

# FINANCIAL ACCOUNTING SERIES

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## ACCOUNTING STANDARDS UPDATE

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No. 2020-10  
October 2020

### Codification Improvements

An Amendment of the *FASB Accounting Standards Codification*®

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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.....	1–3
Amendments to the <i>FASB Accounting Standards Codification</i> ® .....	5–43
Amendments to the XBRL Taxonomy .....	44



# Summary

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

The Board has a standing project on its agenda to address suggestions received from stakeholders on the Accounting Standards Codification and to make other incremental improvements to generally accepted accounting principles (GAAP). This perpetual project facilitates Codification updates for technical corrections such as conforming amendments, clarifications to guidance, simplifications to wording or structure of guidance, and other minor improvements and should eliminate the need for periodic agenda requests for narrow and incremental items. The resulting amendments are referred to as Codification improvements.

The Board decided that the types of issues that it will consider through this project are changes to clarify the Codification or correct unintended application of guidance that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The amendments in this Update include items raised for Board consideration through the Codification's feedback system that met the scope of this project.

An explanation of why each amendment in this Update is being made is provided in the "Amendments to the *FASB Accounting Standards Codification*<sup>®</sup>" section. Thus, there is no separate section for the Board's basis for conclusions in this Update.

Several issues and their proposed amendments that were in the 2019 proposed Accounting Standards Update, *Codification Improvements*, were removed from this final Update. The issues in this Update are numbered as they were in the proposed Update. Section A, which included Issues 1–16, was removed because the issues in that section will be addressed in a separate Accounting Standards Update. Issues 26 and 28 were removed because they were superseded by a previous Accounting Standards Update. Issues 34, 51, and 54 were removed for further research. Issues 37, 38, 40, 42–44, 49, and 50 are addressed in Accounting Standards Update No. 2020-03, *Codification Improvements to Financial Instruments*, which was issued in March 2020, because of effective date timing concerns.

## Who Is Affected by the Amendments in This Update?

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

## What Are the Main Provisions?

Codification users should review this entire Update to assess any effects that the amendments may have on entities that are within the Update's scope. **[Note: Section A was removed from this final Update because the amendments in that section will be addressed in a separate Accounting Standards Update.]**

Section B of this Update contains amendments that improve the consistency of the Codification by including all disclosure guidance in the appropriate Disclosure Section (Section 50). Many of the amendments arose because the Board provided an option to give certain information either on the face of the financial statements or in the notes to financial statements and that option only was included in the Other Presentation Matters Section (Section 45) of the Codification. The option to disclose information in the notes to financial statements should have been codified in the Disclosure Section as well as the Other Presentation Matters Section (or other Section of the Codification in which the option to disclose in the notes to financial statements appears). Those amendments are not expected to change current practice.

Section C of this Update contains Codification improvements that vary in nature.

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

The amendments in Section B of this Update improve the Codification by ensuring that all guidance that requires or provides an option for an entity to provide information in the notes to financial statements is codified in the Disclosure Section of the Codification. That reduces the likelihood that the disclosure requirement would be missed. The Board does not anticipate that the amendments in Section B will result in any changes to current GAAP.

The amendments in Section C of this Update are varied in nature and may affect the application of the guidance in cases in which the original guidance may have been unclear. The amendments in Section C clarify guidance so that an entity can apply the guidance more consistently.



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

The amendments in this Update do not change GAAP and, therefore, are not expected to result in a significant change in practice. However, the Board is aware that some entities may have applied the guidance being amended in an inconsistent manner. The inconsistent application of the guidance may result in some entities changing their current accounting practices and financial statement reporting. Therefore, the Board is providing transition guidance for all the amendments in this Update.

The amendments in Sections B and C of this Update are effective for annual periods beginning after December 15, 2020, for public business entities. For all other entities, the amendments are effective for annual periods beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022.

Early application of the amendments in this Update is permitted for public business entities for any annual or interim period for which financial statements have not been issued. For all other entities, early application of the amendments is permitted for any annual or interim period for which financial statements are available to be issued.

The amendments in this Update should be applied retrospectively. An entity should apply the amendments at the beginning of the period that includes the adoption date.



# Amendments to the *FASB Accounting Standards Codification*<sup>®</sup>

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## Introduction

1. The Accounting Standards Codification is amended as described in paragraphs 2–79. 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~~.

## Section A—Amendments to Remove References to the Concepts Statements

**[Note: Section A (which included Issues 1–16) is omitted from this final Update. Those issues will be addressed in a separate Accounting Standards Update.]**

## Section B—Amendments to Disclosure Sections of the Codification

2. A review of the Codification revealed disclosure requirements or options to present information on the face of the financial statements or as a note to financial statements that were not included in the appropriate Disclosure Sections of the Codification. The amendments in Section B amend the Codification to include those disclosure requirements or options in the appropriate Disclosure Sections. These amendments improve the Codification by having all disclosure-related guidance available in the Disclosure Sections of the Codification.

## Amendments to Subtopic 205-10, Presentation of Financial Statements—Overall

### *Issue 17*

3. The requirement for entities to provide information in the comparative financial statements about notes to financial statements, explanations, and accountants' reports containing qualifications that appeared on the statements for the preceding years was codified in paragraph 205-10-45-4 but not in the corresponding Disclosure Section. The amendment adds the disclosure-specific requirements

from the other presentation guidance to the Disclosure Section of Subtopic 205-10.

4. Amend paragraph 205-10-45-4 and add paragraph 205-10-50-2, with a link to transition paragraph 105-10-65-6, as follows:

## **Presentation of Financial Statements—Overall**

### **Other Presentation Matters**

#### **> Comparative Financial Statements**

**205-10-45-4** Notes to financial statements, explanations, and accountants' reports containing qualifications that appeared on the statements for the preceding years shall be repeated, or at least referred to, in the comparative statements to the extent that they continue to be of significance. (See paragraph 205-10-50-2.)  
**[Content amended and copied to paragraph 205-10-50-2]**

### **Disclosure**

#### **> Changes Affecting Comparability**

**205-10-50-2** Notes to financial statements, explanations, and accountants' reports containing qualifications that appeared on the statements for the preceding years shall be repeated, or at least referred to, in the comparative statements to the extent that they continue to be of significance. (See paragraph 205-10-45-4.)  
**[Content amended as shown and copied from paragraph 205-10-45-4]**

## **Amendments to Subtopic 220-10, Income Statement— Reporting Comprehensive Income—Overall**

### ***Issue 18***

5. Paragraph 220-10-45-12 permits an entity to provide certain required income tax expense or benefit information either on the face of the financial statement in which the components with allocated tax expense benefit or expense appear or in the notes to financial statements. The guidance was codified in the Other Presentation Matters Section with no corresponding guidance in the Disclosure Section. The amendment makes a minor edit to remove the word *the* from the phrase *notes to the financial statements* and adds the guidance to the Disclosure Section of Subtopic 220-10.

6. Amend paragraph 220-10-45-12 and add paragraph 220-10-50-4, with a link to transition paragraph 105-10-65-6, as follows:

## **Income Statement—Reporting Comprehensive Income—Overall**

### **Other Presentation Matters**

#### **> Presentation of Income Tax Effects**

**220-10-45-12** An entity shall present the amount of income tax expense or benefit allocated to each component of other comprehensive income, including **reclassification adjustments**, in the statement in which those components are presented or disclose it in the notes to the financial statements. Example 1 (see paragraphs 220-10-55-7 through 55-8B) illustrates the alternative formats for disclosing the tax effects related to the components of other comprehensive income. (See paragraph 220-10-50-4.) **[Content amended and copied to paragraph 220-10-50-4]**

### **Disclosure**

#### **> Certain Income Tax Effects within Accumulated Other Comprehensive Income**

**220-10-50-4** An entity shall present the amount of income tax expense or benefit allocated to each component of other comprehensive income, including **reclassification adjustments**, in the statement in which those components are presented or disclose it in the notes to the financial statements. Example 1 (see paragraphs 220-10-55-7 through 55-8B) illustrates the alternative formats for disclosing the tax effects related to the components of other comprehensive income. (See paragraph 220-10-45-12.) **[Content amended as shown and copied from paragraph 220-10-45-12]**

### *Issue 19*

7. Paragraph 220-10-45-14A permits an entity to provide certain required information about the changes in the accumulated balances for components of other comprehensive income either on the face of the financial statements or in the notes to financial statements. The guidance was codified in the Other Presentation Matters Section with no corresponding guidance in the Disclosure Section. The amendment adds the guidance to the Disclosure Section of Subtopic 220-10.

