205 - Presentation of Financial Statements

205-**10 - Overall**

205-10-**00 - Status**

> **General Note:** The Status Section identifies changes to this Subtopic resulting from Accounting Standards Updates. The Section provides references to the affected Codification content and links to the related Accounting Standards Updates. Nonsubstantive changes for items such as editorial, link and similar corrections are included separately in Maintenance Updates.

General

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

Paragraph	Action	Accounting Standards Update	Date
Business	Amended	Accounting Standards Update No. 2017-01	01/05/2017
Business	Added	Accounting Standards Update No. 2014-08	04/10/2014
Comprehensive Income	Added	Accounting Standards Update No. 2011-05	06/16/2011
Corporate Joint Venture	Added	Accounting Standards Update No. 2023-05	08/23/2023
Joint Venture	Added	Accounting Standards Update No. 2023-05	08/23/2023
Nonprofit Activity	Added	Accounting Standards Update No. 2014-08	04/10/2014
205-10-05-1	Amended	Accounting Standards Update No. 2013-07	04/22/2013
205-10-05-3	Amended	Accounting Standards Update No. 2023-05	08/23/2023
205-10-05-3	Amended	Accounting Standards Update No. 2014-08	04/10/2014
205-10-05-3A	Added	Accounting Standards Update No. 2014-08	04/10/2014
205-10-05-4	Added	Accounting Standards Update No. 2013-07	04/22/2013
205-10-45-1A	Added	Accounting Standards Update No. 2011-05	06/16/2011
205-10-45-4	Amended	Accounting Standards Update No. 2020-10	10/29/2020
205-10-50-2	Added	Accounting Standards Update No. 2020-10	10/29/2020

205-10-**05 - Overview and Background**

> **General Note:** The Overview and Background Section provides overview and background material for the guidance contained in the Subtopic. It does not provide the historical background or due process. It may contain certain material that users generally consider useful to understand the typical situations addressed by the standards. The Section does not summarize the accounting and reporting requirements.

General

205-10-05-**1** The Presentation of Financial Statements Topic includes the following Subtopics:

a. Overall
b. Discontinued Operations
c. Liquidation Basis of Accounting.

205-10-05-**2** The Overall Subtopic describes the benefits of presenting comparative financial statements instead of single-period financial statements, and addresses how the comparative information shall be presented and the required disclosures.

205-10-05-**3** The Discontinued Operations Subtopic discusses the conditions under which either of the following would be reported in an entity's financial statements as a discontinued operation:

a. A component of an entity that either has been disposed of or is classified as held for sale
b. A business or nonprofit activity that, on acquisition, is classified as held for sale.

> **PENDING CONTENT**
>
> **Transition Date:** P January 1, 2025; N January 1, 2025 **- Transition Guidance :** 805-60-65-1
>
> The Discontinued Operations Subtopic discusses the conditions under which either of the following would be reported in an entity's financial statements as a discontinued operation:
>
> a. A component of an entity that either has been disposed of or is classified as held for sale
> b. A business or nonprofit activity that, on acquisition or upon formation of a joint venture, is classified as held for sale.

205-10-05-**3A** If a component of an entity that either has been disposed of or is classified as held for sale does not meet the conditions to be reported in discontinued operations, Section 360-10-45 on other presentation matters of property, plant, and equipment provides guidance on presenting disposal gains and losses and impairment losses on assets classified as held for sale.

205-10-05-**4** The Liquidation Basis of Accounting Subtopic provides guidance on when and how an entity should prepare its financial statements using the liquidation basis of accounting and describes the related disclosures that should be made.

205-10-**15 - Scope and Scope Exceptions**

> **General Note:** The Scope and Scope Exceptions Section outlines the items (for example, the entities, transactions, instruments, or events) to which the guidance in the Subtopic does or does not apply. In some cases, the Section may contain definitional or other text to frame the scope.

General

Overall Guidance

205-10-15-**1** The Scope Section of the Overall Subtopic establishes the pervasive scope for all Subtopics of the Presentation of Financial Statements Topic. Unless explicitly addressed within specific Subtopics, the following scope guidance applies to all Subtopics of the Presentation of Financial Statements Topic.

Entities

205-10-15-**2** The guidance in the Presentation of Financial Statements Topic applies to business entities and not-for-profit entities (NFPs).

205-10-**20 - Glossary**

> **General Note:** The Master Glossary contains all terms identified as glossary terms throughout the Codification. Clicking on any term in the Master Glossary will display where the term is used. The Master Glossary may contain identical terms with different definitions, some of which may not be appropriate for a particular Subtopic. For any particular Subtopic, users should only use the glossary terms included in the particular Subtopic Glossary Section (Section 20).

Asset Group

An asset group is the unit of accounting for a long-lived asset or assets to be held and used, which represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities.

Business

Paragraphs 805-10-55-3A through 55-6 and 805-10-55-8 through 55-9 define what is considered a business.

Component of an Entity

A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. A component of an entity may be a reportable segment or an asset group.

Comprehensive Income

The change in equity (net assets) of a business entity during a period from transactions and other events and circumstances from nonowner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. Comprehensive income comprises both of the following:

a. All components of net income

b. All components of other comprehensive income.

Corporate Joint Venture

A corporation owned and operated by a small group of entities (the joint venturers) as a separate and specific business or project for the mutual benefit of the members of the group. A government may also be a member of the group. The purpose of a corporate joint venture frequently is to share risks and rewards in developing a new market, product or technology; to combine complementary technological knowledge; or to pool resources in developing production or other facilities. A corporate joint venture also usually provides an arrangement under which each joint venturer may participate, directly or indirectly, in the overall management of the joint venture. Joint venturers thus have an interest or relationship other than as passive investors. An entity that is a subsidiary of one of the joint venturers is not a corporate joint venture. The ownership of a corporate joint venture seldom changes, and its stock is usually not traded publicly. A noncontrolling interest held by public ownership, however, does not preclude a corporation from being a corporate joint venture.

