

FINANCIAL ACCOUNTING SERIES



ACCOUNTING STANDARDS UPDATE

No. 2011-01
January 2011

Receivables (Topic 310)

Deferral of the Effective Date of Disclosures about
Troubled Debt Restructurings in Update No. 2010-20

An Amendment of the *FASB Accounting Standards Codification*®

Financial Accounting Standards Board
of the Financial Accounting Foundation

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Summary

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

Stakeholders raised concerns that the introduction of new disclosure requirements (paragraphs 310-10-50-31 through 50-34 of the *FASB Accounting Standards Codification*[®]) about troubled debt restructurings in one reporting period followed by a change in what constitutes a troubled debt restructuring shortly thereafter would be burdensome for preparers and may not provide financial statement users with useful information. They asked the Board to defer the effective date of the disclosure requirements for public entities about troubled debt restructurings in Accounting Standards Update No. 2010-20, *Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*, to be concurrent with the effective date of the guidance for determining what constitutes a troubled debt restructuring, as presented in proposed Accounting Standards Update, *Receivables (Topic 310): Clarifications to Accounting for Troubled Debt Restructurings by Creditors*.

Who Is Affected by the Amendments in This Update?

The amendments in this Update apply to all public-entity creditors that modify financing receivables within the scope of the disclosure requirements about troubled debt restructurings in Update 2010-20. The amendments in this Update do not affect nonpublic entities.

What Are the Main Provisions?

The amendments in this Update temporarily delay the effective date of the disclosures about troubled debt restructurings in Update 2010-20 for public entities. The delay is intended to allow the Board time to complete its deliberations on what constitutes a troubled debt restructuring. The effective date of the new disclosures about troubled debt restructurings for public entities and the guidance for determining what constitutes a troubled debt restructuring will then be coordinated. Currently, that guidance is anticipated to be effective for interim and annual periods ending after June 15, 2011.

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

Under the existing effective date in Update 2010-20, public-entity creditors would have provided disclosures about troubled debt restructurings for periods beginning on or after December 15, 2010. The amendments in this Update temporarily defer that effective date, enabling public-entity creditors to provide those disclosures after the Board clarifies the guidance for determining what constitutes a troubled debt restructuring. The deferral in this Update will result in more consistent disclosures about troubled debt restructurings. This amendment does not defer the effective date of the other disclosure requirements in Update 2010-20.

In the proposed Update for determining what constitutes a troubled debt restructuring, the Board proposed that the clarifications would be effective for interim and annual periods ending after June 15, 2011. For the new disclosures about troubled debt restructurings in Update 2010-20, those clarifications would be applied retrospectively to the beginning of the fiscal year in which the proposal is adopted.

When Will the Amendments Be Effective?

The deferral in this amendment is effective upon issuance.

How Do the Provisions Compare with International Financial Reporting Standards (IFRS)?

IFRS does not have guidance on troubled debt restructurings.

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

Introduction

1. The Accounting Standards Codification is amended as described in paragraphs 2 and 3. Terms from the Master Glossary are in **bold** type. Added text is underlined.

Amendments to Subtopic 310-10

Receivables—Overall

2. Amend paragraphs 310-10-50-31 through 50-34 to change the effective date to “Indefinite” and the link to transition paragraph 310-10-65-2 to transition paragraph 310-10-65-3.

3. Add paragraph 310-10-65-3 and its related heading as follows:

**> Transition Related to Accounting Standards Update No. 2011-01,
Receivables (Topic 310): Deferral of the Effective Date of Disclosures about
Troubled Debt Restructurings in Update No. 2010-20**

310-10-65-3 The following represents the effective date information related to Accounting Standards Update No. 2011-01, *Receivables (Topic 310): Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20*:

- a. For public entities, the pending content that links to this paragraph shall be deferred indefinitely.
- b. For **nonpublic entities**, the pending content that links to this paragraph shall be effective for the first annual reporting period ending on or after December 15, 2011.

4. Amend paragraph 310-10-00-1, by adding the following items to the table, as follows:

310-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
310-10-50-31 through 50-34	Amended	2011-01	01/20/11
310-10-65-3	Added	2011-01	01/20/11

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

Leslie F. Seidman, *Chairman*
Russell G. Golden
Thomas J. Linsmeier
Marc A. Siegel
Lawrence W. Smith

Background Information and Basis for Conclusions

Introduction

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

BC2. The amendments in this Update temporarily delay the effective date of the disclosures about troubled debt restructurings in Update 2010-20 for public entities. The delay is intended to allow the Board time to complete its deliberations on what constitutes a troubled debt restructuring, as presented in proposed Accounting Standards Update, *Receivables (Topic 310): Clarifications to Accounting for Troubled Debt Restructurings by Creditors*. That project is scheduled to be completed during the first half of 2011.

BC3. The amendments in this Update do not affect the effective date of the other disclosure requirements in Update 2010-20.

