Condensed Statements	Update paragraph 270-10-45-25 to clarify that if a not-for-profit entity (NFP) presents condensed statements, the requirement to provide a separate statement of changes in investments by and distributions to owners (or disclosures explaining such changes) is not applicable.
Issue 4—Correct Circular Reference in Receivables Illustrative Example	Update paragraph 310-20-55-48 to reference the guidance on the recognition of loan origination fees and costs in paragraph 310-20-35-3.
Issue 5	Not used.
Issue 7—Clarify the Scope of the Impairment or Disposal of Long-Lived Assets Guidance	Update paragraph 360-10-15-5(d) and remove the General Note for Financial Instruments from the Scope and Scope Exceptions Section of Subtopic 360-10, Property, Plant, and Equipment—Overall, to clarify that financial instruments are not subject to the guidance on impairment or disposal of long-lived assets.

Issue 8—Remove Repetitive Guidance on Classification of Cash Payments for Asset Retirement Obligations	Supersede paragraph 410-20-45-2 to remove guidance on the classification of a cash payment made to settle an asset retirement obligation because it is duplicative of the guidance in paragraph 410-20-45-3.
Issue 9—Clarify Share-Based Payments Scope Exception for Guidance on Loss Contingencies	Update paragraph 450-20-15-2(a) to clarify that all share-based payments that are accounted for under Topic 718 are transactions excluded from the scope of Subtopic 450-20, Contingencies—Loss Contingencies.
Issue 10—Correct Grammatical Error in Treasury Stock Guidance	Update paragraph 505-30-50-2 by replacing <i>effect</i> with <i>affect</i> to enhance clarity on accounting for treasury stock repurchases.
Issue 13—Remove Reference to Superseded Guidance in Stock Compensation Illustration	Update paragraph 718-10-55-91 to remove the reference to superseded Section 505-50-25.
Issue 14—Update References in Stock Compensation Subsequent Measurement Guidance	Update paragraphs 718-10-35-14 and 718-20-35-6 to replace the reference to paragraph 718-10-35-10 with a reference to paragraph 718-10-35-10A for guidance on changes to awards made solely to reflect an equity restructuring.
Issue 15—Update Reference in Equity-Classified Stock Compensation Illustration	Replace the reference in paragraph 718-20-55-138 to paragraph 718-20-55-1 with a reference to paragraphs 718-20-55-6 through 55-21 and 718-20-55-23 through 55-23A that contain Example 1, Case A.
Issue 16—Clarify Intraperiod Tax Allocation Guidance	Update paragraph 740-10-55-38(b)(2) to clarify that a carryback refund is an example, but not the only mechanism, to realize a tax benefit in the current year through a carryback.

Issue 17—Remove References to Extraordinary Items	Replace the phrase <i>an extraordinary gain</i> with <i>a gain on discontinued operations</i> in paragraph 740-20-55-9(a) and remove the term <i>extraordinary</i> from paragraph 908-360-15-2(b) to conform with the changes made by the amendments in Accounting Standards Update No. 2015-01, <i>Income Statement—Extraordinary and Unusual items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items</i> .
Issue 21—Remove Reference to Implied Fair Value of Goodwill	Update footnote (d) in paragraph 820-10-55-100 to remove the reference to implied fair value of goodwill to conform with the guidance in Topic 350, Intangibles—Goodwill and Other.
Issue 22—Update Various Superseded Paragraph References	Update paragraphs 815-10-35-1C, 815-10-65-6, 815-20-25-133, 815-40-35-4, 815-40-50-2, and 954-815-50-1 that reference one or more paragraphs that were superseded by amendments in previously issued Updates.

What Are the Transition Requirements and When Would the Amendments Be Effective?

Generally, the amendments in this proposed Update are not intended to result in significant changes for most entities. However, the Board recognizes that changes to guidance may result in accounting changes for some entities. Therefore, the Board is providing transition guidance for the proposed amendments.

An entity would apply the amendments in this proposed Update (except for the amendments to Subtopic 815-35 and paragraph 815-20-35-1 in Issue 20) either (1) prospectively or (2) retrospectively to the beginning of the earliest comparative period presented.

An entity would be able to elect the transition method on an issue-by-issue basis. For example, it would be able to apply certain proposed amendments prospectively while applying others retrospectively.

The amendments in this proposed Update to Subtopic 815-35 and paragraph 815-20-35-1 (Issue 20) would be applied to net investment hedges existing as of the date of adoption that an entity chooses to change from the forward method to the spot method using a modified retrospective approach. Under this approach, an entity would record a cumulative-effect adjustment to the opening balance of retained earnings of the annual reporting period of adoption.

The Board will determine the effective date and whether early application should be permitted after it considers feedback on the amendments in this proposed Update.

Questions for Respondents

The Board invites individuals and organizations to comment on all matters in this proposed Update, particularly on the issues and questions below. Comments are requested from those who agree with the proposed amendments as well as from those who do not agree. Comments are most helpful if they identify and clearly explain the issue or question to which they relate. Those who disagree with the proposed amendments are asked to describe their suggested alternatives, supported by specific reasoning.

Overall

Question 1: Do you agree with the amendments to the Codification in this proposed Update? If not, please explain which proposed amendment(s) you disagree with and why.

Question 2: Would any of the proposed amendments result in unintended consequences? If so, please explain.

Question 3: Should other changes be made that are directly or indirectly related to the proposed amendments? Please note that the Board conducts Codification Improvement projects on a periodic basis, and additional changes may be addressed in a subsequent Codification Improvement project.

Question 4: Would any of the proposed amendments require special consideration for certain entities, such as entities other than public business entities? If so, which proposed amendment(s) would require special consideration and why?

Issue 6—Clarify the Scope of the Practical Expedient and Accounting Policy Election When Developing an Estimate of Expected Credit Losses

Question 5: The proposed amendments in Issue 6 would clarify that the practical expedient and the accounting policy election apply to current accounts receivable and current contract assets arising from transactions accounted for under Topic 606 regardless of whether those assets are originated or acquired by an entity. Do the proposed amendments in Issue 6 improve the clarity and operability of the guidance? Please explain.

Issue 11—Clarify Consolidation Requirements of Rabbi Trusts

Question 6: The proposed amendments in Issue 11 would clarify that the guidance in paragraph 710-10-45-1 only applies to a rabbi trust that is not a VIE. Do you anticipate that the proposed amendments would impose significant incremental costs or result in any unintended consequences? Please explain.

Question 7: Do you expect that the proposed amendments related to Issue 11 would affect consolidation outcomes (other than disclosures)? Please explain.

Issue 12—Clarify Guidance for Modified Share-Based Payment Awards

Question 8: The proposed amendments in Issue 12 are expected to result in more instruments remaining subject to the guidance in Topic 718 (rather than becoming subject to other guidance in GAAP). Do you agree with that change? Please explain.

Issue 18—Clarify the Normal Purchases and Normal Sales (NPNS) Scope Exception Assessment

Question 9: Are the proposed amendments in Issue 18 to Subtopic 815-10 for the NPNS scope exception clear and understandable? Would the proposed amendments result in any unintended consequences? Please explain.

Issue 19—Update the Derivatives Scope Guidance Diagram and Clarify the Market Risk Benefits Derivatives Scope Exception

Question 10: Are the proposed amendments in Issue 19 to the derivatives scope guidance diagram in paragraph 815-10-55-2 clear and understandable? Would the proposed amendments result in any unintended consequences? Please explain.

Question 11: To what extent does the derivatives scope guidance diagram in paragraph 815-10-55-2 assist in applying the scope of Subtopic 815-10? Would it be preferable to remove this diagram from the Codification? Would its removal result in any unintended consequences? Please explain.

Issue 20—Clarify the Application of the Spot Method for Net Investment Hedges

Question 12: Are the proposed amendments in Issue 20 to Subtopic 815-35 and paragraph 815-20-35-1 clear and understandable? Would the proposed amendments result in any unintended consequences? Please explain.

Transition

Question 13: Would any of the proposed amendments (other than Issue 20) result in changes to the application of existing guidance that would require transition provisions specific to that proposed amendment? If so, please describe.

Question 14: An entity would be permitted to apply the proposed amendments (other than Issue 20) prospectively or retrospectively. Are the proposed transition requirements operable, and do you foresee any auditability challenges or unintended consequences? Please explain. If the proposed

transition requirements are not operable, please explain what transition method would be more appropriate and why. Would it be more appropriate to require that all the proposed amendments be applied prospectively (with no option to apply retrospectively)?

Question 15: In the period of adoption, an entity would be required to apply the proposed amendments in Issue 20 to Subtopic 815-35 and paragraph 815-20-35-1 using a modified retrospective approach for net investment hedges existing as of the date of adoption that an entity chooses to change from applying the forward method to applying the spot method. Are the proposed transition requirements operable, and do you foresee any auditability challenges? Please explain. If the proposed transition requirements are not operable, please explain what transition method would be more appropriate and why.

Effective Date

Question 16: In evaluating the effective date, how much time would be needed to implement the proposed amendments? Should the effective date for entities other than public business entities be different from the effective date for public business entities? Should early adoption be permitted? If so and an entity elects to early adopt the proposed amendments, should the entity be required to adopt those proposed amendments as of the beginning of an annual reporting period? Please explain.

Amendments to the *FASB Accounting Standards Codification*®

Summary of Proposed Amendments to the Accounting Standards Codification

1. The following table provides a summary of the proposed amendments to the Accounting Standards Codification.

Issue(s)	Codification Topic	Paragraph(s)
1	Presentation of Financial Statements (Topic 205)	3 and 4
2	Income Statement—Reporting Comprehensive Income (Topic 220)	5 and 6
3	Interim Reporting (Topic 270)	7 and 8
4	Receivables (Topic 310)	9–11
5	Not Used	12 and 13
6	Financial Instruments—Credit Losses (Topic 326)	14–17
7	Property, Plant, and Equipment (Topic 360)	18–21
8	Asset Retirement and Environmental Obligations (Topic 410)	22 and 23
9	Contingencies (Topic 450)	24 and 25
10	Equity (Topic 505)	26 and 27
11	Compensation—General (Topic 710)	28–30
12–15	Compensation—Stock Compensation (Topic 718)	31–40
16 and 17	Income Taxes (Topic 740)	41–44
17	Airlines (Topic 908)	43 and 44
18–20 and 22	Derivatives and Hedging (Topic 815)	45–60, 63, and 64
21	Fair Value Measurement (Topic 820)	61 and 62
22	Health Care Entities (Topic 954)	63 and 65
Transition	Generally Accepted Accounting Principles (Topic 105)	66

Introduction

2. The Accounting Standards Codification is amended as described in paragraphs 3–66. 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 Topic 205

Issue 1

3. Paragraph 205-10-45-3 indicates that an entity's prior-year figures shown for the comparative periods should be comparable with those shown for the most recent period. It further indicates that any exceptions to comparability should be brought out as described in Topic 250, Accounting Changes and Error Corrections. However, the term *brought out* is not defined in the Master Glossary and is not used elsewhere in the Codification. The proposed amendments would update paragraph 205-10-45-3 to clarify that an entity should disclose any exceptions to comparability in accordance with Topic 250.