Joint Venture

An entity owned and operated by a small group of businesses (the joint venturers) as a separate and specific business or project for the mutual benefit of the members of the group. A government may also be a member of the group. The purpose of a joint venture frequently is to share risks and rewards in developing a new market, product, or technology; to combine complementary technological knowledge; or to pool resources in developing production or other facilities. A joint venture also usually provides an arrangement under which each joint venturer may participate, directly or indirectly, in the overall management of the joint venture. Joint venturers thus have an interest or relationship other than as passive investors. An entity that is a subsidiary of one of the joint venturers is not a joint venture. The ownership of a joint venture seldom changes, and its equity interests usually are not traded publicly. A minority public ownership, however, does not preclude an entity from being a joint venture. As distinguished from a corporate joint venture, a joint venture is not limited to corporate entities.

Net Income

A measure of financial performance resulting from the aggregation of revenues, expenses, gains, and losses that are not items of other comprehensive income. A variety of other terms such as net earnings or earnings may be used to describe net income.

Nonprofit Activity

An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing benefits, other than goods or services at a profit or profit equivalent, as a fulfillment of an entity's purpose or mission (for example, goods or services to beneficiaries, customers, or members). As with a not-for-profit entity, a nonprofit activity possesses characteristics that distinguish it from a business or a for-profit business entity.

Operating Segment

A component of a public entity. See Section 280-10-50 for additional guidance on the definition of an operating segment.

Other Comprehensive Income

Revenues, expenses, gains, and losses that under generally accepted accounting principles (GAAP) are included in net income.

Reporting Unit

The level of reporting at which goodwill is tested for impairment. A reporting unit is an operating segment or one level below an operating segment (also known as a component).

205-10-**45 - Other Presentation Matters**

General Note: The Other Presentation Matters Section provides guidance on other presentation matters not addressed in the Recognition, Initial Measurement, Subsequent Measurement, and Derecognition Sections. Other presentation matters may include items such as current or long-term balance sheet classification, cash flow presentation, earnings per share matters, and so forth. The FASB Codification also contains Presentation Topics, which provide guidance for general presentation and display items. See those Topics for general guidance.

General

Comparative Financial Statements

205-10-45-**1** The presentation of comparative financial statements in annual and other reports enhances the usefulness of such reports and brings out more clearly the nature and trends of current changes affecting the entity. Such presentation emphasizes the fact that statements for a series of periods are far more significant than those for a single period and that the accounts for one period are but an installment of what is essentially a continuous history.

205-10-45-**1A** A full set of financial statements for a period shall show all of the following:

a. Financial position at the end of the period

b. Earnings (net income) for the period, (which may be presented as a separate statement or within a continuous statement of comprehensive income [see paragraph 220-10-45-1A])

c. Comprehensive income (total nonowner changes in equity) for the period in one statement or two separate but consecutive statements (if the reporting entity is required to report comprehensive income, see paragraph 220-10-15-3)

d. Cash flows during the period

e. Investments by and distributions to owners during the period.

205-10-45-**2** In any one year it is ordinarily desirable that the statement of financial position, the income statement, and the statement of changes in equity be presented for one or more preceding years, as well as for the current year.

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

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.)

205-10-**50 - Disclosure**

General Note: The Disclosure Section provides guidance regarding the disclosure in the notes to financial statements. In some cases, disclosure may relate to disclosure on the face of the financial statements.

General

Changes Affecting Comparability

205-10-50-**1** If, because of reclassifications or for other reasons, changes have occurred in the manner of or basis for presenting corresponding items for two or more periods, information shall be furnished that will explain the change. This procedure is in conformity with the well-recognized principle that any change in practice that affects comparability of financial statements shall be disclosed.

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 statements to the extent that they continue to be of significance. (See paragraph 205-10-45-4.)

205-10-**60 - Relationships**

General Note: The Relationships Section contains links to guidance that may be helpful to, but not required by, a user of the Subtopic. This Section may not be all-inclusive. The relationship items are organized according to the Topic structure in the Codification.

General

Foreign Currency Matters

205-10-60-**1** For guidance on translating foreign currency statements that are incorporated in the financial statements of a reporting entity by consolidation, combination, or the equity method of accounting, see Subtopic 830-30.

205-10-**S00 - Status**

General Note: The Status Section identifies changes to this Subtopic resulting from Accounting Standards Updates. The Section provides references to the affected Codification content and links to the related Accounting Standards Updates. Nonsubstantive changes for items such as editorial, link and similar corrections are included separately in Maintenance Updates.

General

205-10-S00-**1** The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
205-10-S99-1 through S99-6	Amended	Accounting Standards Update No. 2019-07	07/26/2019
205-10-S99-1	Amended	Accounting Standards Update No. 2012-03	08/27/2012
205-10-S99-5	Amended	Accounting Standards Update No. 2021-06	08/09/2021
205-10-S99-6	Amended	Accounting Standards Update No. 2010-21	08/02/2010
205-10-S99-8	Amended	Accounting Standards Update No. 2012-03	08/27/2012

205-10-**S15 - Scope and Scope Exceptions**

General Note: The Scope and Scope Exceptions Section outlines the items (for example, the entities, transactions, instruments, or events) to which the guidance in the Subtopic does or does not apply. In some cases, the Section may contain definitional or other text to frame the scope.