8. Amend paragraph 220-10-45-14A and its related heading and the heading preceding paragraph 220-10-50-1 and add paragraph 220-10-50-5, with a link to transition paragraph 105-10-65-6, as follows:

## **Other Presentation Matters**

### **> Presentation of Income Tax Effects**

#### **> > Reporting Changes and Certain Income Tax Effects within Accumulated Other Comprehensive Income**

**220-10-45-14A** An entity shall present, either on the face of the financial statements or as a separate disclosure in the notes, the changes in the accumulated balances for each component of other comprehensive income included in that separate component of equity, as required in paragraph 220-10-45-14. In addition to the presentation of changes in accumulated balances, an entity shall present separately for each component of other comprehensive income, current period reclassifications out of accumulated other comprehensive income and other amounts of current-period other comprehensive income. Both before-tax and net-of-tax presentations are permitted provided the entity complies with the requirements in paragraph 220-10-45-12. Paragraph 220-10-55-15 illustrates the disclosure of changes in accumulated balances for components of other comprehensive income as a separate disclosure in the notes to financial statements. (See paragraph 220-10-50-5.) **[Content amended and copied to paragraph 220-10-50-5]**

## **Disclosure**

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

**220-10-50-1** An entity shall disclose a description of the accounting policy for releasing income tax effects from accumulated other comprehensive income.

**220-10-50-5** An entity shall present, either on the face of the financial statements or as a separate disclosure in the notes, the changes in the accumulated balances for each component of other comprehensive income included in that separate component of equity, as required in paragraph 220-10-45-14. In addition to the presentation of changes in accumulated balances, an entity shall present separately for each component of other comprehensive income, current period reclassifications out of accumulated other comprehensive income and other amounts of current-period other comprehensive income. Both before-tax and net-of-tax presentations are permitted provided the entity complies with the requirements in paragraph 220-10-45-12. Paragraph 220-10-55-15 illustrates the

disclosure of changes in accumulated balances for components of other comprehensive income as a separate disclosure in the notes to financial statements. (See paragraph 220-10-45-14A.) **[Content amended as shown and copied from paragraph 220-10-45-14A]**

## *Issue 20*

9. Paragraph 220-10-45-17B permits an entity to provide required information about significant amounts reclassified out of accumulated other comprehensive income either on the face of the financial statement where net income is presented or in the notes to financial statements. The guidance was codified in the Other Presentation Matters Section with no corresponding guidance in the Disclosure Section. The amendment moves the disclosure-specific requirements from the other presentation guidance to the Disclosure Section of Subtopic 220-10 and makes conforming amendments to provide corrected references to all affected paragraphs.

10. Amend paragraphs 220-10-45-17 through 45-17A, 220-10-55-15, and 220-10-55-17E, supersede paragraph 220-10-45-17B, and add paragraph 220-10-50-6, with a link to transition paragraph 105-10-65-6, as follows:

## **Other Presentation Matters**

### **> Reclassification Adjustments**

**220-10-45-17** An entity shall separately provide information about the effects on net income of significant amounts reclassified out of each component of accumulated other comprehensive income if those amounts all are required under other Topics to be reclassified to net income in their entirety in the same reporting period. An entity shall provide this information together, in one location, in either of the following ways:

- a. On the face of the statement where net income is presented
- b. As a separate disclosure in the notes to ~~the~~ financial statements.

~~The following paragraph~~ Paragraph 220-10-45-17A describes the information requirements for presentation on the face of the statements where net income is presented, and paragraph ~~220-10-45-17B~~ 220-10-50-6 describes the information requirements for disclosure in the notes to ~~the~~ financial statements.

**220-10-45-17A** If an entity chooses to present information about the effects of significant amounts reclassified out of accumulated other comprehensive income on net income, on the face of the statement where net income is presented, the entity shall present parenthetically by component of other comprehensive income the effect of significant reclassification amounts on the respective line items of net income. An entity also shall present parenthetically the aggregate tax effect of all

significant reclassifications on the line item for income tax benefit or expense in the statement where net income is presented. However, if an entity chooses to use a separate line item or items in the income statement to present significant pension cost components or other postretirement benefit cost components reclassified out of accumulated other comprehensive income, it shall no longer be required to present those pension cost components or other postretirement benefit cost components parenthetically. If an entity is unable to identify the line item of net income affected by any significant amount reclassified out of accumulated other comprehensive income in a reporting period (including when all reclassifications for the period are not to net income in their entirety), the entity must follow the guidance in paragraph ~~220-10-45-17B~~220-10-50-6. Paragraph 220-10-55-17F provides an example of presentation of the effect of reclassification on the face of the statement where net income is presented.

**220-10-45-17B** Paragraph superseded by Accounting Standards Update No. 2020-10. ~~If an entity chooses to present information about significant amounts reclassified out of accumulated other comprehensive income in the notes to the financial statements or is required to do so by the preceding paragraph, it shall present 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. [Content amended and moved to paragraph 220-10-50-6]~~

## Disclosure

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

**220-10-50-6** If an entity chooses to ~~present~~disclose information about significant amounts reclassified out of accumulated other comprehensive income in the notes to the financial statements or is required to do so by the preceding paragraph ~~220-10-45-17A~~, it shall ~~present~~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.) **[Content amended as shown and moved from paragraph 220-10-45-17B]**

## **Implementation Guidance and Illustrations**

### **> Illustrations**

#### **> > Example 2: Presenting Accumulated Other Comprehensive Income**

##### **> > > Disclosure of Changes in Accumulated Other Comprehensive Income Balances**

**220-10-55-15** The following table illustrates the disclosure of changes in the balances of each component of accumulated other comprehensive income, as required by paragraph 220-10-45-14A. The amounts in this illustration correspond to the amounts in the Example in paragraph 220-10-55-17E and demonstrate the relationship between the requirements in paragraph 220-10-45-14A and the requirements in paragraph ~~220-10-45-17B~~220-10-50-6 for this entity.

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

##### **> > > Disclosure of Amounts Reclassified Out of Accumulated Other Comprehensive Income**

**220-10-55-17E** The following illustrates a disclosure in a tabular format of significant amounts reclassified out of each component of accumulated other comprehensive income, as required by paragraph ~~220-10-45-17B~~220-10-50-6. The amounts used in this Example correspond to those in the Example in paragraph 220-10-55-15.

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

## Amendments to Subtopic 250-10, Accounting Changes and Error Corrections—Overall

### *Issue 21*

11. The first sentence in paragraph 250-10-45-27 provides materiality considerations when reporting a correction of an error. The second sentence provides disclosure guidance for entities to disclose separately accounting changes that are material with respect to an interim period. The disclosure guidance would be better located in the Disclosure Section. The amendment moves the disclosure guidance to the Disclosure Section of Subtopic 250-10.

12. Amend paragraph 250-10-45-27 and its related heading and add paragraph 250-10-50-12 and its related heading, with a link to transition paragraph 105-10-65-6, as follows:

## Accounting Changes and Error Corrections—Overall

### Other Presentation Matters

#### > Materiality ~~Determination~~Considerations for Correction of an Error

**250-10-45-27** In ~~considering~~determining materiality for the purpose of reporting the correction of an error, amounts shall be related to the estimated income for the full fiscal year and also to the effect on the trend of earnings. ~~Changes that are material with respect to an interim period but not material with respect to the estimated income for the full fiscal year or to the trend of earnings shall be separately disclosed in the interim period. (See paragraph 250-10-50-12.)~~ [Content amended and moved to paragraph 250-10-50-12]

### Disclosure

#### > Materiality ~~Determination~~Considerations for Correction of an Error

**250-10-50-12** In ~~considering~~determining materiality for the purpose of reporting the correction of an error, amounts shall be related to the estimated income for the full fiscal year and also to the effect on the trend of earnings. Changes that are material with respect to an interim period but not material with respect to the estimated income for the full fiscal year or to the trend of earnings shall be

separately disclosed in the interim period. (See paragraph 250-10-45-27.)  
**[Content amended as shown and moved from paragraph 250-10-45-27]**

## *Issue 22*

13. Paragraph 250-10-45-28 requires that an entity disclose that it has made error corrections to historical, statistical-type summaries of financial data. The disclosure requirement was codified in the Other Presentation Matters Section with no corresponding guidance in the Disclosure Section. The amendment moves the disclosure requirement to the Disclosure Section of Subtopic 250-10 and provides a reference to the other requirements for error corrections to historical summaries.