4. Amend paragraph 205-10-45-3, with a link to transition paragraph 105-10-65-11, as follows:

Presentation of Financial Statements—Overall

Other Presentation Matters

> Comparative Financial Statements

205-10-45-3 Prior-year figures shown for comparative purposes shall in fact be comparable with those shown for the most recent period. Any exceptions to comparability shall be disclosed in accordance with ~~clearly brought out as described in~~ Topic 250.

Amendments to Topic 220

Issue 2

5. The amendments in Accounting Standards Update No. 2020-10, *Codification Improvements*, added paragraph 220-10-50-6 and superseded paragraph 220-10-45-17B to move the disclosure requirements previously located in paragraph 220-10-45-17B to the Disclosure Section of Subtopic 220-10, Income Statement—Reporting Comprehensive Income—Overall. However, a reference to superseded paragraph 220-10-45-17B was inadvertently included in paragraph 220-10-50-6. The proposed amendments would remove the reference to paragraph 220-10-45-17B in paragraph 220-10-50-6.

6. Amend paragraph 220-10-50-6, with a link to transition paragraph 105-10-65-11, as follows:

Income Statement—Reporting Comprehensive Income—Overall

Disclosure

> Disclosing Changes and Certain Income Tax Effects within Accumulated Other Comprehensive Income

220-10-50-6 If an entity chooses to disclose information about significant amounts reclassified out of accumulated other comprehensive income in the notes to financial statements or is required to do so by paragraph 220-10-45-17A, it shall disclose the significant amounts by each component of accumulated other comprehensive income and provide a subtotal of each component of comprehensive income. The subtotals for each component shall agree with the requirements in paragraph 220-10-45-14A. Both before-tax and net-of-tax presentations are permitted provided the entity complies with the requirements in paragraph 220-10-45-12. For each significant reclassification amount, the entity shall identify, for those amounts that are required under other Topics to be reclassified to net income in their entirety in the same reporting period, each line item affected by the reclassification on the statement where net income is presented. For any significant reclassification for which other Topics do not require that reclassification to net income in its entirety in

the same reporting period, the entity shall cross-reference to the note where additional details about the effect of the reclassifications are disclosed. Paragraph 220-10-55-17E provides an example of a note presentation in a tabular format of the effect of reclassifications out of accumulated other comprehensive income. ~~(See paragraph 220-10-45-17B.)~~

In addition, amend the following pending content for paragraph 220-10-50-6, with a link to transition paragraph 270-10-65-1, as follows:

PENDING CONTENT

Transition Date: (P) December 16, 2027; (N) December 16, 2028 |
Transition Guidance: 270-10-65-1

220-10-50-6 If an entity chooses to disclose information about significant amounts reclassified out of accumulated other comprehensive income in the notes to interim and annual financial statements or is required to do so by paragraph 220-10-45-17A, it shall disclose the significant amounts by each component of accumulated other comprehensive income and provide a subtotal of each component of comprehensive income. The subtotals for each component shall agree with the requirements in paragraph 220-10-45-14A. Both before-tax and net-of-tax presentations are permitted provided the entity complies with the requirements in paragraph 220-10-45-12. For each significant reclassification amount, the entity shall identify, for those amounts that are required under other Topics to be reclassified to net income in their entirety in the same reporting period, each line item affected by the reclassification on the statement where net income is presented. For any significant reclassification for which other Topics do not require that reclassification to net income in its entirety in the same reporting period, the entity shall cross-reference to the note where additional details about the effect of the reclassifications are disclosed. Paragraph 220-10-55-17E provides an example of a note presentation in a tabular format of the effect of reclassifications out of accumulated other comprehensive income. ~~(See paragraph 220-10-45-17B.)~~

Amendments to Topic 270

Issue 3

7. The guidance in paragraph 270-10-45-25(c), which was added as part of the amendments in Accounting Standards Update No. 2025-11, *Interim Reporting (Topic 270): Narrow-Scope Improvements*, may be interpreted as requiring a not-for-profit entity (NFP) that presents condensed statements to (a) provide a separate statement of changes in investments by and distributions to owners or (b) disclose that such changes are not applicable. Paragraph BC42 of Update 2025-11 explained that an NFP “is not required to provide a separate statement of changes in investments by and distributions to owners (or disclosure explaining such changes).” Therefore, consistent with that discussion, the Board’s intent was that an NFP that presents condensed statements is not required to present such a statement or such disclosures. The proposed amendments would update paragraph 270-10-45-25 to clarify that if an NFP presents condensed statements, the requirement to provide a separate statement of changes in investments by and distributions to owners (or disclosures explaining such changes) is not applicable.

8. Amend paragraph 270-10-45-25, with a link to transition paragraph 105-10-65-11, as follows:

Interim Reporting—Overall

Other Presentation Matters

> Form and Content of Interim Financial Statements and Notes

• > Form and Content for Entities That Are Not SEC Registrants

270-10-45-25 If a not-for-profit entity presents condensed statements, ~~the following requirements shall apply:~~

- a. Net assets with donor restrictions and net assets without donor restrictions shall be presented regardless of relative significance to total net assets in the statement of financial position.
- b. The required disclosure of expenses by nature and function may be condensed in accordance with the guidance in paragraphs 270-10-45-22 through 45-23, whether presented on the face of the statement of

activities, as a separate schedule in the notes to financial statements, or in a separate financial statement.

- c. The requirement to provide a separate statement of changes in investments by and distributions to owners ~~(or~~ disclosures explaining that such changes) ~~is~~ changes are not applicable.

Amendments to Topic 310

Issue 4

9. Paragraph 310-20-55-48 introduces Example 11, which is included in paragraphs 310-20-55-49 through 55-50 and relates to recognition of the commitment fee for a line of credit or credit facility with multiple unscheduled drawdowns, by stating that the Example illustrates the guidance in paragraphs 310-20-55-49 through 55-50, resulting in a circular reference. Rather, paragraph 310-20-55-48 should reference the guidance that Example 11 is intended to illustrate.

10. The Example included in paragraphs 310-20-55-49 through 55-50 was originally included in the FASB Special Report, *A Guide to Implementation of Statement 91 on Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases: Questions and Answers*, in the “Questions on Paragraph 8 of Statement 91” section. Paragraph 8 of Statement 91 is included in paragraph 310-20-35-3 on recognition of loan origination fees and costs. Therefore, paragraph 310-20-55-48 should reference paragraph 310-20-35-3. The proposed amendments would update paragraph 310-20-55-48 to reference the guidance on the recognition of loan origination fees and costs in paragraph 310-20-35-3.

11. Amend paragraph 310-20-55-48, with a link to transition paragraph 105-10-65-11, as follows:

Receivables—Nonrefundable Fees and Other Costs

Implementation Guidance and Illustrations

> Illustrations

- **> Example 11: Line of Credit or Credit Facility with Multiple Unscheduled Drawdowns**

310-20-55-48 This Example illustrates the guidance in paragraph 310-20-35-3~~paragraphs 310-20-55-49 through 55-50.~~

Issue 5

12. Not used.

13. Not used.

Amendments to Topic 326

Issue 6

14. The amendments in Accounting Standards Update No. 2025-05, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*, introduced a practical expedient for all entities and an accounting policy election for entities other than public business entities to simplify the application of the guidance in Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost, to current accounts receivable and current contract assets arising from transactions accounted for under Topic 606, Revenue from Contracts with Customers. Paragraph 326-20-30-10A cites “asset balances acquired in a transaction accounted for under Topic 805 on business combinations,” and asset balances “recognized through the consolidation of a variable interest entity that is not a business” as examples of assets for which entities can elect the practical expedient and the accounting policy.

15. Paragraph BC21 of Update 2025-05 noted that the Board decided to expand the scope of the amendments to include current accounts receivable and current contract assets acquired in a business combination accounted for under Topic 805, Business Combinations, including assets recognized in the consolidation of a variable interest entity (VIE) that is not a business, to promote consistency in applying Topic 326, regardless of how the assets were generated (that is, whether the assets are originated through sales in the normal course of operations or acquired). However, because paragraph 326-20-30-10A includes examples of certain transactions, stakeholders questioned whether the scope of the practical expedient and accounting policy election includes current accounts receivable and current contract assets (arising from transactions accounted under Topic 606) that were acquired in transactions

accounted for under other Topics, such as an asset acquisition accounted for under Subtopic 805-50, Business Combinations—Related Issues, or an asset transfer accounted for under Topic 860, Transfers and Servicing.

16. As discussed in paragraph BC21 of Update 2025-05, the Board's intent was that the practical expedient and accounting policy election should apply to all current accounts receivables and current contract assets (arising from transactions accounted for under Topic 606), regardless of whether they were originated through sales in the normal course of operations or acquired. Therefore, the proposed amendments would update paragraph 326-20-30-10A to clarify that both originated and acquired current accounts receivable and current contract asset balances arising from transactions accounted for under Topic 606 are within the scope of the practical expedient and accounting policy election. The proposed amendments would retain references to Topic 805 and the consolidation of a VIE in paragraph 326-20-30-10A as clarifying examples.

17. Amend paragraph 326-20-30-10A, with a link to transition paragraph 105-10-65-11, as follows:

Financial Instruments—Credit Losses—Measured at Amortized Cost

Initial Measurement

> Developing an Estimate of Expected Credit Losses

• > Practical Expedient and Accounting Policy Election for Current Accounts Receivable and Current Contract Assets

326-20-30-10A An entity may elect the practical expedient described in paragraphs 326-20-30-10C through 30-10D and an entity other than a public business entity may elect the accounting policy described in paragraphs 326-20-30-10E through 30-10H when developing an estimate of expected credit losses on current accounts receivable and current **contract asset** balances arising from transactions accounted for under Topic 606 on revenue from **contracts** with **customers**. ~~This includes those~~ For the purpose of electing the practical expedient and the accounting policy, asset balances that arose from transactions accounted for under Topic 606 include current accounts receivable and current contract assets regardless of whether those asset balances were originated by the entity or acquired (such as those acquired in

a transaction accounted for under Topic 805 on business combinations or recognized through the consolidation of a variable interest entity that is not a business as described in paragraph ~~810-10-30-3~~~~810-10-30-3~~ that arose from ~~transactions that the acquiree or variable interest entity accounted for under Topic 606.~~

Amendments to Topic 360

Issue 7

18. The amendments in Accounting Standards Update No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, and Accounting Standards Update No. 2023-02, *Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*, eliminated the cost method for equity investments. Paragraph 360-10-15-5(d) provides examples of financial instruments that are not within the scope of the Impairment or Disposal of Long-Lived Assets Subsections of Topic 360, Property, Plant, and Equipment, including investments in equity securities accounted for under the cost or equity method.