General

Entities

205-10-S15-**1** See paragraph 205-10-S99-5, Regulation S-X Rule 5-01, for entities to which this Subtopic applies.

205-10-**S20 - Glossary**

General Note: The Master Glossary contains all terms identified as glossary terms throughout the Codification. Clicking on any term in the Master Glossary will display where the term is used. The Master Glossary may contain identical terms with different definitions, some of which may not be appropriate for a particular Subtopic. For any particular Subtopic, users should only use the glossary terms included in the particular Subtopic Glossary Section (Section 20).

Restricted Net Assets

See paragraph 235-10-S99-1, Regulation S-X Rule 4-08(e)(3), for definition of restricted net assets for purposes of the restricted net asset test.

205-10-**S45 - Other Presentation Matters**

General Note: The Other Presentation Matters Section provides guidance on other presentation matters not addressed in the Recognition, Initial Measurement, Subsequent Measurement, and Derecognition Sections. Other presentation matters may include items such as current or long-term balance sheet classification, cash flow presentation, earnings per share matters, and so forth. The FASB

Codification also contains Presentation Topics, which provide guidance for general presentation and display items. See those Topics for general guidance.

General

Form and Order of Financial Statements

Basis of Presentation

205-10-S45-**1** See paragraph 205-10-S99-1(a), Regulation S-X Rule 4-01(a), for requirements for form and order of financial statements and terminology used in financial statements.

Presentation of Amounts

205-10-S45-**2** See paragraph 205-10-S99-1(b), Regulation S-X Rule 4-01(b), for requirements for presentation of dollar amounts required to be shown in the financial statements.

205-10-S45-**3** See paragraph 205-10-S99-9, SAB Topic 11.E, for SEC Staff views on chronological ordering of data.

Omission of Certain Items

205-10-S45-**4** See paragraph 205-10-S99-2, Regulation S-X Rule 4-02, for requirements for omission of certain items not considered material.

205-10-S45-**5** See paragraph 205-10-S99-3, Regulation S-X Rule 4-03. for requirements for inapplicable captions and omission of unrequired or inapplicable financial statements.

205-10-S45-**6** See paragraph 205-10-S99-4, Regulation S-X Rule 4-04, for rules pertaining to the omission of substantially identical footnotes.

Supplemental Schedules

205-10-S45-**7** See paragraph 205-10-S99-6(a), Regulation S-X Rule 5-04(a), regarding requirements to provide supplemental schedules.

205-10-**S50 - Disclosure**

General Note: The Disclosure Section provides guidance regarding the disclosure in the notes to financial statements. In some cases, disclosure may relate to disclosure on the face of the financial statements.

General

Supplemental Schedules

205-10-S50-**1** See paragraph 205-10-S99-6(c), Regulation S-X Rule 5-04(c), for requirements for Supplemental Schedules I - IV.

Changes Affecting Comparability

205-10-S50-**2** See paragraph 205-10-S99-7, SAB Topic 1.B.2, for SEC Staff views on when historical financial statements are not indicative of the ongoing entity.

205-10-**S55 - Implementation Guidance and Illustrations**

General Note: The Implementation Guidance and Illustrations Section contains implementation guidance and illustrations that are an integral part of the Subtopic. The implementation guidance and illustrations do not address all possible variations. Users must consider carefully the actual facts and circumstances in relation to the requirements of the Subtopic.

General

Parent Entity Disclosures and Supplemental Schedules

205-10-S55-**1** See paragraph 235-10-S99-1, Regulation S-X Rule 4-08(e)(3), for requirements for computation of restricted net assets.

205-10-S55-**2** See paragraph 205-10-S99-8, SAB Topic 6.K.2, for SEC Staff views on the computation of restricted net assets of subsidiaries and application of tests for parent entity disclosures.

205-10-**S99 - SEC Materials**

General Note: As more fully described in About the Codification, the Codification includes selected SEC and SEC Staff content for reference by public companies. The Codification does not replace or affect how the SEC or SEC Staff issues or updates SEC content. SEC Staff content does not constitute Commission-approved rules or interpretations of the SEC.

General

SEC Rules, Regulations, and Interpretations

Regulation S-X

Regulation S-X Rule 4-01, Form, Order and Terminology

205-10-S99-**1** The following is the text of Regulation S-X Rule 4-01, Form, Order and Terminology (17 CFR 210.4-01).

(a) Financial statements should be filed in such form and order, and should use such generally accepted terminology, as will best indicate their significance and character in the light of the provisions applicable thereto. The information required with respect to any statement shall be furnished as a minimum requirement to which shall be added such further material information as is necessary to make the required statements, in the light of the circumstances under which they are made, not misleading.

(1) Financial statements filed with the Commission which are not prepared in accordance with generally accepted accounting principles will be presumed to be misleading or inaccurate, despite footnote or other disclosures, unless the Commission has otherwise provided. This article and other articles of Regulation S-X provide clarification of certain disclosures which must be included in any event, in financial statements filed with the Commission.

(2) In all filings of foreign private issuers (see § 230.405 of this chapter), except as stated otherwise in the applicable form, the financial statements may be prepared according to a comprehensive set of accounting principles other than those generally accepted in the United States or International Financial Reporting Standards as issued by the International Accounting Standards Board, if a reconciliation to U.S. Generally Accepted Accounting Principles and the provisions of Regulation S-X of the type specified in Item 18 of Form 20-F (§ 249.220f of this chapter) is also filed as part of the financial statements. Alternatively, the financial statements may be prepared according to U.S. Generally Accepted Accounting Principles or International Financial Reporting Standards as issued by the International Accounting Standards Board.