14. Amend paragraph 250-10-45-28 and add paragraph 250-10-50-7A, with a link to transition paragraph 105-10-65-6, as follows:

## **Other Presentation Matters**

### **> Historical Summaries of Financial Data**

**250-10-45-28** It has become customary for business entities to present historical, statistical-type summaries of financial data for a number of periods—commonly 5 or 10 years. Whenever error corrections have been recorded during any of the periods included therein, the reported amounts of net income (and the components thereof), as well as other affected items, shall be appropriately restated, with disclosure in the first summary published after the adjustments. (See paragraph 250-10-50-7A.)

## **Disclosure**

### **> Correction of an Error in Previously Issued Financial Statements**

**250-10-50-7A** An entity that restates historical, statistical-type summaries of financial data for error corrections shall disclose that information in accordance with paragraph 250-10-45-28.

## **Amendments to Subtopic 260-10, Earnings Per Share—Overall**

## *Issue 23*

15. An entity that chooses to disclose per-share amounts that are not required by Subtopic 260-10 must disclose those amounts in the notes to financial statements. The disclosure requirement was codified in the Other Presentation Matters Section

with no corresponding guidance in the Disclosure Section. The amendment adds the disclosure guidance to the Disclosure Section of Subtopic 260-10.

16. Amend paragraph 260-10-45-5 and add paragraph 260-10-50-1A, with a link to transition paragraph 105-10-65-6, as follows:

## **Earnings Per Share—Overall**

### **Other Presentation Matters**

#### **> Required EPS Presentation on the Face of the Income Statement**

**260-10-45-5** Per-share amounts not required to be presented by this Subtopic that an entity chooses to disclose shall be computed in accordance with this Subtopic and disclosed only in the notes to financial statements; it shall be noted whether the per-share amounts are pretax or net of tax. (See paragraph 260-10-50-1A.) **[Content amended and copied to paragraph 260-10-50-1A]**

### **Disclosure**

**260-10-50-1A** Per-share amounts not required to be presented by this Subtopic that an entity chooses to disclose shall be computed in accordance with this Subtopic and disclosed only in the notes to financial statements; it shall be noted whether the per-share amounts are pretax or net of tax. (See paragraph 260-10-45-5.) **[Content amended as shown and copied from paragraph 260-10-45-5]**

## **Amendments to Subtopic 270-10, Interim Reporting—Overall**

### *Issue 24*

17. Paragraph 270-10-45-8 requires that an entity disclose information about costs and expenses incurred in an interim period that cannot be readily identified with the activities or benefits of other interim periods in the notes to financial statements. The disclosure guidance was codified in the Other Presentation Matters Section with no corresponding guidance in the Disclosure Section. The amendment adds the disclosure guidance to the Disclosure Section of Subtopic 270-10.

18. Amend paragraph 270-10-45-8 and add paragraph 270-10-50-1B, with a link to transition paragraph 105-10-65-6, as follows:

## **Interim Reporting—Overall**

## Other Presentation Matters

### > Costs and Expenses

#### > > All Other Costs and Expenses

**270-10-45-8** The objective in all cases is to achieve a fair measure of results of operations for the annual period and to present fairly the financial position at the end of the annual period. The following standards shall apply in accounting for costs and expenses other than product costs in interim periods:

- a. Costs and expenses other than product costs shall be charged to income in interim periods as incurred, or be allocated among interim periods based on an estimate of time expired, benefit received or activity associated with the periods. Procedures adopted for assigning specific cost and expense items to an interim period shall be consistent with the bases followed by the entity in reporting results of operations at annual reporting dates. However, if a specific cost or expense item charged to expense for annual reporting purposes benefits more than one interim period, the cost or expense item may be allocated to those interim periods (see paragraph 270-10-45-9).
- b. Some costs and expenses incurred in an interim period, however, cannot be readily identified with the activities or benefits of other interim periods and shall be charged to the interim period in which incurred. Disclosure in the notes to financial statements shall be made as to the nature and amount of such costs unless items of a comparable nature are included in both the current interim period and in the corresponding interim period of the preceding year. (See paragraph 270-10-50-1B.) **[Content amended and copied to paragraph 270-10-50-1B]**
- c. Arbitrary assignment of the amount of such costs to an interim period shall not be made.
- d. Gains and losses that arise in any interim period similar to those that would not be deferred at year end shall not be deferred to later interim periods within the same fiscal year.

## Disclosure

### > Disclosure of Summarized Interim Financial Data by Publicly Traded Companies

**270-10-50-1B** ~~Some costs~~Costs and expenses incurred in an interim period, ~~however, period that~~ cannot be readily identified with the activities or benefits of other interim periods and shall be charged to the interim period in which incurred. Disclosure in the notes to financial statements shall be made as to the nature and

amount of such costs unless items of a comparable nature are included in both the current interim period and in the corresponding interim period of the preceding year. (See paragraph 270-10-45-8(b).) [Content amended as shown and copied from paragraph 270-10-45-8(b)]

## Amendments to Subtopic 835-30, Interest—Imputation of Interest

### *Issue 25*

19. Paragraph 835-30-45-2 requires that an entity include the face amount of a note either on the face of the financial statements or in the notes to financial statements. Similar disclosure guidance was not included in the Disclosure Section. The amendment adds the disclosure requirement to a new Disclosure Section of Subtopic 835-30.

20. Amend paragraph 835-30-45-2 and add Section 835-30-50, with a link to transition paragraph 105-10-65-6, as follows:

## **Interest—Imputation of Interest**

### **Other Presentation Matters**

**835-30-45-2** Paragraph 835-30-45-1A provides requirements for the balance sheet presentation for the discount or premium and debt issuance costs of a note. The description of the note shall include the effective interest rate. The face amount of the note also shall be ~~disclosed~~ presented in the financial statements or ~~disclosed~~ in the notes to the financial statements. (See paragraph 835-30-50-1.) [Content amended and copied to paragraph 835-30-50-1]

## **Disclosure**

### **General**

**835-30-50-1** Paragraph 835-30-45-1A provides requirements for the balance sheet presentation for the discount or premium and debt issuance costs of a note. The description of the note shall include the effective interest rate. The face amount of the note also shall be ~~disclosed~~ presented in the financial statements or ~~disclosed~~ in the notes to the financial statements. (See paragraph 835-30-45-2.) [Content amended as shown and copied from paragraph 835-30-45-2]

## Amendments to Subtopic 852-10, Reorganizations—Overall

### *Issue 27*

21. Paragraph 852-10-45-13 allows an entity to provide the required operating cash receipts and payments resulting from reorganization either on the face of the financial statements or in the notes to financial statements. The guidance was codified in the Other Presentation Matters Section with no corresponding guidance in the Disclosure Section. The amendment adds the disclosure guidance to the Disclosure Section of Subtopic 852-10.

