

FINANCIAL ACCOUNTING SERIES



No. 2021-10
November 2021

Government Assistance (Topic 832)

Disclosures by Business Entities about
Government Assistance

An Amendment of the *FASB Accounting Standards Codification*®

Financial Accounting Standards Board

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.

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CONTENTS

	Page Numbers
Summary	1–2
Amendments to the <i>FASB Accounting Standards Codification</i> ®	3–7
Background Information and Basis for Conclusions	8–18
Amendments to the GAAP Taxonomy	19

Summary

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

The FASB is issuing this Update to increase the transparency of government assistance including the disclosure of (1) the types of assistance, (2) an entity's accounting for the assistance, and (3) the effect of the assistance on an entity's financial statements. Diversity currently exists in the recognition, measurement, presentation, and disclosure of government assistance received by business entities because of the lack of specific authoritative guidance in generally accepted accounting principles (GAAP). Requiring disclosures about government assistance in the notes to financial statements will provide comparable and transparent information to investors and other financial statement users to enable them to understand an entity's financial results and prospects for future cash flows.

Who Is Affected by the Amendments in This Update?

The amendments in this Update apply to business entities (all entities except for not-for-profit [NFP] entities within the scope of Topic 958, Not-for-Profit Entities, and employee benefit plans within the scope of Topic 960, Plan Accounting—Defined Benefit Pension Plans, Topic 962, Plan Accounting—Defined Contribution Pension Plans, and Topic 965, Plan Accounting—Health and Welfare Benefit Plans) that account for a transaction with a government by applying a grant or contribution accounting model by analogy to other accounting guidance (for example, a grant model within IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, or Subtopic 958-605, Not-For-Profit Entities—Revenue Recognition).

What Are the Main Provisions?

The amendments in this Update require the following annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy:

1. Information about the nature of the transactions and the related accounting policy used to account for the transactions
2. The line items on the balance sheet and income statement that are affected by the transactions, and the amounts applicable to each financial statement line item
3. Significant terms and conditions of the transactions, including commitments and contingencies.

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

Current GAAP has no specific authoritative guidance on the accounting for, or the disclosure of, government assistance received by business entities. The amendments in this Update improve financial reporting by requiring disclosures that increase the transparency of transactions with a government accounted for by applying a grant or contribution accounting model by analogy, including (1) the types of transactions, (2) the accounting for those transactions, and (3) the effect of those transactions on an entity's financial statements.

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

The amendments in this Update are effective for all entities within their scope for financial statements issued for annual periods beginning after December 15, 2021. Early application of the amendments is permitted.

An entity should apply the amendments in this Update either (1) prospectively to all transactions within the scope of the amendments that are reflected in financial statements at the date of initial application and new transactions that are entered into after the date of initial application or (2) retrospectively to those transactions.

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, and deleted text is ~~struck out~~.

Addition of Topic 832

2. Add Topic 832, with a link to transition paragraph 832-10-65-1, as follows:

[For ease of readability, the new Topic is not underlined.]

Government Assistance—Overall

Overview and Background

General

832-10-05-1 Governments provide different forms of assistance to entities, and the forms of assistance have varying structures, complexities, and terms. Government assistance can include tax credits, cash grants, grants of other assets, and project grants. Often, government assistance is provided to an entity for a particular purpose, and the entity promises to take specific actions. Generally accepted accounting principles (GAAP) do not provide comprehensive recognition and measurement guidance for many forms of government assistance received by business entities.

832-10-05-2 This Topic provides guidance on disclosures for transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy.

Scope and Scope Exceptions

General

> Overall Guidance

832-10-15-1 The Scope Section of the Overall Subtopic establishes the scope for this Topic.

> Entities

832-10-15-2 The guidance in this Topic applies to all entities except **not-for-profit entities** and employee benefit plans within the scope of Topics 960, 962, and 965 on plan accounting.