(b) All money amounts required to be shown in financial statements may be expressed in whole dollars or multiples thereof, as appropriate: Provided, That, when stated in other than whole dollars, an indication to that effect is inserted immediately beneath the caption of the statement or schedule, at the top of the money columns, or at an appropriate point in narrative material.

(c) Negative amounts (red figures) shall be shown in a manner which clearly distinguishes the negative attribute. When determining methods of display, consideration should be given to the limitations of reproduction and microfilming processes.

[45 FR 63669, Sept. 25, 1980, as amended at 47 FR 54767, Dec. 6, 1982; 70 FR 20719, Apr. 21, 2005; 73 FR 953, Jan. 4, 2008; 73 FR 1009, Jan. 4, 2008; 76 FR 50119, Aug. 12, 2011; 83 FR 50200, Oct. 4, 2018]

Regulation S-X Rule 4-02, Items Not Material

205-10-S99-**2** The following is the text of Regulation S-X Rule 4-02, Items Not Material (17 CFR 210.4-02).

If the amount which would otherwise be required to be shown with respect to any item is not material, it need not be separately set forth. The combination of insignificant amounts is permitted.

Regulation S-X Rule 4-03, Inapplicable Captions and Omission of Unrequired or Inapplicable Financial Statements

205-10-S99-**3** The following is the text of Regulation S-X Rule 4-03, Inapplicable Captions and Omission of Unrequired or Inapplicable Financial Statements (17 CFR 210.4-03).

(a) No caption should be shown in any financial statement as to which the items and conditions are not present.

(b) Financial statements not required or inapplicable because the required matter is not present need not be filed.

(c) The reasons for the omission of any required financial statements shall be indicated.

Regulation S-X Rule 4-04, Omission of Substantially Identical Notes

205-10-S99-**4** The following is the text of Regulation S-X Rule 4-04, Omission of Substantially Identical Notes (17 CFR 210.4-04).

If a note covering substantially the same subject matter is required with respect to two or more financial statements relating to the same or affiliated persons, for which separate sets of notes are presented, the required information may be shown in a note to only one of such statements: Provided, That a clear and specific reference thereto is made in each of the other statements with respect to which the note is required.

Regulation S-X Rule 5-01, Application of §§210.5-01 to 210.5-04

205-10-S99-**5** The following is the text of Regulation S-X Rule 5-01, Application of §§ 210.5-01 to 210.5-04 (17 CFR 210.5-01).

Sections 210.5-01 to 210.5-04 shall be applicable to financial statements filed for all persons except

(a) Registered investment companies (see §§ 210.6-01 through 210.6-11).

(b) Employee stock purchase, savings and similar plans (see §§ 210.6A-01 to 210.6A-05).

(c) Insurance companies (see §§ 210.7-01 to 210.7-05).

(d) Bank holding companies and banks (see §§ 210.9-01 to 210.9-07).

(e) Brokers and dealers when filing Form X-17A-5 [249.617] (see §§ 240.17a-5 and 240.17a-10 under the Securities Exchange Act of 1934).

[50 FR 49533, Dec. 3, 1985, as amended at 85 FR 54064, Aug. 31, 2020]

Regulation S-X Rule 5-04, What Schedules are to Be Filed

205-10-S99-**6** The following is the text of Regulation S-X Rule 5-04, What Schedules are to Be Filed (17 CFR 210.5-04).

(a) Except as expressly provided otherwise in the applicable form:

(1) The schedules specified below in this Section as Schedules II and III shall be filed as of the date of the most recent audited balance sheet for each person or group.

(2) Schedule II of this section shall be filed for each period for which an audited statement of comprehensive income is required to be filed for each person or group.

(3) Schedules I and IV shall be filed as of the date and for periods specified in the schedule.

(b) When information is required in schedules for both the registrant and the registrant and its subsidiaries consolidated it may be presented in the form of a single schedule: Provided, That items pertaining to the registrant are separately shown and that such single schedule affords a properly summarized presentation of the facts. If the information required by any schedule (including the notes thereto) may be shown in the related financial statement or in a note thereto without making such statement unclear or confusing, that procedure may be followed and the schedule omitted.

(c) The schedules shall be examined by the independent accountant if the related financial statements are so examined.

Schedule I-Condensed financial information of registrant. The schedule prescribed by § 210.12-04 shall be filed when the restricted net assets (§210.1-02(dd)) of consolidated subsidiaries exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year.

Schedule II-Valuation and qualifying accounts. The schedule prescribed by § 210.12-09 shall be filed in support of valuation and qualifying accounts included in each balance sheet but not included in Schedule VI. (See § 210.4-02.)

Schedule III-Real estate and accumulated depreciation. The schedule prescribed by § 210.12-28 shall be filed for real estate (and the related accumulated depreciation) held by persons a substantial portion of whose business is that of acquiring and holding for investment real estate or interests in real estate, or interests in other persons a substantial portion of whose business is that of acquiring and holding real estate or interests in real estate for investment. Real estate used in the business shall be excluded from the schedule.

Schedule IV-Mortgage loans on real estate. The schedule prescribed by § 210.12-29 shall be filed by persons specified under Schedule XI for investments in mortgage loans on real estate.