22. Amend paragraph 852-10-45-13 and add paragraph 852-10-50-6A, with a link to transition paragraph 105-10-65-6, as follows:

### **Reorganizations—Overall**

#### **Other Presentation Matters**

##### **> Financial Reporting during Reorganization Proceedings**

##### **> > Statement of Cash Flows**

**852-10-45-13** Reorganization items shall be ~~disclosed~~<sup>presented</sup> separately within the operating, investing, and financing categories of the statement of cash flows. This presentation can be better accomplished by the use of the direct method of presenting the statement. Paragraph 230-10-45-25 lists the operating items that shall be reported separately when the direct method is used. That paragraph encourages further breakdown of those operating items if the entity considers such a breakdown meaningful and feasible. Further identification of cash flows from reorganization items should be provided to the extent feasible. For example, interest received might be segregated between estimated normal recurring interest received and interest received on cash accumulated because of the reorganization. If the indirect method is used, details of operating cash receipts and payments resulting from the reorganization shall be disclosed in a supplementary schedule or in the notes to financial statements. (See paragraph 852-10-50-6A.) **[Content amended and copied to paragraph 852-10-50-6A]**

### **Disclosure**

##### **> Financial Reporting during Reorganization Proceedings**

**852-10-50-6A** If the indirect method is used to prepare the statement of cash flows, details of operating cash receipts and payments resulting from the reorganization shall be disclosed in a supplementary schedule or in the notes to financial

statements. (See paragraph 852-10-45-13.) [Content amended as shown and copied from paragraph 852-10-45-13]

## Amendments to Subtopic 942-360, Financial Services— Depository and Lending—Property, Plant, and Equipment

### *Issue 29*

23. Paragraph 942-360-45-1 requires that an entity provide certain information about premises and equipment. An entity can either provide that information on the face of financial statements or disclose it in the notes to financial statements. The option for entities to disclose premises and equipment net of accumulated depreciation and amortization in the notes to financial statements was not codified in the Disclosure Section. The amendment adds the disclosure guidance to the new Disclosure Section of Subtopic 942-360.

24. Amend paragraph 942-360-45-1 and add Section 942-360-50, with a link to transition paragraph 105-10-65-6, as follows:

## **Financial Services—Depository and Lending—Property, Plant, and Equipment**

### **Other Presentation Matters**

#### **> Premises and Equipment**

**942-360-45-1** Premises and equipment are generally shown as a single caption on the balance sheet, net of accumulated depreciation and amortization, the amount of which shall be ~~disclosed either~~ presented on the face of the balance sheet or disclosed in the notes to the financial statements. (See paragraph 942-360-50-1.) [Content amended and copied to paragraph 942-360-50-1]

### **Disclosure**

#### **General**

**942-360-50-1** Premises and equipment are generally shown as a single caption on the balance sheet, net of accumulated depreciation and amortization, the amount of which shall be ~~disclosed either~~ presented on the face of the balance sheet or disclosed in the notes to the financial statements. (See paragraph 942-360-45-1.) [Content amended as shown and copied from paragraph 942-360-45-1]



## Amendments to Subtopic 946-220, Financial Services—Investment Companies—Income Statement—Reporting Comprehensive Income

### *Issue 30*

25. Paragraph 946-220-45-9 permits an entity to provide class-specific expenses for each class of fund in the statement of operations or in the notes to financial statements. The guidance was codified in the Other Presentation Matters Section with no corresponding guidance in the Disclosure Section. The amendment adds the disclosure guidance to the Disclosure Section of Subtopic 946-220.

26. Amend paragraph 946-220-45-9 and add paragraph 946-220-50-3 and its related headings, with a link to transition paragraph 105-10-65-6, as follows:

### **Financial Services—Investment Companies—Income Statement—Reporting Comprehensive Income**

#### **Other Presentation Matters**

##### **> Complex Capital Structures**

##### **> > Multiple-Class Funds**

**946-220-45-9** Class-specific expenses shall be reported for each class of fund in the statement of operations or ~~(or~~ disclosed in the notes to financial statements ~~statements~~). Reporting the amount of fund-level expenses allocated to each class is not required but disclosure of fund-level expenses by class in the statement of operations or in notes to financial statements is permitted. (See paragraph 946-220-50-3.) **[Content amended and copied to paragraph 946-220-50-3]**

#### **Disclosure**

##### **> Complex Capital Structures**

##### **> > Multiple-Class Funds**

**946-220-50-3** Class-specific expenses shall be reported for each class of fund in the statement of operations or ~~(or~~ disclosed in the notes to financial statements ~~statements~~). Reporting the amount of fund-level expenses allocated to each class

is not required but disclosure of fund-level expenses by class in the statement of operations or in notes to financial statements is permitted. (See paragraph 946-220-45-9.) **[Content amended as shown and copied from paragraph 946-220-45-9]**

### *Issue 31*

27. Paragraph 946-220-45-14 (a) prohibits an investor fund from reflecting any operating expenses if the investee funds have agreed to assume certain of the investor fund expenses and (b) requires that the investor fund disclose such agreements in the notes to financial statements. The guidance was codified in the Other Presentation Matters Section with no corresponding guidance in the Disclosure Section. The amendment adds the disclosure requirement to the Disclosure Section of Subtopic 946-220.

28. Amend paragraph 946-220-45-14 and add paragraph 946-220-50-4 and its related heading, with a link to transition paragraph 105-10-65-6, as follows:

## **Other Presentation Matters**

### **> Complex Capital Structures**

#### **> > Fund of Funds**

**946-220-45-14** The investor fund shall not reflect any operating expenses if the investee funds have agreed to assume certain of the investor fund expenses. To the extent the investor fund has such agreements, they shall be disclosed in the notes to financial statements. (See paragraph 946-220-50-4.) **[Content amended and copied to paragraph 946-220-50-4]**

## **Disclosure**

#### **> > Fund of Funds**

**946-220-50-4** In accordance with paragraph 946-220-45-14, ~~the~~ the investor fund shall not reflect any operating expenses if the investee funds have agreed to assume certain of the investor fund expenses. To the extent the investor fund has such agreements, they shall be disclosed in the notes to financial statements. **[Content amended as shown and copied from paragraph 946-220-45-14]**

## Amendments to Subtopic 965-205, Plan Accounting—Health and Welfare Benefit Plans—Presentation of Financial Statements

### *Issue 32*

29. Paragraph 965-205-45-2 permits an entity to present information about benefit obligations either in a separate statement combined with other information on another financial statement or disclosed in the notes to financial statements. The guidance was codified in the Other Presentation Matters Section with no corresponding guidance in the Disclosure Section. The amendment adds the disclosure guidance to the Disclosure Section of Subtopic 965-205.

30. Amend paragraph 965-205-45-2 and add paragraph 965-205-50-6 and its related heading, with a link to transition paragraph 105-10-65-6, as follows:

### **Plan Accounting—Health and Welfare Benefit Plans—Presentation of Financial Statements**

#### **Other Presentation Matters**

##### **> Defined Benefit Health and Welfare Plans**

**965-205-45-2** Information about the benefit obligations shall be presented in a separate statement, combined with other information on another financial statement, or disclosed in the notes to financial statements. Regardless of the format selected, the plan financial statements shall present the benefit obligations information in its entirety in the same location. The information shall be presented in such reasonable detail as is necessary to identify the nature and classification of the obligations. See Examples 1 through 3 (paragraphs 965-205-55-2 through 55-7) for illustrative financial statements of **health and welfare benefit plans**. (See paragraph 965-205-50-6.) [Content amended and copied to paragraph **965-205-50-6**]

#### **Disclosure**

##### **> Defined Benefit Health and Welfare Plans**

**965-205-50-6** Information about the benefit obligations shall be presented in a separate statement, combined with other information on another financial statement, or disclosed in the notes to financial statements. Regardless of the format selected, the plan financial statements shall present the benefit obligations information in its entirety in the same location. The information shall be presented

in such reasonable detail as is necessary to identify the nature and classification of the obligations. See Examples 1 through 3 (paragraphs 965-205-55-2 through 55-7) for illustrative financial statements of **health and welfare benefit plans**. (See paragraph 965-205-45-2.) **[Content amended as shown and copied from paragraph 965-205-45-2]**

## Section C—Other Codification Improvements

### Amendments to Master Glossary

#### *Issue 33*

31. The Master Glossary term *cash balance plan* contains a listing of characteristics that came from a fact pattern considered by the Emerging Issues Task Force (EITF) that was specific to plans with a fixed interest-crediting rate. In practice, cash balance plans can have variable interest-crediting rates as acknowledged in EITF Issue No. 03-4, “Determining the Classification and Benefit Attribution Method for a ‘Cash Balance’ Pension Plan.” The amendment removes the fact pattern from the Master Glossary definition and moves it to implementation guidance in the Implementation Guidance and Illustrations Section of Subtopic 715-30, Compensation—Retirement Benefits—Defined Benefit Plans—Pension. The more general descriptions of cash balance plans and recognition guidance are moved to Section 715-20-25. The Master Glossary term is removed. Cash balance plans are defined by other regulatory entities, such as the Internal Revenue Service (IRS) and the U.S. Department of Labor. The removal of the definition from the Codification’s Master Glossary prevents any future conflicts that could arise between the Codification definition and any definition that may be decided upon by other regulatory entities.