Background Information and Conclusions

BC4. Update 2010-20 was issued in July 2010. The amendments in that Update require new disclosures and enhance existing disclosures about the allowance for credit losses and the credit quality of financing receivables, including, but not limited to, the following:

- a. The nature and extent of a creditor's troubled debt restructurings
- b. The nature and extent of financing receivables modified as troubled debt restructurings within the previous 12 months that defaulted.

Before the amendments in this Update, creditors that are public entities were required to disclose the above information about troubled debt restructurings for interim and annual periods beginning on or after December 15, 2010.

BC5. In July 2010, the Board added a separate project to address concerns about whether additional guidance or clarification is needed to assist creditors in determining whether a restructuring is a troubled debt restructuring. In October 2010, the Board issued a proposed Update for determining what constitutes a troubled debt restructuring. The comment period ended on December 13, 2010.

BC6. In that proposed Update, the Board proposed that the clarifications about troubled debt restructurings would be effective for interim and annual periods ending after June 15, 2011. For the new disclosures about troubled debt restructurings in Update 2010-20, those proposed clarifications would be applied retrospectively to restructurings occurring on or after the beginning of the year in which the proposal is adopted.

BC7. Stakeholders raised concerns that the introduction of new disclosure requirements about troubled debt restructurings in one reporting period followed by a change in what constitutes a troubled debt restructuring shortly thereafter would be burdensome for preparers, would not provide financial statement users with useful information, and may lead to confusion among financial statement users. They asked the Board to defer the effective date of the disclosure requirements about troubled debt restructurings in Update 2010-20.

BC8. At the December 1, 2010 Board meeting, the Board decided to defer the effective date of the disclosures about troubled debt restructurings in Update 2010-20. A proposed Update was issued on December 9, 2010, with a comment period that ended on December 24, 2010. The Board received 13 comment letters on the proposed Update, all of which supported deferring the effective date.

BC9. For public entities, the amendments in this Update temporarily delay the effective date of the disclosures about troubled debt restructurings in Update 2010-20 until the Board completes its deliberations in its project to clarify what constitutes a troubled debt restructuring. Accordingly, for public entities, the amendments in this Update temporarily delay the effective date for the disclosures required by paragraphs 310-10-50-31 through 50-34. As previously noted, the Board expects to complete its redeliberations on the project for determining what constitutes a troubled debt restructuring in the first half of 2011.

BC10. The Board noted that troubled debt restructurings for creditors may differ significantly after the guidance to clarify what constitutes a troubled debt restructuring. If the new disclosures about troubled debt restructurings in Update 2010-20 are reported before the effective date of the related clarification guidance, some Board members believe that financial statement users may misinterpret disclosed data because there may be inconsistent definitions being applied across entities as well as across periods. Some Board members also noted that including the new disclosures under the existing guidance for troubled debt restructurings for only one quarter would not provide financial statement users with useful information. Other Board members noted that the cost of providing those disclosures for only one quarter would exceed the benefits provided to financial statement users. The Board concluded that the deferral in this Update will result in more consistent disclosures about troubled debt restructurings.

BC11. Because of the short-term nature of this deferral, the Board decided not to further extend the effective date in Update 2010-20 for nonpublic entities. Board members noted that the clarifying guidance about troubled debt restructurings is expected to be issued in the first half of 2011, which should allow adequate time for nonpublic entities to understand and implement the new disclosures about troubled debt restructurings for periods ending on or after December 15, 2011.

Effective Date and Transition

BC12. The Board decided that the amendments in this Update should be effective upon issuance. The Board believes that the effective date will minimize costs incurred by creditors to provide disclosures about troubled debt restructurings before finalizing guidance on what constitutes a troubled debt restructuring.

Benefits and Costs

BC13. The objective of financial reporting is to provide information that is useful to present and potential investors, creditors, donors, and other capital market participants in making rational investment, credit, and similar resource allocation decisions. However, the benefits of providing information for that purpose should justify the related costs. Present and potential investors, creditors, donors, and other users of financial information benefit from improvements in financial reporting, while the costs to implement new guidance are borne primarily by present investors. The Board's assessment of the costs and benefits of issuing new guidance is unavoidably more qualitative than quantitative because there is no method to objectively measure the costs to implement new guidance or to quantify the value of improved information in financial statements.

BC14. The amendments in this Update do not create new accounting requirements. Thus, the Board does not anticipate that entities will incur significant costs as a result of the amendments in this Update. The Board believes that the deferral provided by this Update may lower costs of complying with the disclosure requirements in Update 2010-20 by requiring creditors to provide those disclosures only after the clarifying guidance about troubled debt restructurings becomes effective. The Board believes that once the definition of a troubled debt restructuring is clarified, the resulting disclosures about troubled debt restructurings in Update 2010-20 will be reported in a more consistent manner within and across entities, thereby improving the understandability by financial statement users.

Amendments to the XBRL Taxonomy

There are no proposed amendments to the XBRL taxonomy as a result of the amendments in this Update.