Schedule V-Supplemental Information Concerning Property-casualty Insurance Operations. The schedule prescribed by § 210.12-18 shall be filed when a registrant, its subsidiaries or 50%-or-less-owned equity basis investees, have liabilities for property-casualty ("P/C") insurance claims. The required information shall be presented as of the same dates and for the same periods for which the information is reflected in the audited consolidated financial statements required by §§ 210.3-01 and 3-02. The schedule may be omitted if reserves for unpaid P/C claims and claims adjustment expenses of the registrant and its consolidated subsidiaries, its unconsolidated subsidiaries and its 50%-or-less-owned equity basis investees did not, in the aggregate, exceed one-half of common stockholders' equity of the registrant and its consolidated subsidiaries as of the beginning of the fiscal year. For purposes of this test only the proportionate share of the registrant and its other subsidiaries in the reserves for unpaid claims and claim adjustment expenses of 50%-or-less-owned equity basis investees taken in the aggregate after intercompany eliminations shall be taken into account.

[45 FR 63671, Sept. 25, 1980, as amended at 46 FR 48137, Oct. 1, 1981; 46 FR 56180, Nov. 16, 1981; 49 FR 47598, Dec. 6, 1984; 50 FR 25215, June 18, 1985; 59 FR 65636, Dec. 20, 1994; 74 FR 18615, Apr. 23, 2009; 83 FR 50202, Oct. 4, 2018]

SEC Staff Guidance

Staff Accounting Bulletins

SAB Topic 1.B.2, Pro Forma Financial Statements and Earnings per Share

205-10-S99-**7** The following is the text of SAB Topic 1.B.2, Pro Forma Financial Statements and Earnings per Share.

Question: What disclosure should be made if the registrant's historical financial statements are not indicative of the ongoing entity (e. g., tax or other cost sharing agreements will be terminated or revised)?

Interpretive Response: The registration statement should include pro forma financial information that is in accordance with Article 11 of Regulation S-X and reflects the impact of terminated or revised cost sharing agreements and other significant changes.

SAB Topic 6.K.2, Parent Company Financial Information

205-10-S99-**8** The following is the text of SAB Topic 6.K.2, Parent Company Financial Information.

a. Computation of restricted net assets of subsidiaries.

Facts: The revised rules for parent company disclosures adopted in ASR 302 require, in certain circumstances, (1) footnote disclosure in the consolidated financial statements about the nature and amount of significant restrictions on the ability of subsidiaries to transfer funds to the parent through intercompany loans, advances or cash dividends [Rule 4-08(e)(3)], and (2) the presentation of condensed parent company financial information and other data in a schedule (Rule 12-04). To determine which disclosures, if any, are required, a registrant must compute its proportionate share of the net assets of its consolidated and unconsolidated subsidiary companies as of the end of the most recent fiscal year which are restricted as to transfer to the parent company because the consent of a third party (a lender, regulatory agency, foreign government, etc.) is required. If the registrant's proportionate share of the restricted net assets of consolidated subsidiaries exceeds 25% of the registrant's consolidated net assets, both the footnote and schedule information are required. If the amount of such restrictions is less than 25%, but the sum of these restrictions plus the amount of the registrant's proportionate share of restricted net assets of unconsolidated subsidiaries plus the registrant's equity in the undistributed earnings of 50% or less owned persons (investees) accounted for by the equity method exceed 25% of consolidated net assets, the footnote disclosure is required.

Question 1: How are restricted net assets of subsidiaries computed?

Interpretative Response: The calculation of restricted net assets requires an evaluation of each subsidiary to identify any circumstances where third parties may limit the subsidiary's ability to loan, advance or dividend funds to the parent. This evaluation normally comprises a review of loan agreements, statutory and regulatory requirements, etc., to determine the dollar amount of each subsidiary's restrictions. The related amount of the subsidiary's net assets designated as restricted, however, should not exceed the amount of the subsidiary's net assets included in consolidated net assets, since parent company disclosures are triggered when a significant amount of consolidated net assets are restricted. The amount of each subsidiary's net assets included in consolidated net assets is determined by allocating (pushing down) to each subsidiary any related consolidation adjustments such as intercompany balances, intercompany profits, and differences between fair value and historical cost arising from a business combination accounted for as a purchase. This amount is referred to as the subsidiary's adjusted net assets. If the subsidiary's adjusted net assets are less than the amount of its restrictions because the push down of consolidating adjustments reduced its net assets, the subsidiary's adjusted net assets is the amount of the subsidiary's restricted net assets used in the tests.

Registrants with numerous subsidiaries and investees may wish to develop approaches to facilitate the determination of its parent company disclosure requirements. For example, if the parent company's adjusted net assets (excluding any interest in its subsidiaries) exceed 75% of consolidated net assets, or if the total of all of the registrant's consolidated and unconsolidated subsidiaries' restrictions and its equity in investees' earnings is less than 25% of consolidated net assets, then the allocation of consolidating adjustments to the subsidiaries to determine the amount of their adjusted net assets would not be necessary since no parent company disclosures would be required.

Question 2: If a registrant makes a decision that it will permanently reinvest the undistributed earnings of a subsidiary, and thus does not provide for income taxes thereon because it meets the criteria set forth in FASB ASC Subtopic 740-30, Income Taxes-Other Considerations or Special Areas, is there considered to be a restriction for purposes of the test?

Interpretive Response: No. The rules require that only third party restrictions be considered. Restrictions on subsidiary net assets imposed by management are not included.

b. Application of tests for parent company disclosures.

Facts: The balance sheet of the registrant's 100%-owned subsidiary at the most recent fiscal year-end is summarized as follows:

Current assets	$ 120	Current liabilities	$ 30
Noncurrent assets	45	Long-term debt	60
			90
		Common stock	25
		Retained earnings	50
			75
	$ 165		$ 165

Net assets of the subsidiary are $75. Assume there are no consolidating adjustments to be allocated to the subsidiary. Restrictive covenants of the subsidiary's debt agreements provide that:

Net assets, excluding intercompany loans, cannot be less than $35.