> Transactions

832-10-15-3 If an entity determines that the accounting for a transaction with a government is not specified within the scope of authoritative generally accepted accounting principles (GAAP), paragraph 105-10-05-2 requires that the entity first consider accounting principles for similar transactions or events within an authoritative source of GAAP for that entity and then consider nonauthoritative guidance from other sources.

832-10-15-4 The guidance in this Topic applies to entities that have accounted for transactions with a government by analogizing to a grant or contribution accounting model (for example, a grant model within IFRS Standards or a contribution model within Subtopic 958-605 on not-for-profit entities—revenue recognition).

832-10-15-5 Transactions with a government, as used in this Topic, include assistance that is administered by domestic, foreign, local (for example, city, town, county, and municipal), regional (for example, state, provincial, and territorial), and national (federal) governments and entities related to those governments. Examples of entities related to governments include departments, independent agencies, boards, commissions, and component units. Government assistance also can be administered by intergovernmental organizations and other types of organizations such as nongovernmental organizations or government-sponsored enterprises that have authority from a government to administer assistance on its behalf.

Glossary

Not-for-Profit Entity

An entity that possesses the following characteristics, in varying degrees, that distinguish it from a business entity:

- a. Contributions of significant amounts of resources from resource providers who do not expect commensurate or proportionate pecuniary return
- b. Operating purposes other than to provide goods or services at a profit
- c. Absence of ownership interests like those of business entities.

Entities that clearly fall outside this definition include the following:

- a. All investor-owned entities
- b. Entities that provide dividends, lower costs, or other economic benefits directly and proportionately to their owners, members, or participants, such as mutual insurance entities, credit unions, farm and rural electric cooperatives, and employee benefit plans.

Disclosure

General

832-10-50-1 An entity shall provide the disclosures required by this Topic for annual periods.

832-10-50-2 The objective of disclosures about an entity's transactions with a government within the scope of this Topic is to provide information that enables an investor or other financial statement user to better assess all the following:

- a. The nature of the transactions, the related accounting policies used to account for the transactions, and the effect of the transactions on an entity's financial statements
- b. Significant terms and conditions of the transactions.

> Nature of the Assistance, Related Accounting Policies, and Effect on Financial Statement Amounts

832-10-50-3 An entity shall disclose the following about transactions with a government within the scope of this Topic:

- a. The nature of the transactions, including a general description of the transactions and the form in which the assistance has been received (for example, cash or other assets)
- b. The accounting policies used to account for the transactions as required by paragraph 235-10-50-1
- c. The line items on the balance sheet and income statement that are affected by the transactions, and the amounts applicable to each financial statement line item in the current reporting period.

> Significant Terms and Conditions

832-10-50-4 An entity shall disclose information about the significant terms and conditions of transactions with a government within the scope of this Topic. Terms and conditions that might be appropriate to disclose include, but are not limited to, any of the following:

- a. The duration or period of the agreement
- b. Commitments made by both the reporting entity and the government
- c. Provisions, if any, for recapture (for example, when the government can recapture amounts awarded), including the conditions under which recapture is allowed
- d. Other contingencies.

> Restrictions

832-10-50-5 If an entity omits specific information required by paragraphs 832-10-50-1 through 50-4 because the information is legally prohibited from being disclosed, the entity shall disclose a description of the general nature of the information and indicate that the omitted disclosures are legally prohibited from being disclosed.

Transition and Open Effective Date Information

General

> Transition Related to Accounting Standards Update No. 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*

832-10-65-1 The following represents the transition and effective date information related to Accounting Standards Update No. 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*:

- a. For all entities except **not-for-profit entities** and employee benefit plans within the scope of Topics 960, 962, and 965 on plan accounting, the pending content that links to this paragraph shall be effective for financial statements issued for annual periods beginning after December 15, 2021.
- b. Early application of the pending content that links to this paragraph is permitted.
- c. The pending content that links to this paragraph shall be applied either:
 - 1. Prospectively to all transactions within the scope of the pending content that are reflected in financial statements at the date of initial application and to new transactions that are entered into after the date of initial application
 - 2. Retrospectively.