32. Supersede the Master Glossary term *Cash Balance Plan*, with a link to transition paragraph 105-10-65-6, as follows:

#### **Cash Balance Plan**

A plan with the following characteristics:

- ~~a. A defined principal crediting rate as a percentage of salary~~
- ~~b. A defined, noncontingent interest crediting rate that entitles participants to future interest credits at a stated, fixed rate until retirement.~~ **[Content amended and moved to paragraph 715-30-55-127A]**

~~A cash balance plan communicates to employees a pension benefit in the form of a current account balance that is a function of current and past salary-based principal credits and future interest credits thereon at a stated rate based on those principal credits.~~ **[Content amended and moved to paragraph 715-20-25-2]**

~~In a cash balance plan, individual account balances are determined by reference to a hypothetical account rather than specific assets, and the benefit is dependent on the employer's promised interest crediting rate, not the actual return on plan assets. The employer's financial obligation to the plan is not satisfied by making prescribed principal and interest credit contributions—whether in cash or as a hypothetical contribution to participants' accounts—for the period; rather, the employer must fund, over time, amounts that can accumulate to the actuarial present value of the benefit due at the time of distribution to each participant pursuant to the plan's terms. The employer's contributions to a cash balance plan trust and the earnings on the invested plan assets may be unrelated to the principal and interest credits to participants' hypothetical accounts. [Content moved to paragraph 715-20-25-3]~~

~~A cash balance plan is a defined benefit plan. [Content moved to paragraph 715-20-25-1]~~

33. Add Section 715-20-25, with a link to transition paragraph 105-10-65-6, as follows:

## **Compensation—Retirement Benefits—Defined Benefit Plans—General**

### **Recognition**

#### **General**

##### **> Cash Balance Plans**

~~**715-20-25-1**~~ A cash balance plan is a defined benefit plan. **[Content moved from Master Glossary term *Cash Balance Plan*]**

~~**715-20-25-2**~~ A cash balance plan communicates to employees a pension benefit in the form of a current account balance that is ~~a function of current and past salary-based~~ based on principal credits and future interest credits thereon at a stated rate based on those principal credits. **[Content amended as shown and moved from Master Glossary term *Cash Balance Plan*]**

**715-20-25-3** In a cash balance plan, individual account balances are determined by reference to a hypothetical account rather than specific assets, and the benefit is dependent on the employer's promised interest-crediting rate, not the actual return on plan assets. The employer's financial obligation to the plan is not satisfied by making prescribed principal and interest credit contributions—whether in cash or as a hypothetical contribution to participants' accounts—for the period; rather, the employer must fund, over time, amounts that can accumulate to the actuarial

present value of the benefit due at the time of distribution to each participant pursuant to the plan's terms. The employer's contributions to a cash balance plan trust and the earnings on the invested plan assets may be unrelated to the principal and interest credits to participants' hypothetical accounts. **[Content moved from Master Glossary term *Cash Balance Plan*]**

**715-20-25-4** The determination of whether a plan is pay-related and the appropriate benefit attribution approach for a cash balance plan with other characteristics or for other types of defined benefit pension plans depend on an evaluation of the specific features of those benefit arrangements. **[Content moved from paragraph 715-30-35-72]** See paragraphs 715-30-35-36 through 35-39, 715-30-55-7 through 55-15, and 715-30-55-127A (Example 8) for guidance on attribution approaches.

34. Amend paragraph 715-30-15-3, supersede paragraphs 715-30-35-71 through 35-72 and their related heading, and add paragraph 715-30-55-127A and its related heading, with a link to transition paragraph 105-10-65-6, as follows:

## **Compensation—Retirement Benefits—Defined Benefit Plans—Pension**

### **Scope and Scope Exceptions**

#### **> Transactions**

**715-30-15-3** The guidance in this Subtopic applies to **defined benefit pension plans**, including but not limited to the following types of arrangements:

- a. **{remove glossary link}Cash balance plans{remove glossary link}**
- b. **Benefits** provided in the event of a voluntary or involuntary severance of employment (also called **termination indemnities**) if such an arrangement is in substance a pension plan (for example, if the benefits are paid for virtually all terminations).

### **Subsequent Measurement**

#### **> Cash Balance Plans**

**715-30-35-71** Paragraph superseded by Accounting Standards Update No. 2020-10. ~~The benefit promise in a cash balance arrangement for a cash balance plan as described in the definition of the term, is not pay related, and use of a projected unit credit method is neither required nor appropriate for purposes of measuring the benefit obligation and annual cost of benefits earned under this Subtopic. The appropriate cost attribution approach, therefore, is the traditional unit credit method. See paragraphs 715-30-35-36 through 35-39 and 715-30-55-7 through~~

~~55-15 for guidance on attribution approaches. [Content amended and moved to paragraph 715-30-55-127A]~~

~~**715-30-35-72** Paragraph superseded by Accounting Standards Update No. 2020-10. The determination of whether a plan is pay related and the appropriate benefit attribution approach for a cash balance plan with other characteristics or for other types of defined benefit pension plans depend on an evaluation of the specific features of those benefit arrangements. [Content moved to paragraph 715-20-25-4]~~

## Implementation Guidance and Illustrations

### > Illustrations

#### > > Example 8: Cash Balance Plan

~~**715-30-55-127A** A plan with~~For the purposes of this Example, a cash balance plan has the following characteristics:

- a. A defined principal-crediting rate as a percentage of salary
- b. A defined, noncontingent interest-crediting rate that entitles participants to future interest credits at a stated, fixed rate until retirement. **[Content amended as shown and moved from Master Glossary term *Cash Balance Plan*]**

The benefit promise in a cash balance arrangement for a ~~{remove glossary link}~~**cash balance plan**~~{remove glossary link}~~ as described in ~~the definition of the term, (a) through (b)~~ is not pay-related, and use of a projected unit credit method is neither required nor appropriate for purposes of measuring the benefit obligation and annual cost of benefits earned under this Subtopic. The appropriate cost attribution approach, therefore, is the traditional unit credit method. See paragraphs 715-30-35-36 through 35-39 and 715-30-55-7 through 55-15 for guidance on attribution approaches. **[Content amended as shown and moved from paragraph 715-30-35-71]**

## Amendments to Subtopic 270-10, Interim Reporting—Overall

### *Issue 35*

35. Paragraph 21 of APB Opinion No. 28, *Interim Financial Reporting*, was codified in paragraphs 270-10-45-11A and 270-10-50-5. Paragraph 270-10-45-11A discusses the effects of disposals of a component of an entity, and paragraph 270-10-50-5 discusses unusual or infrequent items. The heading preceding paragraph 270-10-50-5 states “Unusual or Infrequent Items and Disposals of Components,” but paragraph 270-10-50-5 does not address disposals of

components. The amendment removes the phrase *disposals of components* from the heading preceding paragraph 270-10-50-5.

36. Amend the heading preceding paragraph 270-10-50-5, with a link to transition paragraph 105-10-65-6, as follows:

## **Interim Reporting—Overall**

### **Disclosure**

#### **> Unusual or Infrequent Items ~~and Disposals of Components~~**

**270-10-50-5** Matters such as unusual seasonal results, business combinations, and **acquisitions by not-for-profit entities** shall be disclosed to provide information needed for a proper understanding of interim financial reports.

## **Amendments to Subtopic 310-10, Receivables—Overall**

### *Issue 36*

37. Guidance for transfers of financial assets is provided in Subtopic 860-20, Transfers and Servicing—Sales of Financial Assets, but not exclusively. As currently written, paragraph 310-10-60-5 implies that all guidance on transfers of financial assets resides in Subtopic 860-20. The amendment retains the reference to Subtopic 860-20 for further guidance on transfers of financial assets and removes the word *all* from the reference for clarity.