60% of accumulated earnings must be maintained.

Question 1: What is the amount of the subsidiary's restricted net assets?

Interpretive Response:

Restriction	Computed Restrictions
Net assets: currently $75, cannot be less than $35; therefore	$35
Dividends: 60% of accumulated earnings ($50) cannot be paid out; therefore	$30

Restricted net assets for purposes of the test are $35. The maximum amount that can be loaned or advanced to the parent without violating the net asset covenant is $40 ($75 - 35). Alternatively, the subsidiary could pay a dividend of up to $20 ($50 - 30) without violating the dividend covenant, and loan or advance up to $20, without violating the net asset provision.

Facts: The registrant has one 100%-owned subsidiary. The balance sheet of the subsidiary at the latest fiscal year-end is summarized as follows:

Current assets	$ 75	Current liabilities	$ 23
Noncurrent assets	90	Long-term debt	57
		Redeemable preferred stock	10
		Common stock	30
		Retained earnings	45
			75
	$ 165		$ 165

Assume that the registrant's consolidated net assets are $130 and there are no consolidating adjustments to be allocated to the subsidiary. The subsidiary's net assets are $75. The subsidiary's noncurrent assets are comprised of $40 in operating plant and equipment used in the subsidiary's business and a $50 investment in a 30% investee. The subsidiary's equity in this investee's undistributed earnings is $18. Restrictive covenants of the subsidiary's debt agreements are as follows:

1. Net assets, excluding intercompany balances, cannot be less than $20.

2. 80% of accumulated earnings must be reinvested in the subsidiary.

3. Current ratio of 2:1 must be maintained.

Question 2: Are parent company footnote or schedule disclosures required?

Interpretive Response: Only the parent company footnote disclosures are required. The subsidiary's restricted net assets are computed as follows:

Restriction	Computed Restriction
Net assets: currently $75, cannot be less than $20; therefore	$20
Dividends: 80% of accumulated earnings ($45) cannot be paid; therefore	$36
Current ratio: must be at least 2:1 ($46 current assets must be maintained since current liabilities are $23 at fiscal year-end); therefore	$46

Restricted net assets for purposes of the test are $20. The amount computed from the dividend restriction ($36) and the current ratio requirement ($46) are not used because net assets may be transferred by the subsidiary up to the limitation imposed by the requirement to maintain net assets of at least $20, without violating the other restrictions. For example, a transfer to the parent of up to $55 of net assets could be accomplished by a combination of dividends of current assets of $9 ($45-36), and loans or advances of current assets of up to $20 and noncurrent assets of up to $26.

Parent company footnote disclosures are required in this example since the restricted net assets of the subsidiary and the registrant's equity in the earnings of its 100%-owned subsidiary's investee exceed 25% of consolidated net assets [($20 + 18)/$130 = 29%]. The parent company schedule information is not required since the restricted net assets of the subsidiary are only 15% of consolidated net assets ($20/$130 = 15%).

Although the subsidiary's noncurrent assets are not in a form which is readily transferable to the parent company, the illiquid nature of the assets is not relevant for purposes of the parent company tests. The objective of the tests is to require parent company disclosures when the parent company does not have control of its subsidiaries' funds because it does not have unrestricted access to their net assets. The tests trigger parent company disclosures only when there are significant third party restrictions on transfers by subsidiaries of net assets and the subsidiaries' net assets comprise a significant portion of consolidated net assets. Practical limitations, other than third party restrictions on transferability at the measurement date (most recent fiscal year-end), such as subsidiary illiquidity, are not considered in computing restricted net assets. However, the potential effect of any limitations other than those imposed by third parties should be considered for inclusion in Management's Discussion and Analysis of liquidity.

	Net assets
Subsidiary A	$ (500)
Subsidiary B	$2,000
Consolidated	$3,700

Subsidiaries A and B are 100% owned by the registrant. Assume there are no consolidating adjustments to be allocated to the subsidiaries. Subsidiary A has restrictions amounting to $200. Subsidiary B's restrictions are $1,000.

Question 3: What parent company disclosures are required for the registrant?

Interpretive Response: Since subsidiary A has an excess of liabilities over assets, it has no restricted net assets for purposes of the test. However, both parent company footnote and schedule disclosures are required, since the restricted net assets of subsidiary B exceed 25% of consolidated net assets ($1,000/3,700 = 27%).

	Net assets
Subsidiary A	$ 850
Subsidiary B	$ 300
Consolidated	$ 3700

The registrant owns 80% of subsidiary A. Subsidiary A owns 100% of subsidiary B. Assume there are no consolidating adjustments to be allocated to the subsidiaries. A may not pay any dividends or make any affiliate loans or advances. B has no restrictions. A's net assets of $850 do not include its investment in B.

Question 4: Are parent company footnote or schedule disclosures required for this registrant?

Interpretive Response: No. All of the registrant's share of subsidiary A's net assets ($680) are restricted. Although B may pay dividends and loan or advance funds to A, the parent's access to B's funds through A is restricted. However, since there are no limitations on B's ability to loan or advance funds to the parent, none of the parent's share of B's net assets are restricted. Since A's restricted net assets are less than 25% of consolidated net assets ($680/3700 = 18%), no parent company disclosures are required.