19. In addition, the Scope and Scope Exceptions Section of Subtopic 360-10, Property, Plant, and Equipment—Overall, includes a General Note for Financial Instruments that indicates that some of the items subject to the guidance in Subtopic 360-10 are financial instruments. This note conflicts with paragraph 360-10-15-5(d), which explicitly excludes financial instruments from the scope of the Impairment or Disposal of Long-Lived Assets Subsections of the Subtopic, potentially creating confusion about whether certain financial instruments are within the scope of Section 360-10-15.

20. The proposed amendments would remove the financial instrument examples from paragraph 360-10-15-5(d) because (a) equity securities are no longer accounted for under the cost method and (b) the reference to the equity method is unnecessary because it represents only an example. Additionally, the proposed amendments would eliminate the potential conflict between the General Note for Financial Instruments in Section 360-10-15 and the scope guidance in paragraph 360-10-15-5(d) by removing that general note.

21. Supersede the General Note for Financial Instruments in Section 360-10-15 and amend paragraph 360-10-15-5, with a link to transition paragraph 105-10-65-11, as follows:

Property, Plant, and Equipment—Overall

Scope and Scope Exceptions

~~**General Note for Financial Instruments:** Some of the items subject to the guidance in this Subtopic are **financial instruments**. For guidance on matters related broadly to all financial instruments, (including the fair value option, accounting for registration payment arrangements, and broad financial instrument disclosure requirements), see Topic 825. See Section 825-10-15 for guidance on the scope of the Financial Instruments Topic.~~

Impairment or Disposal of Long-Lived Assets

> Transactions

360-10-15-5 The guidance in the Impairment or Disposal of Long-Lived Assets Subsections does not apply to the following transactions and activities:

- a. Goodwill
- b. Intangible assets not being amortized that are to be held and used
- c. Servicing assets
- d. Financial instruments, ~~including investments in equity securities accounted for under the cost or equity method~~

[The remainder of this paragraph is not shown here because it is unchanged.]

Amendments to Topic 410

Issue 8

22. Both paragraph 410-20-45-2 and paragraph 410-20-45-3 refer to paragraph 230-10-45-17 for the classification of a cash payment made to settle an asset retirement obligation, which is repetitive. Paragraph 410-20-45-3, which was originally included in the Emerging Issues Task Force (EITF) Issue No. 02-6, "Classification in the Statement of Cash Flows of Payments Made to

Settle an Asset Retirement Obligation within the Scope of FASB Statement No. 143,” refers more specifically to paragraph 230-10-45-17(e), which is the only guidance in paragraph 230-10-45-17 that is relevant. In contrast, paragraph 410-20-45-2 only includes a general reference to paragraph 230-10-45-17 and does not include any incremental guidance to the guidance included in paragraph 410-20-45-3. The proposed amendments would remove paragraph 410-20-45-2 and update the link to the Master Glossary term *asset retirement obligation* in Section 410-20-45.

23. Supersede paragraph 410-20-45-2 and amend paragraph 410-20-45-3, with a link to transition paragraph 105-10-65-11, as follows:

Asset Retirement and Environmental Obligations—Asset Retirement Obligations

Other Presentation Matters

> Classification of Accretion Expense

410-20-45-2 ~~Paragraph superseded by Accounting Standards Update No. 20XX-XX. See paragraph 230-10-45-17 for additional information about the classification of cash payments for **asset retirement obligations** as operating items on the statement of cash flows.~~

> Statement of Cash Flows

410-20-45-3 Paragraph 230-10-45-17(e) states that a cash payment made to settle an **{add glossary link}**asset retirement obligation**{add glossary link}** is a cash outflow for operating activities.

Amendments to Topic 450

Issue 9

24. The amendments in Accounting Standards Update No. 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*, expanded the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. Paragraph 450-20-15-2(a) states that only stock issued to employees that is accounted for in accordance with Topic 718

is excluded from the scope of Subtopic 450-20, Contingencies—Loss Contingencies, because it is addressed elsewhere in the Codification. That paragraph should have been updated as part of the amendments in Update 2018-07 to include all share-based payments accounted for under Topic 718. The proposed amendments would update paragraph 450-20-15-2(a) to clarify that all share-based payments that are accounted for under Topic 718 are transactions excluded from the scope of Subtopic 450-20.

25. Amend paragraph 450-20-15-2, with a link to transition paragraph 105-10-65-11, as follows:

Contingencies—Loss Contingencies

Scope and Scope Exceptions

> Transactions

450-20-15-2 The following transactions are excluded from the scope of this Subtopic because they are addressed elsewhere in the Codification:

- a. Share-based payments within the scope of~~Stock issued to employees, which is discussed in~~ Topic 718.
- b. Employment-related costs, including deferred compensation contracts, which are discussed in Topics 710, 712, and 715. However, certain postemployment benefits are included in the scope of this Subtopic through application of paragraphs 712-10-25-4 through 25-5.
- c. Uncertainty in income taxes, which is discussed in Section 740-10-25.
- d. Accounting and reporting by insurance entities, which is discussed in Topic 944.
- e. Measurement of credit losses for instruments within the scope of Topic 326 on measurement of credit losses.

Amendments to Topic 505

Issue 10

26. Paragraph 505-30-50-2 states that “state laws may effect an entity's repurchase of its own outstanding common stock.” Paragraph 505-30-50-2 is sourced from paragraph 11A of ARB No. 43, Chapter 1B, “Prior Opinions—Opinion Issued by Predecessor Committee,” which indicated that some state

laws may govern the circumstances under which an entity may acquire its own stock and accordingly prescribe the accounting treatment (that is, laws may affect an entity's ability to repurchase its own stock and the related accounting), rather than cause stock repurchases to occur. Therefore, the word *effect* in paragraph 505-30-50-2 is grammatically incorrect and may cause misinterpretations. The proposed amendments would replace *effect* with *affect* to enhance clarity.

27. Amend paragraph 505-30-50-2, with a link to transition paragraph 105-10-65-11, as follows:

Equity—Treasury Stock

Disclosure

> Disclosures Relating to State Laws

505-30-50-2 State laws may ~~affect~~*effect* an entity's repurchase of its own outstanding common stock. If state laws relating to an entity's repurchase of its own outstanding common stock restrict the availability of retained earnings for payment of dividends or have other effects of a significant nature, those facts shall be disclosed.

Amendments to Topic 710

Issue 11

28. Paragraph 810-10-15-10(e) references paragraph 710-10-45-1 for consolidation guidance when a rabbi trust—a grantor trust generally set up to fund compensation for a select group of management or highly paid executives—is not a VIE. However, paragraph 710-10-45-1 states that the accounts of a rabbi trust should be consolidated without specifying that the guidance only applies to a rabbi trust that is not a VIE. Therefore, there is a conflict between those two paragraphs that may cause confusion about whether an entity must (a) evaluate whether a rabbi trust is a VIE and (b) apply the guidance in Topic 810, Consolidation, when a rabbi trust is a VIE.

29. The proposed amendments would update paragraph 710-10-45-1 to clarify that paragraph 710-10-45-1 applies only to a rabbi trust that is not a VIE and

that if the rabbi trust is within the scope of the VIE guidance, the guidance in Topic 810 should apply.

30. Amend paragraph 710-10-45-1, with a link to transition paragraph 105-10-65-11, as follows:

Compensation—General—Overall

Other Presentation Matters

Deferred Compensation—Rabbi Trusts

710-10-45-1 For all of the types of plans (A to D) discussed in paragraph 710-10-25-15, the accounts of ~~the~~ a rabbi trust that is not a **variable interest entity** shall be consolidated with the accounts of the employer in the financial statements of the employer. If the rabbi trust is within the scope of the Variable Interest Entities Subsections of Subtopic 810-10, the guidance in Topic 810 shall apply to determine whether the rabbi trust should be consolidated with the accounts of the employer in the financial statements of the employer.

Amendments to Topic 718

Issue 12

31. Paragraph 718-10-35-10 requires a freestanding financial instrument or a convertible security issued to a grantee that is subject to initial recognition and measurement guidance in Topic 718 to continue to be subject to Topic 718 unless its terms are modified after (a) a grantee vests in the award and is no longer providing goods or services, (b) a grantee vests in the award and is no longer a customer, or (c) a grantee is no longer an employee. However, paragraph 718-10-35-11 can be interpreted to indicate that a share-based payment award to an employee will only be subject to other GAAP following a modification after the grantee both vests in the award and is no longer an employee.

32. The amendments in Accounting Standards Update No. 2014-12, *Compensation—Stock Compensation (Topic 718): Accounting For Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved After the Requisite Service Period*, required that a

performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition and that a reporting entity apply guidance in Topic 718 to account for such awards. However, the guidance in paragraph 718-10-35-10 requires that a share-based payment award be accounted for under other Topics following a modification after the grantee is no longer an employee, even though a performance target exists that affects vesting and could be achieved after the modification. In addition, the amendments in Update 2018-07 expanded the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The Board intended to align the accounting requirements for economically similar share-based payment transactions with nonemployees to those with employees as part of the amendments in Update 2018-07. However, the guidance in paragraph 718-10-35-10 does not reflect that alignment. Therefore, it may be unclear whether a modification to a nonvested employee share-based payment award after the grantee is no longer an employee causes the award to be subject to a Topic other than Topic 718.

33. The proposed amendments would update paragraphs 718-10-35-10(e) and 718-10-35-11 to clarify that a freestanding financial instrument or a convertible security issued to a grantee that is subject to the initial recognition and measurement guidance in Topic 718 continues to be subject to Topic 718 throughout the life of the instrument, unless its terms are modified after (a) a grantee vests in the award and is no longer providing goods or services, (b) a grantee vests in the award and is no longer a customer, or (c) a grantee vests in the award and is no longer an employee.

34. Amend paragraphs 718-10-35-10 and 718-10-35-11, with a link to transition paragraph 105-10-65-11, as follows:

Compensation—Stock Compensation—Overall

Subsequent Measurement

> Awards May Become Subject to Other Guidance

718-10-35-10 A freestanding financial instrument or a convertible security issued to a grantee that is subject to initial recognition and measurement guidance within this Topic shall continue to be subject to the recognition and measurement provisions of this Topic throughout the life of the instrument, unless its terms are modified after any of the following:

- a. Subparagraph superseded by Accounting Standards Update No. 2019-08.
- b. Subparagraph superseded by Accounting Standards Update No. 2019-08.
- c. A grantee vests in the award and is no longer providing goods or services.
- d. A grantee vests in the award and is no longer a customer.
- e. A grantee vests in the award and is no longer an employee.

718-10-35-11 Other modifications of that instrument that take place after a grantee vests in the award and is no longer providing goods or services, vests in the award and is no longer a customer, or vests in the award and is no longer an employee should be subject to the modification guidance in paragraph 718-10-35-14. Following modification, recognition and measurement of the instrument shall be determined through reference to other applicable GAAP.