Amendments to Status Sections

- 3. Add paragraph 832-10-00-1 as follows:

832-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Not-for-Profit Entity	Added	2021-10	11/17/2021
832-10-05-1	Added	2021-10	11/17/2021
832-10-05-2	Added	2021-10	11/17/2021
832-10-15-1 through 15-5	Added	2021-10	11/17/2021
832-10-50-1 through 50-5	Added	2021-10	11/17/2021
832-10-65-1	Added	2021-10	11/17/2021

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

Richard R. Jones, *Chair*
James L. Kroeker, *Vice Chairman*
Christine A. Botosan
Gary R. Buesser
Frederick L. Cannon
Susan M. Cospers
Marsha L. Hunt

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.

Background Information

BC2. Diversity in practice exists in the recognition, measurement, presentation, and disclosure of government assistance received by business entities because there is no specific topical authoritative guidance in GAAP. For example, some business entities apply the guidance in the Contributions Received Subsections of Topic 958 on NFP entities even though paragraph 958-605-15-6 excludes from its scope transfers of assets from governmental units to business entities. Other entities apply the guidance in IAS 20 on accounting for government grants and disclosure of government assistance.

BC3. Pre-agenda research revealed limited decision-useful information in financial reporting for a wide variety of government assistance. After considering the many types of government assistance arrangements and the resources and amount of time that would be needed to complete a comprehensive project on the recognition and measurement of government assistance, on January 29, 2014, the Board added a project focused on disclosure requirements. The objective of the project was to increase the transparency of government assistance including (a) the types of assistance, (b) the accounting for government assistance, and (c) the effect on an entity's financial statements.

BC4. On November 12, 2015, the Board issued the proposed Accounting Standards Update, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*, with comments due by February 10, 2016. The Board received 40 comment letters. Overall, stakeholders supported the effort to increase the transparency of government assistance. Some stakeholders urged the Board to expand the project to include recognition, measurement, and presentation guidance. The Board decided to continue to focus on disclosure requirements because a more comprehensive project would be more complex and disclosure could shed light on the diversity in practice and other issues that might inform standard setting related to recognition, measurement, and presentation at a later date. Feedback received on other specific topics is incorporated below.

BC5. The Board discussed the comments received at its May 4, 2016 meeting and continued redeliberations through the end of 2018. At its November 14, 2018 meeting, the Board directed the staff to perform an external review of a staff draft of the final Update that reflected the decisions made during redeliberations. At its February 27, 2019 meeting, the Board discussed concerns raised during the external review about the potential costs of implementing the amendments and directed the staff to conduct additional outreach on the expected costs and benefits.

BC6. Because the COVID-19 pandemic resulted in a significant increase in government funding provided to companies, investors and other financial statement users requested that information about government assistance be disclosed in financial statements. At its May 26, 2021 meeting, the Board decided to narrow the types of arrangements to which the disclosure requirements would apply to ensure the timely issuance of the final amendments in this Update.

Benefits and Costs

BC7. 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.

BC8. The Board issues standards when the expected benefits of the resulting information justify the expected costs. Throughout the project, the Board received consistent feedback from investors and other financial statement users of public and private entity financial statements that disclosure of the terms and conditions, contingencies, and longevity of government assistance agreements and the effect of government assistance on financial results would be decision useful. Thus, in response to the feedback received, the amendments in this Update should provide investors and other financial statement users with decision-useful information.

BC9. The Board addressed many of the concerns raised by stakeholders in response to the 2015 proposed Update including removing the proposed requirement to disclose amounts received but not recognized in financial statements. That proposed requirement was not identified as significantly useful for investors and other financial statement users and was identified as the highest cost to implement. Stakeholders continued to express concerns about the proposed scope of the guidance. To improve the operability of the amendments

and provide decision-useful information to investors and other financial statement users in a timely manner, the Board narrowed the scope of the amendments to transactions with a government that an entity recognizes and measures by applying a grant or contribution accounting model by analogy (for example, a grant model within IFRS Standards or a contribution model within Subtopic 958-605 on NFP entities—revenue recognition).