Facts: The consolidating balance sheet of the registrant at the latest fiscal year-end is summarized as follows:

	Registrant	Subsidiary	Consolidating Adjustments	Consolidated
Current assets	$ 800	$ 700	$0	$ 1,500
30% investment in affiliate	175	0	0	175
Investment in subsidiary	350	0	(350)	0
Other noncurrent assets	$ 625	$ 300	(100)	$ 825
	$ 1,950	$ 1,000	$ (450)	$ 2,500
Current liabilities	600	400	$0	1,000
Concurrent liabilities	375	150	0	525
Redeemable preferred stock	275	0	0	275
Common stock	110	1	(1)	110
Paid-in capital	290	49	(49)	290
Retained earnings	300	400	(400)	300
	700	450	(450)	700
	$ 1,950	$ 1,000	$ (450)	$ 2,500

The acquisition of the 100%-owned subsidiary was consummated on the last day of the most recent fiscal year. Immediately preceding the acquisition, the registrant had net assets of $700, which included its equity in the undistributed earnings of its 30% investee of $75. Immediately after acquiring the subsidiary's net assets, which had an historical cost of $450 and a fair value of $350, the registrant's net assets were still $700 since debt and preferred stock totaling $350 were issued in the purchase. The subsidiary has debt covenants which permit dividends, loans or advances, to the extent, if any, that net assets exceed an amount which is determined by the sum of $100 plus 75% of the subsidiary's accumulated earnings.

Question 5: What is the amount of the subsidiary's restricted net assets? Are parent company footnote or schedule disclosures required?

Interpretive Response: Restricted net assets for purposes of the test are $350, and both the parent company footnote and schedule disclosures are required.

The amount of the subsidiary's restrictions at year-end is $400 [$100 + (75% x $400)]. The subsidiary's adjusted net assets after the push down of the consolidation entry to the subsidiary to record the noncurrent assets acquired at their fair value is $350 ($450 - $100). Since the subsidiary's adjusted net assets ($350) are less than the amount of its restrictions ($400), restricted net assets are $350. The computed percentages applicable to each of the disclosure tests is in excess of 25%. Therefore, both parent company footnote and schedule information are required. The percentage applicable to the footnote disclosure test is 61% [($75 + 350)/$700]. The computed percentage for the schedule disclosure is 50% ($350/$700).

SAB Topic 11.E, Chronological Ordering of Data

205-10-S99-**9** The following is the text of SAB Topic 11.E, Chronological Ordering of Data.

Question: Does the staff have any preference in what order data are presented (e. g., the most current data displayed first, etc.)?

Interpretive Response: The staff has no preference as to order; however, financial statements and other data presented in tabular form should read consistently from left to right in the same chronological order throughout the filing. Similarly, numerical data included in narrative sections should be consistently ordered.

205-**20 - Discontinued Operations**

205-20-**00 - Status**

General Note: The Status Section identifies changes to this Subtopic resulting from Accounting Standards Updates. The Section provides references to the affected Codification content and links to the related Accounting Standards Updates. Nonsubstantive changes for items such as editorial, link and similar corrections are included separately in Maintenance Updates.

General

205-20-00-**1** The following table identifies the changes made to this Subtopic.

Paragraph	**Action**	**Accounting Standards Update**	**Date**
Business	Amended	Accounting Standards Update No. 2017-01	01/05/2017
Business	Added	Accounting Standards Update No. 2014-08	04/10/2014
Commodity	Superseded	Accounting Standards Update No. 2014-08	04/10/2014
Continuation of Activities	Superseded	Accounting Standards Update No. 2014-08	04/10/2014
Continuing Cash Flows	Superseded	Accounting Standards Update No. 2014-08	04/10/2014
Corporate Joint Venture	Added	Accounting Standards Update No. 2023-05	08/23/2023
Disposal Group	Amended	Accounting Standards Update No. 2014-08	04/10/2014
Firm Purchase Commitment	Added	Accounting Standards Update No. 2014-08	04/10/2014
Joint Venture	Added	Accounting Standards Update No. 2023-05	08/23/2023
Migration	Superseded	Accounting Standards Update No. 2014-08	04/10/2014
Nonprofit Activity	Added	Accounting Standards Update No. 2014-08	04/10/2014
Not-for-Profit Entity	Added	Accounting Standards Update No. 2014-08	04/10/2014
Probable (2nd def.)	Added	Accounting Standards Update No. 2014-08	04/10/2014
Public Business Entity	Amended	Maintenance Update 2017-06	04/07/2017
Public Business Entity	Amended	Maintenance Update 2016-11	06/27/2016