Issue 13

35. Paragraph 718-10-55-91 references the Recognition Section of Subtopic 505-50, Equity—Equity-Based Payments to Non-Employees, for accounting for awards granted to nonemployees. However, all of the guidance in Subtopic 505-50 was superseded by the amendments in Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and Update 2018-07. Before the amendments in Update 2018-07, Subtopic 505-50 addressed aspects of the accounting for nonemployee share-based payment transactions. However, the amendments in Update 2018-07 expanded the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. Therefore, the guidance for awards granted to nonemployees is now included in Topic 718, making it unnecessary for paragraph 718-10-55-91 to reference separate nonemployee guidance. The proposed amendments would remove the reference to Section 505-50-25 in paragraph 718-10-55-91.

36. Amend paragraph 718-10-55-91, with a link to transition paragraph 105-10-65-11, as follows:

Implementation Guidance and Illustrations

> Illustrations

• > **Example 2: Definition of Employee**

718-10-55-91 Nonemployee directors acting in their role as members of an entity's board of directors shall be treated as employees if those directors were elected by the entity's shareholders or appointed to a board position that will be filled by shareholder election when the existing term expires. However, that requirement applies only to awards granted to them for their services as directors. Awards granted to those individuals for other services shall be accounted for as awards to nonemployees ~~in accordance with Section 505-50-25~~. Additionally, consolidated groups may have multiple boards of directors; this guidance applies only to either of the following:

- a. The nonemployee directors acting in their role as members of a parent entity's board of directors
- b. Nonemployee members of a consolidated subsidiary's board of directors to the extent that those members are elected by shareholders that are not controlled directly or indirectly by the parent or another member of the consolidated group.

Issue 14

37. The amendments in Accounting Standards Update No. 2019-08, *Compensation—Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Codification Improvements—Share-Based Consideration Payable to a Customer*, added paragraph 718-10-35-10A and moved the guidance on changes to awards made solely to reflect an equity restructuring from paragraph 718-10-35-10 to paragraph 718-10-35-10A. However, paragraphs 718-10-35-14 and 718-20-35-6 refer to paragraph 718-10-35-10 for guidance on changes to awards made solely to reflect an equity restructuring. The proposed amendments would replace the reference to paragraph 718-10-35-10 in paragraphs 718-10-35-14 and 718-20-35-6 with a reference to paragraph 718-10-35-10A.

38. Amend paragraphs 718-10-35-14 and 718-20-35-6, with a link to transition paragraph 105-10-65-11, as follows:

Subsequent Measurement

> **Awards May Become Subject to Other Guidance**

718-10-35-14 An entity may modify (including cancel and replace) or **settle** a fully vested, freestanding financial instrument after it becomes subject to Topic 480 or other applicable GAAP. Such a modification or settlement shall be accounted for under the provisions of this Topic unless it applies equally to all financial instruments of the same class regardless of the holder of the financial instrument. Following the modification, the instrument continues to be accounted for under that Topic or other applicable GAAP. A modification or settlement of a class of financial instrument that is designed exclusively for and held only by grantees (or their beneficiaries) may stem from the employment or vendor relationship depending on the terms of the modification or settlement. Thus, such a modification or settlement may be subject to the requirements of this Topic. See paragraph 718-10-35-10A~~718-10-35-10~~ for a discussion of changes to awards made solely to reflect an equity restructuring.

Compensation—Stock Compensation—Awards Classified as Equity

Subsequent Measurement

> Modification of an Award

• > Equity Restructuring or Business Combination

718-20-35-6 Exchanges of share options or other equity instruments or changes to their terms in conjunction with an **equity restructuring** or a business combination are modifications for purposes of this Subtopic. An entity shall apply the guidance in paragraph 718-20-35-2A to those exchanges or changes to determine whether it shall account for the effects of those modifications. Example 13 (see paragraph 718-20-55-103) provides further guidance on applying the provisions of this paragraph. See paragraph 718-10-35-10A~~718-10-35-10~~ for an exception.

Issue 15

39. Paragraph 718-20-55-138 refers to paragraph 718-20-55-1 for Example 1: Accounting for Share Options with Service Conditions, Case A: Share Options with Cliff Vesting and Forfeitures Estimated in Initial Accruals of Compensation Cost. However, paragraph 718-20-55-1 contains a general statement on tax codes and regulations and does not address Example 1, Case A, which is

described in paragraphs 718-20-55-6 through 55-21 and 718-20-55-23 through 55-23A. The proposed amendments would replace the reference in paragraph 718-20-55-138 to paragraph 718-20-55-1 with a reference to paragraphs 718-20-55-6 through 55-21 and 718-20-55-23 through 55-23A that contain Example 1, Case A.

40. Amend paragraph 718-20-55-138, with a link to transition paragraph 105-10-65-11, as follows:

Implementation Guidance and Illustrations

> Illustrations

• > Example 16: Modifications Regarding an Award's Classification

• • > Case C: Liability to Equity Modification (Cash-Settled to Share-Settled Stock Appreciation Rights)

718-20-55-138 Entity T will account for the modified awards as equity going forward following the pattern given in Example 1, Case A (see paragraphs 718-20-55-6 through 55-21 and 718-20-55-23 through 55-23A~~paragraph 718-20-55-4~~), recognizing \$2,738,020 of compensation cost in each of 20X6 and 20X7, for a cumulative total of \$8,214,060.

Amendments to Topic 740

Issue 16

41. Paragraph 740-10-55-38 includes implementation guidance on reporting the tax benefit of operating loss carryforwards or carrybacks. Paragraph 740-10-55-38(b)(2) implies that a carryback always results in a refund. However, a carryback also may displace tax credits for which a valuation allowance would not be needed. The proposed amendments would update paragraph 740-10-55-38(b)(2) to clarify that a carryback refund is an example, but not the only mechanism, to realize a tax benefit in the current year through a carryback.

42. Amend paragraph 740-10-55-38, with a link to transition paragraph 105-10-65-11, as follows:

Income Taxes—Overall

Implementation Guidance and Illustrations

> Implementation Guidance

• > Application of Accounting Requirements for Income Taxes to Specific Situations

• • > Operating Loss and Tax Credit Carryforwards and Carrybacks

• • • > Reporting the Tax Benefit of Operating Loss Carryforwards or Carrybacks

740-10-55-38 Except as noted in paragraph 740-20-45-3, the manner of reporting the tax benefit of an operating loss carryforward or carryback is determined by the source of the income or loss in the current year and not by the source of the operating loss carryforward or taxes paid in a prior year or the source of expected future income that will result in realization of a deferred tax asset for an operating loss carryforward from the current year. **Deferred tax expense (or benefit)** that results because a change in circumstances causes a change in judgment about the future realization of the tax benefit of an operating loss carryforward is allocated to continuing operations (see paragraph 740-10-45-20). Thus, for example:

- a. The tax benefit of an operating loss carryforward that resulted from a loss on discontinued operations in a prior year and that is first recognized in the financial statements for the current year:
 1. Is allocated to continuing operations if it offsets the current or deferred tax consequences of income from continuing operations
 2. Is allocated to a gain on discontinued operations if it offsets the current or deferred tax consequences of that gain
 3. Is allocated to continuing operations if it results from a change in circumstances that causes a change in judgment about future realization of a tax benefit.
- b. The current or deferred tax benefit of a loss from continuing operations in the current year is allocated to continuing operations regardless of whether that loss offsets the current or deferred tax consequences of a gain on discontinued operations that:
 1. Occurred in the current year, provided that any tax benefit related to the continuing operations loss would have been realizable absent the gain on discontinued operations

2. Occurred in a prior year (for example~~that is~~, if realization of the tax benefit will be by carryback refund)
3. Is expected to occur in a future year.

Amendments to Topics 740 and 908

Issue 17

43. The amendments in Accounting Standards Update No. 2015-01, *Income Statement—Extraordinary and Unusual items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*, eliminated the concept of extraordinary items. However, the terms *extraordinary gain* in paragraph 740-20-55-9(a) and *extraordinary* in paragraph 908-360-15-2(b) were inadvertently retained. The proposed amendments would replace the phrase *an extraordinary gain* with *a gain on discontinued operations* in paragraph 740-20-55-9(a) and remove the term *extraordinary* from paragraph 908-360-15-2(b) to conform with the changes made by the amendments in Update 2015-01.

44. Amend paragraphs 740-20-55-9 and 908-360-15-2, with a link to transition paragraph 105-10-65-11, as follows:

Income Taxes—Intraperiod Tax Allocation

Implementation Guidance and Illustrations

> Illustrations

• > Example 2: Allocations of Income Taxes to Continuing Operations and One Other Item

740-20-55-9 The following Cases both present allocations of income tax to continuing operations when there is only one item other than income from continuing operations:

- a. Loss from continuing operations with a gain on discontinued operations~~an extraordinary gain~~ (Case A)
- b. Income from continuing operations with a loss from discontinued operations (Case B).

• • > **Case A: Loss from Continuing Operations with a Gain on Discontinued Operations (Tax Benefit Realizable)**

740-20-55-10 This Case illustrates allocation of income tax expense if there is only one item other than income from continuing operations. The assumptions are as follows:

- a. The entity's pretax financial income and **taxable income** are the same.
- b. The entity's ordinary loss from continuing operations is \$500.
- c. The entity also has a gain on discontinued operations of \$900 that is a capital gain for tax purposes.
- d. The tax rate is 40 percent on ordinary income and 30 percent on capital gains. **Income taxes currently payable** are \$120 (\$400 at 30 percent).
- e. The entity has determined that the deferred tax asset that would have resulted from the loss from continuing operations if the gain on discontinued operations had not occurred would be expected to be realized (that is, a **valuation allowance** would not have been needed).

Airlines—Property, Plant, and Equipment

Scope and Scope Exceptions

> Transactions

908-360-15-2 The guidance in this Subtopic does not apply to the following transactions and activities:

- a. The cost of routine replacement of minor parts and servicing or inspection of airframes and aircraft engines
- b. Costs accounted for as restoration of assets, such as ~~extraordinary~~ costs associated with the renewal of major structural parts beyond the scope of normal periodic overhauls
- c. Other costs with a life span similar to the depreciable service life of the related **airframe** or aircraft engine.

Amendments to Topic 815

Issue 18

45. Normal purchases and normal sales (NPNS) contracts—contracts that provide for the purchase or sale of something other than a financial instrument or a derivative instrument that will be delivered in quantities expected to be used or sold by the reporting entity over a reasonable period in the normal course of business—are not subject to the requirements of Subtopic 815-10, Derivatives and Hedging—Overall. To qualify for the NPNS scope exception, four important elements are needed: (a) normal terms (including normal quantity), (b) a clearly and closely related underlying, (c) probable physical settlement, and (d) documentation.