BC10. The Board acknowledges that the expected cost of implementing the amendments in this Update will vary among entities. The extent of transactions with a government and the level at which assistance is received vary across entities. In addition, some entities have systems in place to track the information required by the amendments and already disclose some of the information in their financial statements and notes. Other entities do not, however, and for those entities the expected cost of adopting the amendments may be initially higher. Given the increase in government assistance related to the COVID-19 pandemic, the number of entities that have adopted accounting policies on government assistance has increased. Therefore, the Board concluded that, overall, the expected benefits of the changes will justify the expected costs.

Basis for Conclusions

Scope

Transactions

BC11. The amendments in the proposed Update would have applied to entities that entered into a legally enforceable agreement with a government to receive value. Under the agreement, the government would determine whether an entity would receive assistance and/or how much assistance the entity would receive if it met applicable eligibility requirements. The proposed amendments also stated that Topic 832 would not apply to transactions in which the government is either of the following:

- a. Legally required to provide a nondiscretionary level of assistance to an entity simply because the entity meets eligibility requirements that are broadly available without a specific agreement between the entity and the government. In those transactions, the government would not have discretion over whether an entity would receive assistance or how much assistance the entity would receive.
- b. A customer.

BC12. During initial deliberations, the Board concluded that a legally enforceable agreement that requires a government to determine whether an entity would receive assistance or the amount of assistance received distinguishes government assistance programs from other types of transactions between an entity and a

government. In addition, a legally enforceable agreement identifies the most prevalent forms of government assistance for which the Board concluded investors and other financial statement users would benefit from additional disclosures. The Board emphasized that it would be necessary for entities to consider the facts and circumstances to determine whether an agreement is within the scope of the disclosures.

BC13. The Board concluded that such an agreement may include unusual or unique terms and conditions not readily apparent or otherwise known to investors and other financial statement users. In addition, disclosure about such government assistance would add transparency about assistance that might differentially affect cash flows in current and future periods.

BC14. Many respondents to the proposed Update agreed that the proposed scope would be operable but requested that the Board clarify certain terms, such as *value*, *nondiscretionary*, *discretion*, and *broadly available*. Other respondents indicated that the proposed scope was too broad and would not be operable. For example, some questioned whether tax settlements and transfer pricing agreements would be within the scope. Some respondents suggested that the Board limit the scope to specific types of assistance, such as loan guarantees, grants, and tax abatements.

BC15. Many stakeholders expressed concern about including assistance within the scope of Topic 740, Income Taxes, which the amendments in the proposed Update did not exclude. Respondents raised concerns about the cost and complexity involved in determining whether a transaction is within the scope of both Topic 740 and Topic 832. To address those concerns, the Board decided to exclude transactions that are within the scope of Topic 740 from the scope of the amendments in this Update.

BC16. The Board decided to exclude transactions in which a government is a customer from the scope of the amendments in this Update. The Board concluded that transactions in which a government is a customer do not create the need for additional disclosure requirements because other Topics within the Codification (for example, transactions within the scope of Topic 606, Revenue from Contracts with Customers) include the relevant disclosure requirements.

BC17. In an effort to provide decision-useful information to investors and other financial statement users and to further reduce the cost and complexity of the guidance, at its May 26, 2021 meeting, the Board decided to limit the scope of the amendments in this Update further to transactions with a government in which a business entity accounts for that transaction by applying a grant or contribution accounting model (for example, IAS 20 or Subtopic 958-605) by analogy. If a transaction with a government is accounted for in accordance with existing authoritative guidance in GAAP (for example, Topic 450, Contingencies, Topic 606, or Topic 740), that transaction is not within the scope of the amendments in this Update.