38. Amend paragraph 310-10-60-5, with a link to transition paragraph 105-10-65-6, as follows:

## **Receivables—Overall**

### **Relationships**

#### **> Transfers and Servicing**

**310-10-60-5** For guidance on accounting for transfers of ~~all~~ financial assets, including receivables, see Subtopic 860-20.

## **Amendments to Subtopic 460-10, Guarantees—Overall**

### *Issue 39*



39. The exceptions to the disclosure requirements in paragraphs 460-10-50-2 through 50-4 should apply to all the items listed in paragraph 460-10-15-7; they are not restricted to paragraph 460-10-15-7(a). The list of types of guarantees excluded from the scope of Topic 460, including from disclosure, was included in paragraph 6 of FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, and was transposed to paragraph 460-10-15-7.

40. Amend paragraph 460-10-50-1, with a link to transition paragraph 105-10-65-6, as follows:

## **Guarantees—Overall**

### **Disclosure**

#### **> Information about Each Guarantee or Group of Similar Guarantees**

#### **> > Loss Contingencies**

**460-10-50-1** The requirements in paragraphs 460-10-50-2 through 50-4 apply to guarantees, including guarantees that are outside the scope of paragraph 460-10-15-4; however, they do not apply to guarantees described in paragraph ~~460-10-15-7(a)~~460-10-15-7.

## **Amendments to Subtopic 740-10, Income Taxes—Overall, and Subtopic 830-20, Foreign Currency Matters—Foreign Currency Transactions**

### **Issue 41**

41. The term *interperiod tax allocation* was defined in APB Opinion No. 11, *Accounting for Income Taxes*, as the process of apportioning income taxes among periods. In Opinion 11, the Board concluded that interperiod tax allocation procedures should follow the *deferred method* (paragraph 19 in Opinion 11), both in the manner in which tax effects are initially recognized and in the manner in which deferred taxes are amortized in future periods. FASB Statement No. 109, *Accounting for Income Taxes*, superseded Opinion 11 in its entirety. On the basis of Board decisions made in connection with Statement 109, the deferred method is no longer applied by entities and is no longer the overall comprehensive model for accounting for income taxes. Statement 109, which is codified in Topic 740, Income Taxes, requires the asset and liability approach in accounting for income taxes. The asset and liability approach in Topic 740 should be applied to involuntary conversions of a nonmonetary asset to a monetary asset. The

amendments replace the term *interperiod tax allocation* with the phrase *deferred tax liability and deferred tax asset approach*.

42. Amend paragraphs 740-10-55-66 and 830-20-05-3, with a link to transition paragraph 105-10-65-6, as follows:

## **Income Taxes—Overall**

### **Implementation Guidance and Illustrations**

#### **> Implementation Guidance**

##### **> > Application of Accounting Requirements for Income Taxes to Specific Situations**

##### **> > > Examples of Temporary Differences**

##### **> > > > Unrecognized Gains or Losses from Involuntary Conversions**

**740-10-55-66** Gain or loss resulting from an involuntary conversion of a nonmonetary asset to monetary assets that is not recognized for income tax reporting purposes in the same period in which the gain or loss is recognized for financial reporting purposes is a temporary difference for which ~~comprehensive interperiod tax allocation is a deferred tax liability or deferred tax asset should be recognized as required by this Subtopic, is required.~~

## **Foreign Currency Matters—Foreign Currency Transactions**

### **Overview and Background**

**830-20-05-3** If taxable exchange gains or tax-deductible exchange losses resulting from an entity's foreign currency transactions are included in net income in a different period for financial statement purposes from that for tax purposes, ~~interperiod tax allocation is a deferred tax liability or deferred tax asset should be recognized as required under Topic 740.~~

### **Amendments to Subtopic 830-20, Foreign Currency Matters—Foreign Currency Transactions**

#### **Issue 45**

43. Paragraph 830-20-50-1 refers to paragraph 830-20-45-2 in error for presentation guidance on the aggregate transaction gain or loss included in

determining net income. The amendment corrects the reference to paragraph 830-20-45-1 and clarifies the language between disclosures and presentation guidance in paragraphs 830-20-45-1 and 830-20-50-1.

44. Amend paragraphs 830-20-45-1 and 830-20-50-1, with a link to transition paragraph 105-10-65-6, as follows:

## **Foreign Currency Matters—Foreign Currency Transactions**

### **Other Presentation Matters**

#### **> Income Statement Presentation**

#### **> > Aggregate Transaction Gain or Loss**

**830-20-45-1** The aggregate **transaction gain or loss** included in determining net income for the period shall be presented~~disclosed~~ in the financial statements or disclosed in the notes thereto.

### **Disclosure**

#### **> Aggregate Transaction Gain or Loss**

**830-20-50-1** If not presented~~disclosed~~ in the financial statements as discussed in paragraph 830-20-45-1~~830-20-45-2~~, the aggregate **transaction gain or loss** included in determining net income for the period shall be disclosed in notes to financial statements.

## **Amendments to Subtopic 830-740, Foreign Currency Matters—Income Taxes**

### *Issue 46*

45. Paragraph 830-740-25-2 references Subtopic 830-30, Foreign Currency Matters—Translation of Financial Statements. The original reference was to EITF Issue No. 92-4, “Accounting for a Change in Functional Currency When an Economy Ceases to Be Considered Highly Inflationary,” and this guidance resides in Subtopic 830-10, Foreign Currency Matters—Overall. The amendment corrects the reference to Subtopic 830-10.

46. Amend paragraph 830-740-25-2, with a link to transition paragraph 105-10-65-6, as follows:

## Foreign Currency Matters—Income Taxes

### Recognition

#### > Remeasurement Changes Causing Deferred Tax Recognition

#### > > Functional Currency Related Changes

**830-740-25-2** Subtopic ~~830-10830-30~~ requires that a change in functional currency from the **reporting currency** to the **local currency** when an economy ceases to be considered highly inflationary shall be accounted for by establishing new functional currency bases for nonmonetary items. Those bases are computed by translating the historical reporting currency amounts of nonmonetary items into the local currency at current exchange rates.

### *Issue 47*

47. Paragraphs 830-740-25-4 through 25-8 fall under the heading “Price-Level Related Changes.” However, the content within those paragraphs originated from two separate EITF Issues—Issue No. 93-9, “Application of FASB Statement No. 109 in Foreign Financial Statements Restated for General Price-Level Changes,” and Issue No. 93-16, “Application of FASB Statement No. 109 to Basis Differences within Foreign Subsidiaries That Meet the Indefinite Reversal Criterion of APB Opinion No. 23.” Issue 93-9 relates to foreign financial statements restated for general price-level changes. Issue 93-16 relates to basis differences within foreign subsidiaries that meet the indefinite reversal criterion. The contents of paragraphs 830-740-25-4 through 25-5 relate to “general price-level changes,” but the contents of paragraphs 830-740-25-6 through 25-8 do not. Instead, the contents of paragraphs 830-740-25-6 through 25-8 relate to the issue of whether to record deferred taxes as they relate to a foreign subsidiary that qualifies for the indefinite reversal criterion. In addition, none of the guidance in paragraphs 830-740-25-4 through 25-8 relates to remeasurements, which is a first-level (>) heading for the Section. The amendments change the heading level above paragraph 830-740-25-4 to a first-level heading and add a new first-level heading above paragraph 830-740-25-6 for clarification.

48. Amend the heading preceding paragraph 830-740-25-4 and add the heading preceding paragraph 830-740-25-6, with a link to transition paragraph 105-10-65-6, as follows:

## Foreign Currency Matters—Income Taxes

### Recognition

## ➤➤➤ Price-Level Related Changes

**830-740-25-4** Entities located in countries with highly inflationary economies may prepare financial statements restated for general price-level changes in accordance with generally accepted accounting principles (GAAP) in the United States. The tax bases of assets and liabilities of those entities are often restated for the effects of inflation.

**830-740-25-5** When preparing financial statements restated for general price-level changes using end-of-current-year purchasing power units, temporary differences are determined based on the difference between the indexed tax basis amount of the asset or liability and the related price-level restated amount reported in the financial statements. Example 1 (see paragraph 830-740-55-1) illustrates the application of this guidance.

## ➤ Inside Basis Differences within Foreign Subsidiaries That Meet the Indefinite Reversal Criterion

**830-740-25-6** Temporary differences within an entity's foreign subsidiaries are referred to as inside basis differences. Differences between the tax basis and the financial reporting basis of an investment in a foreign subsidiary are referred to as outside basis differences.