46. Paragraph 815-10-15-23 states that the assessment of whether a contract qualifies for the NPNS scope exception should be performed only at the inception of the contract. Conversely, paragraph 815-10-15-39 states that documenting compliance of the requirements for the NPNS scope exception could be done at the inception of the contract or at a later date. The guidance related to the timing of when to evaluate and document the NPNS scope exception in paragraphs 815-10-15-23 and 815-10-15-39 could be interpreted as conflicting and result in questions about whether (a) an entity must assess whether a contract qualifies for the NPNS scope exception only at the inception of the contract or (b) the assessment can be done at a later date.

47. The guidance in paragraph 815-10-15-39 was included in the 2001 Statement 133 Implementation Issue No. C12, “Scope Exceptions: Interpreting the Normal Purchases and Normal Sales Exception as an Election,” and the guidance in paragraph 815-10-15-23 was included in the 2003 Statement 133 Implementation Issue No. C20, “Scope Exceptions: Interpretation of the Meaning of *Not Clearly and Closely Related* in Paragraph 10(b) regarding Contracts with a Price Adjustment Feature.” The transition guidance in Implementation Issue C20 refers to Implementation Issue C12 as the basis for permitting entities to apply the NPNS scope exception for certain contracts either on the date of the initial application of Implementation Issue C20 or on a later date. In addition, Implementation Issue C20 indicates that the assessment of whether the underlying within a contract is not clearly and closely related to the asset being sold or purchased only needs to be performed once.

48. The proposed amendments would (a) update paragraph 815-10-15-23 to clarify that the assessment of whether a contract qualifies for the NPNS scope exception is performed at the time that the NPNS scope exception is elected, either at the inception of the contract or at a later date (by adding a cross-reference to paragraph 815-10-15-39), (b) add paragraph 815-10-15-29A to clarify that the clearly and closely related underlying assessment is only required upon election of the NPNS scope exception, which may be later than the contract inception date, and (c) update paragraph 815-10-15-33 to make conforming changes.

49. Amend paragraphs 815-10-15-23 and 815-10-15-33 and add paragraph 815-10-15-29A, with a link to transition paragraph 105-10-65-11, as follows:

Derivatives and Hedging—Overall

Scope and Scope Exceptions

> Instruments

• > Instruments Not within Scope

• • > Normal Purchases and Normal Sales

815-10-15-23 The assessment of whether a contract qualifies for the normal purchases and normal sales scope exception (including whether the **underlying** of a price adjustment within the contract is not clearly and closely related to the asset being sold or purchased) shall be performed ~~only at the inception of the contract~~ at the time an entity elects the normal purchases and normal sales scope exception in accordance with paragraph 815-10-15-39, which may be later than the contract inception date.

• • • > Clearly and Closely Related Underlying

815-10-15-29A The assessment of whether the underlying of a price adjustment within the contract is not clearly and closely related to the asset being sold or purchased shall be performed only at the time the entity elects the normal purchases and normal sales scope exception, which may be later than the contract inception date.

815-10-15-33 For example, in the case in which the price adjustment focuses on the changes in the fair value of the asset being purchased or sold, if the terms of the price adjustment are expected, at the ~~inception of the contract~~time an entity elects the normal purchases and normal sales scope exception, to affect the purchase or sales price in a manner comparable to the outcome that would be obtained if, at each delivery date, the parties were to reprice the contract amount under the then-existing conditions for the asset being delivered on that date, the price adjustment's underlying is considered to be clearly and closely related to the asset being sold or purchased and the price adjustment would not be an impediment to the contract qualifying for the normal purchases and normal sales scope exception.

[Paragraph 815-10-15-39 is shown below for context.]

• • • > Documentation

815-10-15-39 The normal purchases and normal sales scope exception could effectively be interpreted as an election in all cases. However, once an entity documents compliance with the requirements of paragraphs 815-10-15-22 through 15-51, which could be done at the inception of the contract or at a later date, the entity is not permitted at a later date to change its election and treat the contract as a derivative instrument.

Issue 19

50. Paragraph 815-10-55-2 includes a diagram that is a visual supplement to the guidance in the Scope and Scope Exceptions Section of Subtopic 815-10 that depicts the process for determining whether a freestanding contract is within the scope of that Subtopic. The diagram was originally included in FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and was most recently updated as part of the amendments in Accounting Standards Update No. 2025-07, *Derivatives and Hedging (Topic 815) and Revenue from Contracts with Customers (Topic 606): Derivatives Scope Refinements and Scope Clarification for Share-Based Noncash Consideration from a Customer in a Revenue Contract*. Although additional amendments were made to Section 815-10-15 before the amendments in Update 2025-07 were issued, the diagram was not updated to reflect those amendments, resulting in several inconsistencies between the guidance in Section 815-10-15 and the diagram in paragraph 815-10-55-2.

51. Additionally, the amendments in Accounting Standards Update No. 2018-12, *Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*, added (a) paragraph 944-40-25-25B to clarify that benefits that are accounted for under the provisions of paragraph 944-40-25-25C are not accounted for under the provisions of Subtopic 815-10 and (b) the phrase *and market risk benefits* as a scope exception in paragraph 815-10-15-13(c). At that time, no guidance was added to Section 815-10-15 to explain that scope exception, even though there is guidance in Section 815-10-15 to further explain all the other derivatives scope exceptions.

52. The proposed amendments would (a) update the diagram in paragraph 815-10-55-2 to be consistent with the current guidance in the Scope and Scope Exceptions Section of Subtopic 815-10 and (b) add a reference to the guidance in Section 815-10-15 to relevant guidance in paragraph 944-40-25-25B to clarify the market risk benefits derivatives scope exception.

53. Amend the heading preceding paragraph 815-10-15-52, add paragraph 815-10-15-53A, and amend paragraph 815-10-55-2, with a link to transition paragraph 105-10-65-11, as follows:

Scope and Scope Exceptions

> Instruments

• > Instruments Not within Scope

• • > Certain Insurance Contracts and Market Risk Benefits

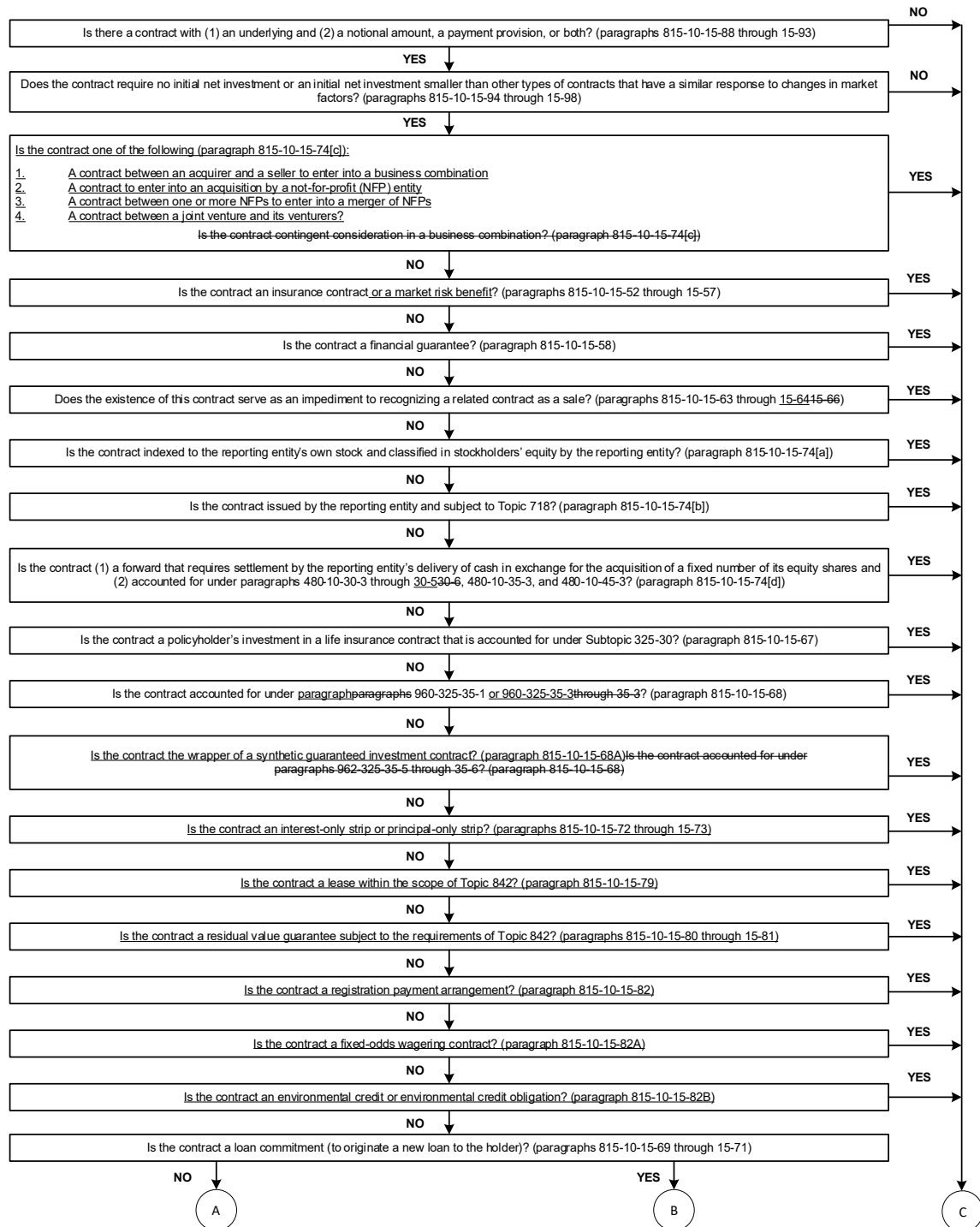
815-10-15-53A A contract or contract feature that is recognized as a market risk benefit is not subject to the requirements of this Subtopic (see paragraph 944-40-25-25B). As noted in paragraph 944-40-30-19D, in determining the terms of a market risk benefit, an insurance entity shall consider guidance on determining the terms of an embedded derivative that is required to be accounted for separately under Subtopic 815-15 on embedded derivatives.