BC18. The following are examples of transactions with a government that would require disclosure under the amendments in this Update:

- a. A forgivable loan from a government that an entity accounts for as a grant by applying IAS 20 by analogy
- b. A receipt of cash or other assets from a government that the entity accounts for as a contribution by applying Subtopic 958-605 by analogy.

BC19. Because of the government assistance provided to entities during the COVID-19 pandemic, more entities have entered into transactions with a government and have had to determine how to account for those transactions. As a result, more entities have established accounting policies for transactions with a government and have gained a better understanding of how to account for those transactions.

BC20. The Board acknowledges that the revised scope in this Update is narrower than the scope of the proposed Update. However, the Board concluded that this revised approach should (a) be cost beneficial by requiring disclosure for many transactions with a government in which no Topic in the Codification provides specific guidance and (b) provide improved transparency and decision-useful information to investors and other financial statement users.

BC21. The Board concluded that finalizing disclosures for a subset of transactions with a government for which there is no specific topical authoritative guidance in GAAP would help to address user concerns about a lack of transparency about government assistance. The revised scope of the disclosures also should result in information about the transactions that are being accounted for under a grant or contribution model, which should increase transparency of those transactions. The disclosures required by the amendments in this Update could provide useful information that could help determine the scope of a potential future project on recognition and measurement.

Entities

BC22. The Board decided to exclude NFP entities from the scope of the amendments in this Update because guidance exists in Topic 958 for those entities for government assistance that meets the definition of a contribution. The Board concluded that users of NFP entity financial statements do not have a significant need for additional information. Some stakeholders indicated that Topic 958 provides limited disclosure requirements and that there is diversity in practice among NFP entities when distinguishing contributions from exchange transactions. Nevertheless, stakeholder feedback on the proposed amendments generally supported the exclusion of NFP entities.

BC23. During redeliberations, the Board decided to exclude employee benefit plans within the scope of Topics 960, 962, and 965 on plan accounting from the scope of the amendments in this Update. Research indicated that employee

benefit plans generally do not receive a significant amount of government assistance.

Government

BC24. The Board decided that, in the amendments in this Update, transactions with a government include assistance that is administered by domestic, foreign, local (for example, city, town, county, and municipal), regional (for example, state, provincial, and territorial), and national (federal) governments, including entities related to those governments (for example, departments, independent agencies, boards, commissions, and component units), and intergovernmental organizations. Generally, intergovernmental organizations are formed by multiple governments, and the goals and scopes of those organizations can vary. Examples of intergovernmental organizations include global organizations (for example, the United Nations), regional organizations (for example, the European Union), and economic organizations (for example, the World Trade Organization).

BC25. Government assistance can be administered through other types of organizations such as nongovernmental organizations or government-sponsored enterprises that have authority from a government. Information about government assistance received by an entity could be relevant to an investor or other financial statement user regardless of which type of governmental entity or other related organization is providing the assistance. The Board concluded that the scope of the amendments in this Update is broad enough to ensure that assistance received from most types of governmental entities or other related organizations that are within the scope of the amendments should be disclosed. Stakeholder feedback did not indicate significant concerns about the description of the types of governments and related entities that can administer assistance on behalf of a government.

Disclosures

BC26. The Board used the concepts and decision questions in FASB Concepts Statement No. 8, *Conceptual Framework for Financial Reporting—Chapter 8*, Notes to Financial Statements, to assist in developing relevant disclosure objectives and requirements.

BC27. Except for the proposed requirement to disclose the amount of government assistance received but not recognized directly in financial statements, respondents did not have significant concerns about the majority of the disclosures included in the proposed Update.

Nature of the Assistance and Related Accounting Policies

BC28. Diversity in practice exists because there is no specific topical authoritative guidance in GAAP on recognizing and measuring transactions with a government in financial statements. Consequently, the Board decided to require disclosure of the nature of the government assistance and the related accounting policy used to account for the transaction. That information should help investors and other financial statement users understand the effect of government assistance on financial statements.