**830-740-25-7** Inside basis differences of a foreign subsidiary of a U.S. parent where the local currency is the functional currency may result from foreign laws that provide for the occasional restatement of fixed assets for tax purposes to compensate for the effects of inflation. The amount that offsets the increase in the tax basis of fixed assets is sometimes described as a credit to revaluation surplus, which some view as a component of equity for tax purposes. That amount becomes taxable in certain situations, such as in the event of a liquidation of the foreign subsidiary or if the earnings associated with the revaluation surplus are distributed. In this situation, it is assumed that no mechanisms are available under the tax law to avoid eventual treatment of the revaluation surplus as taxable income. The indefinite reversal criteria of Subtopic 740-30 shall not be applied to inside basis differences of a foreign subsidiary, as indicated in paragraph 740-30-25-17, and a **deferred tax liability** shall be provided on the amount of the revaluation surplus.

**830-740-25-8** Paragraph 740-10-25-24 indicates that some temporary differences are deferred **taxable income** and have balances only on the income tax balance sheet. Therefore, these differences cannot be identified with a particular asset or liability for financial reporting purposes. Because the inside basis difference related to the revaluation surplus results in taxable amounts in future years based on the provisions of the foreign tax law, it qualifies as a **temporary difference** even though it may be characterized as a component of equity for tax purposes. Subtopic 740-30 clearly limits the indefinite reversal criterion to the temporary

differences described in paragraph 740-10-25-3(a) and shall not be applied to analogous types of temporary differences.

## Amendments to Subtopic 835-30, Interest—Imputation of Interest

### *Issue 48*

49. The amendment clarifies that interest expense from revenue contracts with a significant financing component, as referenced in paragraphs 606-10-32-15 through 32-20, is not within the scope of Subtopic 835-30.

50. Amend paragraph 835-30-15-3, with a link to transition paragraph 105-10-65-6, as follows:

### Interest—Imputation of Interest

#### Scope and Scope Exceptions

##### > Instruments

**835-30-15-3** With the exception of guidance in paragraphs 835-30-45-1A through 45-3 addressing the presentation of **discount** and **premium** in the financial statements, which is applicable in all circumstances, and the guidance in paragraphs 835-30-55-2 through 55-3 regarding the application of the **interest method**, the guidance in this Subtopic does not apply to the following:

- a. Payables arising from transactions with suppliers in the normal course of business that are due in customary trade terms not exceeding approximately one year
- b. Amounts that do not require repayment in the future, but rather will be applied to the purchase price of the property, goods, or service involved; for example, deposits or progress payments on construction contracts, advance payments for acquisition of resources and raw materials, advances to encourage exploration in the extractive industries (see paragraph 932-835-25-2), ~~except for amounts promised in a contract with a customer (see paragraphs 606-10-32-15 through 32-20 for guidance on identifying a significant financing component in a contract with a customer)~~
- c. Amounts intended to provide security for one party to an agreement (for example, security deposits, retainages on contracts)
- d. The customary cash lending activities and demand or savings deposit activities of financial institutions whose primary business is lending money

- e. Transactions where interest rates are affected by the tax attributes or legal restrictions prescribed by a governmental agency (for example, industrial revenue bonds, tax exempt obligations, government guaranteed obligations, income tax settlements)
- f. Transactions between parent and subsidiary entities and between subsidiaries of a common parent
- g. The application of the present value measurement (valuation) technique to estimates of contractual or other obligations assumed in connection with sales of property, goods, or service, for example, a warranty for product performance
- h. Receivables, **contract assets**, and **contract liabilities** in contracts with customers, see paragraphs 606-10-32-15 through 32-20 for guidance on identifying a significant financing component in a contract with a customer.

## Amendments to Subtopic 958-220, Not-for-Profit Entities—Income Statement—Reporting Comprehensive Income

### *Issue 52*

51. Paragraph 958-205-05-6B requires that a not-for-profit entity classify expenses in two required net asset classes—with donor restrictions and without donor restrictions—if they are applicable. Paragraph 958-220-45-7 uses the term *net asset category* instead of *net asset class*. The amendment corrects the term.

52. Amend paragraph 958-220-45-7, with a link to transition paragraph 105-10-65-6, as follows:

## **Not-for-Profit Entities—Income Statement—Reporting Comprehensive Income**

### **Other Presentation Matters**

#### **> Classification of Revenues, Expenses, Gains, and Losses**

**958-220-45-7** A statement of activities shall report expenses as decreases in net assets without donor restrictions, with the exception of investment expenses, which shall be netted against investment return and reported in the net asset class~~category~~ in which the net investment return is reported (see Subtopic 958-720).

## *Issue 53*

53. The amendment adds cross-references to paragraphs 958-220-45-21 and 958-720-45-56. Section 958-720-45 has a Subsection titled "Services Received from Personnel of an Affiliate," and adding a reference to paragraph 958-220-45-21 is helpful in pointing a user to that presentation guidance. A respective cross-reference also is made to paragraph 958-720-45-56 to direct the user to the guidance in paragraph 958-220-45-21.

54. Amend paragraphs 958-220-45-21 and 958-720-45-56, with a link to transition paragraph 105-10-65-6, as follows:

### **Not-for-Profit Entities—Income Statement—Reporting Comprehensive Income**

#### **Other Presentation Matters**

##### **> Equity Transfers**

**958-220-45-20 Equity transfers** are reported separately as changes in net assets and do not result in any step-up in basis of the underlying assets transferred. However, a service received from personnel of an **affiliate** that directly benefits the recipient NFP and for which the affiliate does not charge the recipient NFP may be recorded at the fair value of that service in the circumstances indicated in paragraph 958-720-30-3. Paragraph 958-20-55-2B describes the difference between an equity transfer and an equity transaction. Paragraph 954-220-45-2 provides additional guidance on the reporting of equity transfers for not-for-profit, business-oriented health care entities.

**958-220-45-21** The increase in net assets associated with services received from personnel of an affiliate that directly benefit the recipient NFP and for which the affiliate does not charge the recipient NFP shall be reported as an equity transfer, regardless of whether those services are received from personnel of a not-for-profit affiliate or any other affiliate. The corresponding decrease in net assets or the creation or enhancement of an asset resulting from the use of services received from personnel of an affiliate shall be reported similar to how other such expenses or assets are reported. See paragraph 958-720-45-56 for presentation guidance on services received from personnel of an affiliate. Paragraphs 954-220-45-2 through 45-3 provide additional guidance for not-for-profit, business-oriented health care entities.



## Amendments to Subtopic 958-720, Not-for-Profit Entities—Other Expenses

### Not-for-Profit Entities—Other Expenses

#### Other Presentation Matters

##### Services Received from Personnel of an Affiliate

**958-720-45-56** The increase in net assets associated with services received from personnel of an **affiliate** that directly benefit the recipient **not-for-profit entity** (NFP) and for which the affiliate does not charge the recipient NFP shall not be presented as a contra-expense or a contra-asset. The corresponding decrease in net assets or the creation or enhancement of an asset resulting from the use of services received from personnel of an affiliate that directly benefit the recipient NFP and for which the affiliate does not charge the recipient NFP shall be presented similar to how other such expenses or assets are presented. See paragraph 958-220-45-21 for presentation guidance on services received from personnel of an affiliate.

## Amendments to Subtopic 970-360, Real Estate—General—Property, Plant, and Equipment

### Issue 55

55. Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, includes a consequential amendment to Subtopic 970-360 to clarify that project costs recognized as an asset under Subtopic 340-40, Other Assets and Deferred Costs—Contracts with Customers, should be capitalized as part of the costs of a real estate project. The term *project costs* is defined in the Master Glossary as costs clearly associated with the acquisition, development, and construction of a real estate project. The guidance in Subtopic 340-40 on costs to fulfill a contract only applies if those costs are not within the scope of another Topic. Because project costs are capitalized under Topic 360, Property, Plant, and Equipment, or Topic 970 as part of a real estate project, Subtopic 340-40 would never apply to those costs. The amendments remove the reference to Subtopic 340-40 in paragraph 970-360-25-2 to clarify the application of Subtopic 340-40 to project costs and clarify that project costs should be capitalized as a cost of the project.