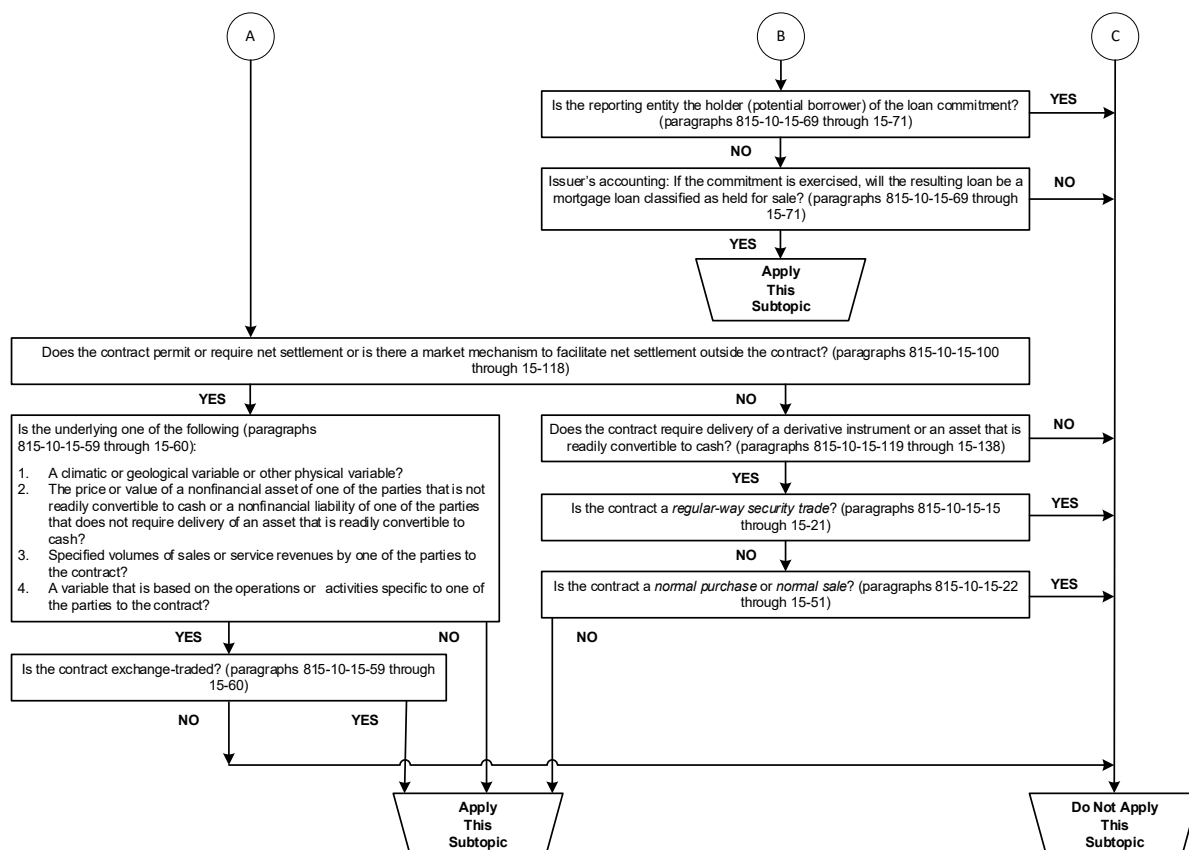
Implementation Guidance and Illustrations

> Implementation Guidance

• > Determining Whether a Contract Is within the Scope of This Subtopic

815-10-55-2 The following diagram depicts the process for determining whether a **freestanding contract** is within the scope of this Subtopic. The diagram is a visual supplement to the written standards Sections. It shall not be interpreted to alter any requirements of this Subtopic or be considered a substitute for the requirements. The relevant paragraphs are identified in the parenthetical note after the question.





Issue 20

54. The amendments in Accounting Standards Update No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, eliminated the separate measurement and presentation of ineffectiveness for net investment hedges. Instead, the amendments in Update 2017-12 required that the entire change in the fair value of the hedging instrument included in the assessment of hedge effectiveness be recorded in the currency translation adjustment line item in other comprehensive income. As a result of the amendments in Update 2017-12, the guidance in the Subsequent Measurement Section of Subtopic 815-35, *Derivatives and Hedging—Net Investment Hedges*, is unclear on whether the spot method can be elected to assess the effectiveness of a hedging instrument if the hedging relationship is not considered perfectly effective.

55. Specifically, paragraph 815-35-35-10 states that if the hedging relationship is not considered perfectly effective, an entity should compare *the change in*

fair value of the hypothetical derivative instrument that does not incorporate those differences with the change in fair value of the actual derivative instrument when assessing hedge effectiveness. The assessment of effectiveness described in paragraph 815-35-35-10 for the spot method is inconsistent with the description of the spot method in paragraphs 815-35-35-4 and 815-35-35-7, which is based on the change in spot exchange rates. Because the phrase *attributable to the spot rate* was omitted from the guidance in paragraph 815-35-35-10, it is unclear whether an entity should consider all fair value changes in the derivative in assessing hedge effectiveness, which would result in the entity applying a method based on changes in forward exchange rates.

56. When the amendments in Update 2017-12 were issued, the Board had not intended to limit the application of the spot method to only perfectly effective hedges. Therefore, the Board decided to clarify that intent in this proposed Update by updating paragraphs 815-35-35-5 and 815-35-35-10 to indicate that an entity may elect to apply the spot method to net investment hedges when the hedging relationship is not considered perfectly effective but must include any mismatches related to the conditions described in paragraph 815-35-35-9 in its effectiveness assessment. The Board also decided to make a conforming change in paragraph 815-20-35-1(d).

57. In accordance with paragraph 815-20-25-3(b)(2), to designate a hedging relationship, an entity is required to document its risk management objective and strategy for undertaking the hedge. The Board observes that the terms of the hedging instrument should correspond to the documented risk management objective and strategy. The proposed amendments are not intended to change that.

58. An entity applying the forward method is required to recognize the entire change in the fair value of the derivative instrument in the cumulative translation adjustment. The Board decided that if an entity that previously applied the forward method chooses to apply the spot method (under which changes in the fair value attributable to factors other than changes in the spot rate [that is, the excluded component] are recognized in earnings), the entity would be required to use a modified retrospective approach. Under that approach, an entity would record a cumulative-effect adjustment to the opening balance of retained earnings at the beginning of the annual reporting period in the year of adoption that would reclassify changes in the fair value of the

derivative caused by changes other than those in the spot rate. That approach would result in all entities that elect the spot method applying it consistently to all hedges after adoption. Under a prospective approach, an entity that chooses to change from the forward method to the spot method would amortize into earnings the excluded component previously recognized in the cumulative translation adjustment under the forward method. That would create an inconsistency with hedges that had been accounted for under the spot method since inception.

59. Amend paragraphs 815-20-35-1(d), 815-35-35-5, and 815-35-35-10 and add the heading preceding paragraph 815-35-35-17, with a link to transition paragraph 815-35-65-1, as follows:

Derivatives and Hedging—Hedging—General

Subsequent Measurement

815-20-35-1 Paragraph 815-10-35-2 states that the accounting for subsequent changes in the **fair value** (that is, gains or losses) of a **derivative instrument** depends on whether it has been designated and qualifies as part of a hedging relationship and, if so, on the reason for holding it. Specifically, subsequent gains and losses on derivative instruments shall be accounted for as follows:

- d. Net investment hedge. The gain or loss on the hedging derivative or nonderivative hedging instrument in a hedge of a net investment in a foreign operation shall be reported in other comprehensive income (outside earnings) as part of the cumulative translation adjustment, as provided in paragraph 815-20-25-66. If an entity excludes a portion of the hedging instrument from the assessment of hedge effectiveness in accordance with paragraphs 815-35-35-5 through ~~35-5B~~35-11, the initial value of the excluded component shall be recognized in earnings using a systematic and rational method over the life of the hedging instrument. Any difference between the change in fair value of the excluded component and the amounts recognized in earnings under that systematic and rational method shall be recognized in the same manner as a translation adjustment (that is, reported in the cumulative translation adjustment section of other comprehensive income) in accordance with paragraph 815-35-35-5A. An entity also may elect to recognize the excluded component of the gain or loss currently in earnings in accordance with paragraph 815-35-35-5B.

Derivatives and Hedging—Net Investment Hedges

Subsequent Measurement

> Assessing Hedge Effectiveness and Measuring Hedge Results

• > Method Based on Changes in Spot Exchange Rates

• • > Hedging Instrument Is a Derivative Instrument

815-35-35-5 No quantitative effectiveness assessment is required at hedge inception if an entity elects to exclude the~~The~~ change in the **fair value** of the derivative instrument attributable to changes in the difference between the forward rate and the spot rate~~would be excluded~~ from the assessment of hedge effectiveness and~~if~~ all of the following conditions are met:

- a. The **notional amount** of the derivative instrument designated as a hedge of a net investment in a foreign operation matches (that is, equals) the portion of the net investment designated as being hedged.
- b. The derivative instrument's underlying exchange rate is the exchange rate between the functional currency of the hedged net investment and the investor's functional currency.
- c. When the hedging derivative instrument is a cross-currency interest rate swap, it is eligible for designation in a net investment hedge in accordance with paragraph 815-20-25-67.

In that circumstance, the hedging relationship would be considered perfectly effective,~~and no quantitative effectiveness assessment is required at hedge inception.~~ (See paragraph 815-20-25-3(b)(2)(iv)(01)(G)~~815-20-25-3(b)(2)(iv)(01).~~)

815-35-35-9 The hedging relationship would not be considered perfectly effective, and the guidance in paragraph 815-35-35-10 shall be applied if any of the following conditions exist:

- a. The notional amount of the derivative instrument does not match the portion of the net investment designated as being hedged.
- b. The derivative instrument's underlying exchange rate is not the exchange rate between the functional currency of the hedged net investment and the investor's functional currency.

- c. When the hedging derivative instrument is a cross-currency interest rate swap eligible for designation in a net investment hedge in accordance with paragraph 815-20-25-67, both legs are not based on comparable interest rate curves (for example, pay foreign currency based on the three-month London Interbank Offered Rate [LIBOR], receive functional currency based on three-month commercial paper rates).

815-35-35-10 If any of the conditions in paragraph 815-35-35-9 exist, the change in fair value of the hypothetical derivative instrument attributable to changes in the spot rate that does not incorporate those differences shall be compared with the change in fair value of the actual derivative instrument attributable to changes in the spot rate in assessing hedge effectiveness.

• > Method Based on Changes in Forward Exchange Rates

815-35-35-17 Under a method based on changes in forward exchange rates, an entity shall report all changes in fair value of the derivative instrument in the same manner as a translation adjustment (that is, reported in the cumulative translation adjustment section of other comprehensive income), including the following amounts:

- a. The time value component of purchased options
- b. The interest accrual/periodic cash settlement components of qualifying receive-variable-rate, pay-variable-rate and receive-fixed-rate, pay-fixed-rate cross-currency interest rate swaps.

60. Add paragraph 815-35-65-1 and its related headings as follows:

Transition and Open Effective Date Information

General

**> Transition Related to the Subtopic 815-35 and Paragraph 815-20-35-1
Amendments in Accounting Standards Update No. 202X-XX,
Codification Improvements**

815-35-65-1 The following represents the transition and effective date information related to the Subtopic 815-35 and paragraph 815-20-35-1 amendments in Accounting Standards Update No. 202X-XX, Codification Improvements:

Effective date and early adoption

- a. All entities shall apply the pending content that links to this paragraph for annual reporting periods beginning after [date to be inserted after exposure], and interim reporting periods [within or beginning after] those annual reporting periods.
- b. Early adoption of the pending content that links to this paragraph [is or is not] permitted in an interim or annual reporting period in which financial statements have not yet been issued or made available for issuance. [If an entity adopts the pending content that links to this paragraph in an interim reporting period, it shall adopt the pending content as of the beginning of the annual reporting period that includes that interim reporting period.]