Amounts Applicable to Each Line Item

BC29. The Board decided to require that an entity disclose the amounts of government assistance recognized in the balance sheet and income statement and the related financial statement line items affected by those amounts. Disclosure of those amounts could provide investors and other financial statement users with more complete information about the effect of transactions with a government on an entity's financial results. Transactions with a government may differ in nature. Therefore, the Board concluded that it is critical that investors and other financial statement users understand not only the nature of assistance, but also how that assistance relates to other information in financial statements. However, the Board decided not to require that an entity disaggregate transactions with a government by various factors, including type of government or geography.

Amounts of Assistance Received but Not Recognized Directly in Financial Statements

BC30. The amendments in the proposed Update would have required that an entity disclose, unless impracticable, the amount of government assistance received but not recognized directly in any financial statement line item. The proposed amendments described common types of such assistance, including a benefit from a loan guarantee or a reduced amount of sales or other type of tax. In those instances, the proposed amendments would have required that an entity disclose the amount that would have affected financial statements.

BC31. Respondents expressed significant concerns about the cost and complexity of complying with this proposed requirement. They noted that entities might need to develop and implement new systems, procedures, and processes to capture the information because many do not measure assistance not recognized. Additionally, some respondents questioned the meaning of *impracticable* and how some types of assistance, such as loan guarantees, should be measured. Practitioners raised concerns about auditability and the difficulty of identifying comparable transactions entered into between willing participants in an open

market. In response, the Board decided to eliminate the proposed disclosure requirement because the expected benefit would not justify the expected cost.

Significant Terms and Conditions

BC32. Some investors and other financial statement users commented that information about the terms, conditions, and longevity of government assistance is important to their analyses. Consequently, the Board decided to require the disclosure of the significant terms and conditions of government assistance. For example, if an entity is entitled to receive a grant in the amount of \$100,000 (\$20,000 per year) for the next 5 years and that transaction is within the scope of the amendments in this Update, that information should be disclosed. Alternatively, if an agreement indicates that an entity is entitled to receive an amount that is based on 5 percent of gross revenue for the next 5 years and that transaction is within the scope of the amendments, an entity should disclose those terms but would not be required to disclose a dollar amount.

Interim Disclosures

BC33. The Board decided that the amendments in this Update are required on an annual basis. If a reporting entity prepares interim financial statements, that entity should look to the existing disclosure requirements in Topic 270, Interim Reporting, for guidance.

Confidentiality

BC34. The following concerns were raised by some stakeholders:

- a. Individual agreements may include confidentiality clauses that prohibit providing the disclosures required by the amendments in the proposed Update.
- b. The proposed amendments could require disclosure of proprietary information.
- c. Increased transparency about government assistance could affect government spending or jeopardize ongoing or future negotiations with a government.

BC35. The Board conducted research and outreach with stakeholders and did not identify any laws, domestic or foreign, that would prohibit reporting entities from disclosing government assistance. Stakeholders provided the Board with numerous references to state laws in the United States that prohibit governments from disclosing proprietary information provided by businesses to governments in the ordinary course of negotiations for contracts on economic development incentives, tax abatements, real estate, or others. Those are requirements for government entities and, therefore, are not relevant for business entity disclosures.

In addition, proprietary information used during negotiations with the government is not a part of the disclosures in the amendments in this Update.

BC36. On the basis of research performed, the Board concluded that it is not likely that transactions with a government would contain confidentiality clauses that prohibit the disclosure of information required by the amendments in this Update. The Board decided that if an entity omits specific information required by the amendments because the information is legally prohibited from being disclosed, the entity should disclose a description of the general nature of the information omitted and indicate that the required disclosures are omitted because the information is legally prohibited from being disclosed. The effect of including that disclosure is that the omission of the disclosure will be clear to a reader of financial statements. In this manner, the user is informed that there is an effect on the entity's financial statements that could affect the user's assessment of the entity.