56. Amend paragraph 970-360-25-2, with a link to transition paragraph 105-10-65-6, as follows:

## Real Estate—General—Property, Plant, and Equipment

### Recognition

#### Real Estate Project Costs

##### > Capitalized Project Costs

**970-360-25-2** If ~~project costs~~ are recognized as an asset in accordance with paragraphs 340-40-25-1 through 25-8, then the recognized asset **Project costs**, which are costs that are clearly associated with the acquisition, development, and construction of a real estate project, shall be capitalized as a cost of that project. See Topic 340-40 for guidance on capitalization of costs that are not within the scope of this Subtopic or Subtopic 970-340.

#### Amendments to Subtopic 105-10, Generally Accepted Accounting Principles—Overall

57. The transition guidance for the issues in this Update is provided below.

58. Add paragraph 105-10-65-6 and its related heading as follows:

#### Generally Accepted Accounting Principles—Overall

##### Transition and Open Effective Date Information

##### > Transition Related to Accounting Standards Update No. 2020-10, Codification Improvements

**105-10-65-6** The following represents the transition and effective date information related to Accounting Standards Update No. 2020-10, *Codification Improvements*:

- a. A public business entity, a not-for-profit entity that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, and an employee benefit plan that files or furnishes financial statements with or to the U.S. Securities and Exchange Commission, shall apply the pending content that links to this paragraph for annual periods beginning after December 15, 2020, including interim periods within those annual periods.
- b. All other entities shall apply the pending content that links to this paragraph for annual periods beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022.

- c. An entity shall recognize and present separately the cumulative effect of the change in accounting principle of the pending content that links to this paragraph as an adjustment to 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 period in which it is first applied. The cumulative-effect adjustment is the difference between the amounts recognized in the statement of financial position before initial application of the pending content that links to this paragraph and the amounts recognized in the statement of financial position at initial application of the pending content that links to this paragraph.
- d. An entity may elect to apply the pending content that links to this paragraph retrospectively.
- e. Early application of the pending content that links to this paragraph is permitted for any annual or interim period for which the entity's financial statements have not yet been issued (public business entities) or for which **financial statements are available to be issued** (all other entities).
- f. An entity shall disclose the nature of a change in accounting principle to the pending content that links to this paragraph and the reason for the change.

## Amendments to Status Sections

59. Amend paragraph 105-10-00-1, by adding the following item to the table, as follows:

**105-10-00-1** The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
105-10-65-6	Added	2020-10	10/29/2020

60. Amend paragraph 205-10-00-1, by adding the following items to the table, as follows:

**205-10-00-1** The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
205-10-45-4	Amended	2020-10	10/29/2020
205-10-50-2	Added	2020-10	10/29/2020

61. Amend paragraph 220-10-00-1, by adding the following items to the table, as follows:

**220-10-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
220-10-45-12	Amended	2020-10	10/29/2020
220-10-45-14A	Amended	2020-10	10/29/2020
220-10-45-17	Amended	2020-10	10/29/2020
220-10-45-17A	Amended	2020-10	10/29/2020
220-10-45-17B	Superseded	2020-10	10/29/2020
220-10-50-1	Amended	2020-10	10/29/2020
220-10-50-4 through 50-6	Added	2020-10	10/29/2020
220-10-55-15	Amended	2020-10	10/29/2020
220-10-55-17E	Amended	2020-10	10/29/2020

62. Amend paragraph 250-10-00-1, by adding the following items to the table, as follows:

**250-10-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
250-10-45-27	Amended	2020-10	10/29/2020
250-10-45-28	Amended	2020-10	10/29/2020
250-10-50-7A	Added	2020-10	10/29/2020
250-10-50-12	Added	2020-10	10/29/2020

63. Amend paragraph 260-10-00-1, by adding the following items to the table, as follows:

**260-10-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
260-10-45-5	Amended	2020-10	10/29/2020
260-10-50-1A	Added	2020-10	10/29/2020

64. Amend paragraph 270-10-00-1, by adding the following items to the table, as follows:

**270-10-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
270-10-45-8	Amended	2020-10	10/29/2020
270-10-50-1B	Added	2020-10	10/29/2020
270-10-50-5	Amended	2020-10	10/29/2020

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

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

<b>Paragraph</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
310-10-60-5	Amended	2020-10	10/29/2020

66. Amend paragraph 460-10-00-1, by adding the following item to the table, as follows:

**460-10-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
460-10-50-1	Amended	2020-10	10/29/2020

67. Amend paragraph 715-20-00-1, by adding the following item to the table, as follows:

**715-20-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
715-20-25-1 through 25-4	Added	2020-10	10/29/2020

68. Amend paragraph 715-30-00-1, by adding the following items to the table, as follows:

**715-30-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
<b>Cash Balance Plan</b>	Superseded	2020-10	10/29/2020

715-30-15-3	Amended	2020-10	10/29/2020
715-30-35-71	Superseded	2020-10	10/29/2020
715-30-35-72	Superseded	2020-10	10/29/2020
715-30-55-127A	Added	2020-10	10/29/2020

69. Amend paragraph 740-10-00-1, by adding the following item to the table, as follows:

**740-10-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
740-10-55-66	Amended	2020-10	10/29/2020

70. Amend paragraph 830-20-00-1, by adding the following items to the table, as follows:

**830-20-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
830-20-05-3	Amended	2020-10	10/29/2020
830-20-45-1	Amended	2020-10	10/29/2020
830-20-50-1	Amended	2020-10	10/29/2020

71. Amend paragraph 830-740-00-1, by adding the following items to the table, as follows:

**830-740-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
830-740-25-2	Amended	2020-10	10/29/2020
830-740-25-4	Amended	2020-10	10/29/2020
830-740-25-6	Amended	2020-10	10/29/2020

72. Amend paragraph 835-30-00-1, by adding the following items to the table, as follows:

**835-30-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
<b>Contract</b>	Superseded	2020-10	10/29/2020
<b>Customer</b> (1 <sup>st</sup> def.)	Superseded	2020-10	10/29/2020
835-30-15-3	Amended	2020-10	10/29/2020
835-30-45-2	Amended	2020-10	10/29/2020
835-30-50-1	Added	2020-10	10/29/2020

73. Amend paragraph 852-10-00-1, by adding the following items to the table, as follows:

**852-10-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
852-10-45-13	Amended	2020-10	10/29/2020
852-10-50-6A	Added	2020-10	10/29/2020

74. Add paragraph 942-360-00-1 as follows:

**942-360-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
942-360-45-1	Amended	2020-10	10/29/2020
942-360-50-1	Added	2020-10	10/29/2020

75. Amend paragraph 946-220-00-1, by adding the following items to the table, as follows:

**946-220-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
946-220-45-9	Amended	2020-10	10/29/2020
946-220-45-14	Amended	2020-10	10/29/2020
946-220-50-3	Added	2020-10	10/29/2020
946-220-50-4	Added	2020-10	10/29/2020

76. Amend paragraph 958-220-00-1, by adding the following items to the table, as follows:

**958-220-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
958-220-45-7	Amended	2020-10	10/29/2020
958-220-45-21	Amended	2020-10	10/29/2020

77. Amend paragraph 958-720-00-1, by adding the following item to the table, as follows:

**958-720-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
958-720-45-56	Amended	2020-10	10/29/2020

78. Amend paragraph 965-205-00-1, by adding the following items to the table, as follows:

**965-205-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
965-205-45-2	Amended	2020-10	10/29/2020
965-205-50-6	Added	2020-10	10/29/2020

79. Amend paragraph 970-360-00-1, by adding the following item to the table, as follows:

**970-360-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
970-360-25-2	Amended	2020-10	10/29/2020



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

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

## Amendments to the XBRL Taxonomy

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The amendments to the *FASB Accounting Standards Codification*® in this Accounting Standards Update require improvements to the U.S. GAAP Financial Reporting Taxonomy (Taxonomy). Those improvements, which will be incorporated into the proposed 2021 Taxonomy, are available through Taxonomy Improvements provided at [www.fasb.org](http://www.fasb.org), and finalized as part of the annual release process.