Transition method

- c. For existing net investment hedges as of the date of adoption (that is, hedges for which the hedging instrument has not expired, been sold, terminated, or exercised or the entity has not removed the hedge designation), an entity that chooses to change from the forward method to the spot method shall apply the pending content that links to this paragraph on a modified retrospective basis. An entity is not required to justify that the spot method is an improved method in accordance with paragraph 815-20-35-19 if changing from the forward method to the spot method for an existing net investment hedge that is not considered perfectly effective and for which the entity applies paragraphs 815-35-35-9 through 35-10 in assessing hedge effectiveness. An entity shall apply the pending content that links to this paragraph on a modified retrospective basis as follows:
 - 1. Without discontinuing the hedging relationship, amend the hedging relationship as necessary to document:
 - i. That the entity will apply the spot method to assess effectiveness and measure hedge results
 - ii. The systematic and rational method that the entity will use to recognize in earnings the component excluded from the assessment of effectiveness over the life of the hedging instrument in accordance with paragraph 815-35-35-5A or that it will elect to record changes in the fair value of the excluded component in current earnings in accordance with paragraph 815-35-35-5B.

2. Record a cumulative-effect adjustment to the opening balance of retained earnings at the beginning of the annual reporting period of adoption to reclassify amounts attributable to changes in the fair value of the hedging instrument, other than those resulting from changes in the spot rate, from the opening balance of the cumulative translation adjustment.

Transition disclosures

- d. An entity that applies the pending content that links to this paragraph shall disclose the following:
 1. The nature of and reason for the change in accounting principle required by paragraph 250-10-50-1(a)
 2. The cumulative effect of the change on retained earnings or other components of equity or net assets in the statement of financial position as of the beginning of the annual reporting period of adoption
 3. The disclosures in (1) and (2) in each interim and annual reporting period in the annual reporting period of adoption.

Amendments to Topic 820

Issue 21

61. The amendments in Accounting Standards Update No. 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, eliminated Step 2 from the goodwill impairment test under Topic 350. Before the amendments in Update 2017-04, Step 2 measured a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. Under current guidance, a goodwill impairment loss is recognized for the amount by which the carrying amount of the reporting unit exceeds its fair value (but should not exceed the total amount of goodwill allocated to that reporting unit). Therefore, an entity no longer calculates the implied fair value of goodwill to determine goodwill impairment. However, footnote (d) in paragraph 820-10-55-100 illustrates that an impairment is calculated on the basis of the implied fair value of goodwill. The proposed amendments would update footnote (d) to remove the reference to implied fair value of goodwill to conform with the guidance in Topic 350.

62. Amend paragraph 820-10-55-100, with a link to transition paragraph 105-10-65-11, as follows:

Fair Value Measurement—Overall

Implementation Guidance and Illustrations

> Illustrations

- **> Example 9: Fair Value Disclosures**

- • **> Case A: Disclosure—Assets Measured at Fair Value**

820-10-55-100 For assets and liabilities measured at fair value at the reporting date, this Topic requires quantitative disclosures about the fair value measurements for each class of assets and liabilities at the end of the reporting period. Sufficient information must be provided to permit reconciliation of the fair value of assets categorized within the fair value hierarchy to the amounts presented in the statement of financial position. A reporting entity might disclose the following for assets to comply with paragraph 820-10-50-2(a) through (b) and paragraph 820-10-50-2B.

(\$ in millions)

(\$ in millions)	Fair Value Measurements at the End of the Reporting Period Using				
Description	12/31/X9	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains (Losses)
Recurring fair value measurements					
Equity securities ^(a)					
Equity securities—real estate industry	\$ 93	\$ 70	\$ 23		
Equity securities—oil and gas industry	45	45			
Equity securities—financial services industry	150	150			
Equity securities—healthcare industry	110	110			
Equity securities—other	30	30			
Total equity securities	<u>\$ 428</u>	<u>\$ 405</u>	<u>\$ 23</u>		
Available-for-sale debt securities					
Residential mortgage-backed securities	\$ 149		\$ 24	\$ 125	
Commercial mortgage-backed securities	50			50	
Collateralized debt obligations	35			35	
U.S. Treasury securities	85	\$ 85			
Corporate bonds	93		93		
Total available-for-sale debt securities	<u>\$ 412</u>	<u>\$ 85</u>	<u>\$ 117</u>	<u>\$ 210</u>	
Hedge fund investments					
Equity long/short	\$ 55		55		
Global opportunities	35		35		
High-yield debt securities	90			\$ 90	
Hedge fund investments measured at net asset value ^(f)	30				
Total hedge fund investments	<u>\$ 210</u>		<u>\$ 90</u>	<u>\$ 90</u>	
Other investments					
Private equity fund investments ^(b)	\$ 25			\$ 25	
Direct venture capital: healthcare ^(a)	53			53	
Direct venture capital: energy ^(a)	32			32	
Other investments measured at net asset value ^(f)	45				
Total other investments	<u>155</u>			<u>110</u>	
Derivatives					
Interest rate contracts	57		\$ 57		
Foreign exchange contracts	43		43		
Credit contracts	38			38	
Commodity futures contracts	78	\$ 78			
Commodity forward contracts	20		20		
Total derivatives	<u>\$ 236</u>	<u>\$ 78</u>	<u>\$ 120</u>	<u>\$ 38</u>	
Total recurring fair value measurements	<u>\$ 1,441</u>	<u>\$ 568</u>	<u>\$ 350</u>	<u>\$ 448</u>	
Nonrecurring fair value measurements					
Long-lived assets held and used ^(c)	\$ 75		\$ 75		\$ (25)
Goodwill ^(d)	30			\$ 30	(35)
Long-lived assets held for sale ^(e)	26		26		(15)
Total nonrecurring fair value measurements	<u>\$ 131</u>		<u>\$ 101</u>	<u>\$ 30</u>	<u>\$ (75)</u>

(a) On the basis of its analysis of the nature, characteristics, and risks of the securities, the reporting entity has determined that presenting them by industry is appropriate.

(b) On the basis of its analysis of the nature, characteristics, and risks of the investments, the reporting entity has determined that presenting them as a single class is appropriate.

(c) At 9/30/X9, in accordance with Subtopic 360-10, long-lived assets held and used with a carrying amount of \$100 million were written down to their fair value of \$75 million, resulting in an impairment charge of \$25 million, which was included in earnings for the period.

(d) At 11/30/X9, in accordance with Subtopic 350-20, the carrying amount of one of the reporting entity's reporting units exceeded its fair value by \$35 million. Goodwill with a carrying amount of \$65 million was written down to its implied fair value of \$30 million, resulting in an impairment charge of \$35 million, which was included in earnings for the period. Goodwill with a carrying amount of \$65 million was written down to \$30 million.

(e) At 5/1/X9, in accordance with Subtopic 360-10, long-lived assets held for sale with a carrying amount of \$35 million were written down to their fair value of \$26 million, less costs to sell of \$6 million (or \$20 million), resulting in a loss of \$15 million, which was included in earnings for the period.

(f) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

(Note: For liabilities, a similar table should be presented.)

Amendments to Various Superseded Paragraph References

Issue 22

63. Several paragraphs in the Codification reference one paragraph or multiple paragraphs that were superseded by amendments in previously issued Accounting Standards Updates. These paragraphs, including the references to the superseded paragraphs, the related amendments that superseded the referenced paragraphs, and a summary of proposed amendments, are included in the table below, followed by the proposed amendments to the Codification.

Paragraph	Superseded Paragraph(s) Referenced	Amendments That Superseded the Paragraph(s) Referenced	Summary of Proposed Amendments
Paragraph 815-10-35-1C	Paragraph 815-20-25-131D	Amendments in Update 2017-12	Update paragraph 815-10-35-1C to reference paragraph 815-20-25-137 instead of paragraph 815-20-25-131D.
Paragraph 815-10-65-6	Paragraphs 815-20-25-131AA, 815-20-25-131D, and 825-10-50-3	Amendments in Updates 2016-01 and 2017-12	Update paragraph 815-10-65-6 to: • Reference paragraph 815-20-25-133 instead of paragraph 815-20-25-131AA • Remove the reference to paragraph 825-10-50-3 • Reference paragraph 815-20-25-137 instead of paragraph 815-20-25-131D.

Paragraph	Superseded Paragraph(s) Referenced	Amendments That Superseded the Paragraph(s) Referenced	Summary of Proposed Amendments
Paragraph 815-20-25-133	Paragraph 825-10-50-3	Amendments in Update 2016-01	Update paragraph 815-20-25-133 to remove the reference to paragraph 825-10-50-3.
Paragraph 815-40-35-4	Paragraph 815-40-50-1	Amendments in Update 2020-06 ¹	Update paragraph 815-40-35-4 to reference paragraph 815-40-50-2A instead of paragraph 815-40-50-1.
Paragraph 815-40-50-2	Section 815-35-50	Amendments in Update 2017-12	Update paragraph 815-40-50-2 to remove the reference to Section 815-35-50.
Paragraph 954-815-50-1	Paragraph 815-35-50-2	Amendments in Update 2017-12	Update paragraph 954-815-50-1 to reference paragraph 815-10-50-5A instead of paragraph 815-35-50-2.

¹ Amendments in Accounting Standards Update No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, updated and moved the guidance from paragraph 815-40-50-1 to paragraph 815-40-50-2A. However, Editorial and Maintenance Update 2020-18 inadvertently amended paragraph 815-40-35-4 to add a cross-reference to superseded paragraph 815-40-50-1 instead of paragraph 815-40-50-2A.

Amendments to Topic 815

64. Amend paragraphs 815-10-35-1C, 815-10-65-6, 815-20-25-133, 815-40-35-4, and 815-40-50-2, with a link to transition paragraph 105-10-65-11, as follows:

Derivatives and Hedging—Overall

Subsequent Measurement

815-10-35-1C If any of the conditions in paragraph ~~815-20-25-133~~815-20-25-434D for applying the simplified hedge accounting approach subsequently cease to be met or the relationship otherwise ceases to qualify for hedge accounting, the General Subsections of this Topic shall apply at the date of change and on a prospective basis. For example, if the related variable-rate borrowing is prepaid without terminating the receive-variable, pay-fixed interest rate swap, the gain or loss on the swap in accumulated other comprehensive income shall be reclassified to earnings in accordance with paragraphs 815-30-40-1 through 40-6 with the swap measured at fair value on the date of change and subsequent changes in fair value reported in earnings in accordance with paragraph 815-10-35-2. Similarly, if the receive-variable, pay-fixed interest rate swap is terminated early without the related variable-rate borrowing being prepaid, the gain or loss on the swap in accumulated other comprehensive income shall be reclassified to earnings in accordance with paragraphs 815-30-40-1 through 40-6.