Private Company Considerations

BC37. The Board decided not to prescribe alternative disclosure requirements for private companies. The *Private Company Decision-Making Framework: A Guide for Evaluating Financial Accounting and Reporting for Private Companies* indicates that relevance should be considered first when determining whether to provide an alternative disclosure. The Board concluded that the amendments in this Update provide relevant information to investors and other financial statement users of private company financial statements on cash balances, current or future cash flows, significant events and transactions affecting cash flows that are infrequent in nature, and significant contingencies and commitments affecting future cash flows. Many members of the Private Company Council (PCC) strongly support the Board's efforts to increase the transparency of government assistance through disclosure in the notes to financial statements. Other PCC members expressed concern about disclosing proprietary or confidential information about transactions with a government.

BC38. Paragraph 4.4 of the Private Company Decision-Making Framework indicates that the Board should consider (a) the complexity of and the extent of change expected from the amendments, (b) whether the amendments are required to be applied using a retrospective method of transition, and (c) the extent to which investors and other financial statement users may be adversely affected because of an extended period of time in which private company and public company financial statements are not reported on a comparable basis. User feedback from private and public companies was consistent, and private company investors and other financial statement users could benefit from increased transparency about government assistance. Some companies are currently disclosing the information required by the amendments in this Update, and some companies may choose to early adopt the disclosures because of the increased prevalence of transactions with a government. Because of those factors, the Board concluded that it was not

necessary to provide an additional year deferred effective date for private companies.

Other Considerations

BC39. At its May 26, 2021 meeting, the Board considered whether there was a need to reexpose the decisions that were made during redeliberations. The Board concluded that there was no need to reexpose the document for public comment because the changes made were responsive to comments received from many stakeholders on the amendments in the proposed Update. Given the additional outreach performed on the expected costs and expected benefits as well as the ongoing outreach performed since the inception of the project, the Board concluded that sufficient outreach had been performed and that it was unlikely that significant novel feedback would be received through reexposure.

How Do the Provisions Compare with IFRS Standards?

BC40. The amendments in this Update are consistent with IFRS Standards in that IAS 20 provides guidance on disclosing government grants and other forms of government assistance. However, IAS 20 also provides guidance on recognizing and measuring government grants but not on other forms of government assistance. IAS 20 requires the following disclosures:

- a. The accounting policy adopted for government grants, including the methods of presentation adopted in financial statements
- b. The nature and extent of government grants recognized in financial statements and an indication of other forms of government assistance from which the entity has directly benefited
- c. Unfulfilled conditions and other contingencies attached to government assistance that have been recognized.

Transition, Effective Date, and Early Adoption

BC41. The Board concluded that the amendments in this Update should be effective for all business entities for annual periods beginning after December 15, 2021. As indicated in paragraph BC38, the Board decided that it was not necessary to provide an additional year deferred effective date for private companies.

BC42. The Board decided that the effective date should allow adequate time for entities to apply the amendments in this Update. The Board noted that the limited scope of the amendments should make it easier for many entities to implement the guidance. The Board decided to permit early application of the amendments.

BC43. An entity should apply the amendments in this Update either (a) prospectively to all transactions with a government accounted for by applying a

grant or contribution accounting model by analogy that are reflected in financial statements at the date of initial application and new transactions that are entered into after the date of initial application or (b) retrospectively to those transactions. The Board concluded that permitting a prospective transition method provides investors and other financial statement users with decision-useful information and is more cost effective than full retrospective application. In addition, entities are permitted to apply the amendments retrospectively.

Amendments to the GAAP Taxonomy

The amendments to the *FASB Accounting Standards Codification*® in this Accounting Standards Update require improvements to the GAAP Financial Reporting Taxonomy and SEC Reporting Taxonomy (collectively referred to as the “GAAP Taxonomy”). Those improvements, which will be incorporated into the proposed 2022 GAAP Taxonomy, are available through GAAP Taxonomy Improvements provided at www.fasb.org, and finalized as part of the annual release process.