Transition and Open Effective Date Information

> Transition Related to Accounting Standards Update No. 2014-03, *Derivatives and Hedging (Topic 815): Accounting for Certain Receive-Variable, Pay-Fixed Interest Rate Swaps—Simplified Hedge Accounting Approach*

815-10-65-6 The following represents the transition information related to Accounting Standards Update No. 2014-03, *Derivatives and Hedging (Topic 815): Accounting for Certain Receive-Variable, Pay-Fixed Interest Rate Swaps—Simplified Hedge Accounting Approach*, referenced in paragraph ~~815-20-25-133~~815-20-25-131AA:

- a. Subparagraph superseded by Accounting Standards Update No. 2016-03.
- b. Upon adoption of the simplified hedge accounting approach in this Subtopic and adoption of the guidance in ~~paragraph~~paragraphs 825-10-50-3 and 825-10-50-8, that guidance shall be applied as of the beginning of the first fiscal year in which the approach is elected and in either of the following ways:
 - 1. Using a modified retrospective approach in which corresponding adjustments shall be made to the assets, liabilities, and opening balance of accumulated other comprehensive income and retained earnings (or other appropriate components of equity) of the current period presented to reflect application of hedge accounting under this Topic from the date the receive-variable, pay-fixed interest rate swap was entered into (or acquired) by the entity.
 - 2. Using a full retrospective approach in which:
 - i. The financial statements for each individual prior period presented shall be adjusted to reflect the period-specific effects of applying hedge accounting under this Topic from the date the receive-variable, pay-fixed interest rate swap was entered into (or acquired) by the entity.
 - ii. Corresponding adjustments shall be made to the assets, liabilities, and opening balance of accumulated other comprehensive income and retained earnings (or other appropriate components of equity) of the earliest period presented to reflect application of hedge accounting under this Topic from the date the receive-variable, pay-fixed interest rate swap was entered into (or acquired) by the entity.
- c. The simplified hedge accounting approach may be elected for any qualifying receive-variable, pay-fixed interest rate swap, whether existing at the date of its adoption or entered into after that date. The election to apply the simplified hedge accounting approach to an existing swap shall be made upon its adoption and can be applied only to existing swaps the first time the election is made. After the initial election is made to apply the simplified hedge accounting approach to existing swaps, no further retrospective applications to existing swaps (full or modified) are permitted. In determining whether an existing swap meets all of the conditions in ~~paragraph 815-20-25-137~~paragraph 815-20-25-131D to qualify for applying the simplified hedge accounting approach, the condition that the swap's fair value at the time of application of this

approach is at or near zero need not be considered. Instead, as long as the swap's fair value was at or near zero at the time the swap was entered into (or acquired) by the entity, the entity may apply the simplified hedge accounting approach. For an existing swap, the documentation required by paragraph 815-20-25-3 to qualify for hedge accounting must be completed in the period of adoption by the date on which the first annual **financial statements are available to be issued** rather than concurrently at hedge inception.

[The remainder of this paragraph is not shown here because it is unchanged.]

Derivatives and Hedging—Hedging—General

Recognition

> Hedge Accounting Provisions Applicable to Certain Private Companies

• > Assuming Perfect Hedge Effectiveness in a Cash Flow Hedge of a Variable-Rate Borrowing with a Receive-Variable, Pay-Fixed Interest Rate Swap Recorded under the Simplified Hedge Accounting Approach

815-20-25-133 Paragraphs 815-10-35-1A through 35-1C, 815-10-50-3, 815-20-25-3A, 815-20-25-119, 815-20-25-134 through 25-138, 815-20-55-79A through 55-79B, ~~825-10-50-3~~, and 825-10-50-8 provide guidance for an entity electing the simplified hedge accounting approach. See paragraph 815-10-65-6 for transition guidance on applying the simplified hedge accounting approach.

Derivatives and Hedging—Contracts in Entity's Own Equity

Subsequent Measurement

> Overall

• > Assets or Liabilities

815-40-35-4 All other contracts classified as assets or liabilities under Section 815-40-25 or paragraph 815-40-15-8A shall be measured subsequently at fair value, with changes in fair value reported in earnings and disclosed in the

financial statements as long as the contracts remain classified as assets or liabilities (see paragraph 815-40-50-2A~~815-40-50-1~~).

Disclosure

815-40-50-2 The disclosure guidance in this Subtopic applies to freestanding instruments that are potentially indexed to, and potentially settled in, an entity's own equity, regardless of whether the contract meets the criteria to qualify for the scope exception in Sections 815-40-15 and 815-40-25. Some contracts that are classified as assets or liabilities meet the definition of a **derivative instrument** under the provisions of Subtopic 815-10. The related disclosures that are required by Sections 815-10-50, 815-25-50, and 815-30-50, ~~and 815-35-50~~ also are required for those contracts. Equity-classified contracts under the provisions of this Subtopic are not required to provide the disclosures required by Section 505-10-50, other than those described in paragraph 815-40-50-5.

Amendments to Topic 954

65. Amend paragraph 954-815-50-1, with a link to transition paragraph 105-10-65-11, as follows:

Health Care Entities—Derivatives and Hedging

Disclosure

954-815-50-1 Paragraph 815-30-50-2 discusses requirements to report changes in the components of **comprehensive income** pursuant to paragraphs 220-10-45-14 through 45-14A. Although not-for-profit, business-oriented health care entities are not subject to the requirements of Subtopic 220-10, this Subtopic requires those entities to separately disclose the beginning and ending accumulated derivative gain or loss that has been excluded from the **performance indicator** (see also paragraphs 954-220-45-5 through 45-8), the related net change associated with current period hedging transactions, and the net amount of any reclassifications into the performance indicator in a manner similar to that described in paragraph 815-30-50-2. Similarly, this Subtopic requires not-for-profit health care entities to provide disclosures that are analogous to those required by paragraphs 815-10-50-5A and 815-30-50-1 through 50-3 ~~and 815-35-50-2~~ for for-profit entities, including

the disclosure of anticipated reclassifications into the performance indicator of gains and losses that have been excluded from that measure and reported in accumulated derivative gain or loss as of the reporting date.

Amendments to Topic 105

66. Add paragraph 105-10-65-11 and its related heading as follows:

Generally Accepted Accounting Principles—Overall

Transition and Open Effective Date Information

> Transition Related to Accounting Standards Update No. 202X-XX, Codification Improvements

105-10-65-11 The following represents the transition and effective date information related to Accounting Standards Update No. 202X-XX, *Codification Improvements* (except for entities applying the amendments to Subtopic 815-35 on net investment hedges and paragraph 815-20-35-1, for which transition guidance is provided in paragraph 815-35-65-1):

Effective date and early adoption

- a. All entities shall apply the pending content that links to this paragraph for annual reporting periods beginning after [date to be inserted after exposure], and interim reporting periods [within or beginning after] those annual reporting periods.
- b. Early adoption of the pending content that links to this paragraph [is or is not] permitted in an interim or annual reporting period in which financial statements have not yet been issued or made available for issuance [(also see (f) about transition elections). If an entity adopts the pending content that links to this paragraph in an interim reporting period, it shall adopt that pending content as of the beginning of the annual reporting period that includes that interim reporting period.]

Transition methods

- c. An entity shall apply the pending content that links to this paragraph using either of the following transition methods (also see (f) about transition elections):

1. Prospectively.
2. Retrospectively to the beginning of the earliest comparative period presented in which the pending content that links to this paragraph was first applied. An entity shall adjust the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) as of the beginning of the earliest comparative period presented.

Transition disclosures

- d. An entity that applies the pending content that links to this paragraph prospectively in accordance with (c)(1) shall provide the transition disclosures required by paragraph 250-10-50-1(a) in both the interim reporting period (if applicable) and the annual reporting period of the change.
- e. An entity that applies the pending content that links to this paragraph retrospectively in accordance with (c)(2) shall provide the transition disclosures required by paragraph 250-10-50-1(a) through (b)(1), (b)(2) for any prior periods retrospectively adjusted, (b)(3), and (c)(2) in both the interim reporting period (if applicable) and the annual reporting period of the change.

Transition elections

- f. In [electing to early adopt the pending content that links to this paragraph in accordance with (b) and] electing a transition method to apply the pending content that links to this paragraph in accordance with (c), an entity may make [that/those] election[s] individually for each of the following:
 1. Amendments to Subtopic 205-10 in paragraph 205-10-45-3
 2. Amendments to Subtopic 220-10 in paragraph 220-10-50-6
 3. Amendments to Subtopic 270-10 in paragraph 270-10-45-25
 4. Amendments to Subtopic 310-20 in paragraph 310-20-55-48
 5. Amendments to Subtopic 326-20 in paragraph 326-20-30-10A
 6. Amendments to Subtopic 360-10 in paragraph 360-10-15-5(d)
 7. Amendments to Subtopic 410-20 in paragraphs 410-20-45-2 through 45-3
 8. Amendments to Subtopic 450-20 in paragraph 450-20-15-2(a)
 9. Amendments to Subtopic 505-30 in paragraph 505-30-50-2
 10. Amendments to Subtopic 710-10 in paragraph 710-10-45-1

11. Amendments to Subtopic 718-10 in paragraphs 718-10-35-10(e) and 718-10-35-11
12. Amendments to Subtopic 718-10 in paragraph 718-10-55-91
13. Amendments to Subtopic 718-10 and Subtopic 718-20 in paragraphs 718-10-35-14 and 718-20-35-6
14. Amendments to Subtopic 718-20 in paragraph 718-20-55-138
15. Amendments to Subtopic 740-10 in paragraph 740-10-55-38(b)(2)
16. Amendments to Subtopics 740-20 and 908-360 in paragraphs 740-20-55-9(a) and 908-360-15-2(b)
17. Amendments to Subtopic 815-10 in paragraphs 815-10-15-23, 815-10-15-29A, and 815-10-15-33
18. Amendments to Subtopic 815-10 in paragraphs 815-10-15-52, 815-10-15-53A, and 815-10-55-2
19. Amendments to Subtopic 820-10 in paragraph 820-10-55-100
20. Amendments to Subtopics 815-10, 815-20, 815-40, and 954-815 in paragraphs 815-10-35-1C, 815-10-65-6, 815-20-25-133, 815-40-35-4, 815-40-50-2, and 954-815-50-1.

The amendments in this proposed Update were approved for publication by six members of the Financial Accounting Standards Board. Ms. Shakespeare abstained.

Richard R. Jones, *Chair*
Hillary H. Salo, *Vice Chair*
Frederick L. Cannon
Susan M. Cospers
Marsha L. Hunt
Dr. Joyce T. Joseph
Catherine M. Shakespeare

Amendments to the GAAP Taxonomy

The provisions of this Exposure Draft, if finalized as proposed, would require improvements to the GAAP Financial Reporting Taxonomy and SEC Reporting Taxonomy (collectively referred to as the “GAAP Taxonomy”). We welcome comments on these proposed improvements to the GAAP Taxonomy at xbrled@fasb.org. After the FASB has completed its deliberations and issued a final Accounting Standards Update, the proposed improvements to the GAAP Taxonomy will be finalized as part of the annual release process.