Public Business Entity	Added	Accounting Standards Update No. 2014-08	04/10/2014
205-20-05-1	Amended	Accounting Standards Update No. 2014-08	04/10/2014
205-20-05-2	Added	Accounting Standards Update No. 2014-08	04/10/2014
205-20-15-1	Amended	Accounting Standards Update No. 2014-08	04/10/2014
205-20-15-2	Amended	Accounting Standards Update No. 2023-05	08/23/2023
205-20-15-2	Amended	Accounting Standards Update No. 2014-08	04/10/2014
205-20-15-3	Added	Accounting Standards Update No. 2014-08	04/10/2014
205-20-45-1	Superseded	Accounting Standards Update No. 2014-08	04/10/2014
205-20-45-1A through 45-1G	Added	Accounting Standards Update No. 2014-08	04/10/2014
205-20-45-1D	Amended	Accounting Standards Update No. 2023-05	08/23/2023
205-20-45-1D	Amended	Accounting Standards Update No. 2015-10	06/12/2015
205-20-45-2	Superseded	Accounting Standards Update No. 2014-08	04/10/2014
205-20-45-3	Amended	Accounting Standards Update No. 2014-08	04/10/2014
205-20-45-3A	Amended	Accounting Standards Update No. 2015-01	01/09/2015
205-20-45-3A through 45-3C	Added	Accounting Standards Update No. 2014-08	04/10/2014
205-20-45-4	Amended	Accounting Standards Update No. 2014-08	04/10/2014
205-20-45-5	Amended	Accounting Standards Update No. 2014-08	04/10/2014
205-20-45-10	Amended	Accounting Standards Update No. 2014-08	04/10/2014
205-20-45-11	Added	Accounting Standards Update No. 2014-08	04/10/2014
205-20-50-1	Amended	Accounting Standards Update No. 2014-08	04/10/2014
205-20-50-2	Superseded	Accounting Standards Update No. 2014-08	04/10/2014
205-20-50-3	Amended	Accounting Standards Update No. 2014-08	04/10/2014
205-20-50-3A	Added	Accounting Standards Update No. 2014-08	04/10/2014
205-20-50-4	Superseded	Accounting Standards Update No. 2014-08	04/10/2014
205-20-50-4A	Added	Accounting Standards Update No. 2014-08	04/10/2014
205-20-50-4B	Added	Accounting Standards Update No. 2014-08	04/10/2014
205-20-50-5	Superseded	Accounting Standards Update No. 2014-08	04/10/2014
205-20-50-5A through 50-5D	Added	Accounting Standards Update No. 2014-08	04/10/2014
205-20-50-6	Superseded	Accounting Standards Update No. 2014-08	04/10/2014
205-20-50-7	Added	Accounting Standards Update No. 2014-08	04/10/2014
205-20-55-1 through 55-81	Superseded	Accounting Standards Update No. 2014-08	04/10/2014
205-20-55-27	Amended	Maintenance Update 2016-11	06/27/2016
205-20-55-80	Amended	Maintenance Update 2016-11	06/27/2016
205-20-55-82	Amended	Accounting Standards Update No. 2023-05	08/23/2023
205-20-55-82 through 55-103	Added	Accounting Standards Update No. 2014-08	04/10/2014
205-20-65-1	Added	Accounting Standards Update No. 2014-08	04/10/2014

205-20-**05 - Overview and Background**

> **General Note:** The Overview and Background Section provides overview and background material for the guidance contained in the Subtopic. It does not provide the historical background or due process. It may contain certain material that users generally consider useful to understand the typical situations addressed by the standards. The Section does not summarize the accounting and reporting requirements.

General

205-20-05-**1** This Subtopic provides guidance on the presentation and disclosure requirements for discontinued operations. A discontinued operation may include a component of an entity or a group of components of an entity, or a business or nonprofit activity.

205-20-05-**2** The required disclosures about discontinued operations vary depending on the nature of the discontinued operation. For example, if a discontinued operation includes a component or group of components of an entity that is not an equity method investment, a more comprehensive set of disclosures about the discontinued operation is required. If the discontinued operation includes an equity method investment, or a business or nonprofit activity that is classified as held for sale on acquisition, a more limited set of disclosures is required (see the flowchart in paragraph 205-20-55-82 for an illustration).

205-20-**15 - Scope and Scope Exceptions**

> **General Note:** The Scope and Scope Exceptions Section outlines the items (for example, the entities, transactions, instruments, or events) to which the guidance in the Subtopic does or does not apply. In some cases, the Section may contain definitional or other text to frame the scope.

General

Overall Guidance

205-20-15-**1** This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic; see Section 205-10-15, with specific transaction qualifications noted below.

Transactions

205-20-15-**2** The guidance in this Subtopic applies to either of the following:

a. A component of an entity or a group of components of an entity that is disposed of or is classified as held for sale

b. A business or nonprofit activity that, on acquisition, is classified as held for sale.

> **PENDING CONTENT**
>
> **Transition Date:** P January 1, 2025; N January 1, 2025 **- Transition Guidance :** 805-60-65-1
>
> The guidance in this Subtopic applies to either of the following:
>
> a. A component of an entity or a group of components of an entity that is disposed of or is classified as held for sale
>
> b. A business or nonprofit activity that, on acquisition or upon formation of a joint venture, is classified as held for sale.

Entities

205-20-15-**3** The guidance in this Subtopic does not apply to oil and gas properties that are accounted for using the full-cost method of accounting as prescribed by the U.S. Securities and Exchange Commission (SEC) (see Regulation S-X, Rule 4-10, Financial Accounting and Reporting for Oil and Gas Producing Activities Pursuant to the Federal Securities Laws and the Energy Policy and Conservation Act of 1975).

205-20-**20 - Glossary**

> **General Note:** The Master Glossary contains all terms identified as glossary terms throughout the Codification. Clicking on any term in the Master Glossary will display where the term is used. The Master Glossary may contain identical terms with different definitions, some of which may not be appropriate for a particular Subtopic. For any particular Subtopic, users should only use the glossary terms included in the particular Subtopic Glossary Section (Section 20).

Asset Group

An asset group is the unit of accounting for a long-lived asset or assets to be held and used, which represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities.

Business

Paragraphs 805-10-55-3A through 55-6 and 805-10-55-8 through 55-9 define what is considered a business.

Component of an Entity

A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. A component of an entity may be a reportable segment or an asset group.

Corporate Joint Venture

A corporation owned and operated by a small group of entities (the joint venturers) as a separate and specific business or project for the mutual benefit of the members of the group. A government may also be a member of the group. The purpose of a corporate joint venture frequently is to share risks and rewards in developing a new market, product or technology; to combine complementary technological knowledge; or to pool resources in developing production or other facilities. A corporate joint venture also usually provides an arrangement under which each joint venturer may participate, directly or indirectly, in the overall management of the joint venture. Joint venturers thus have an interest or relationship other than as passive investors. An entity that is a subsidiary of one of the joint venturers is not a corporate joint venture. The ownership of a corporate joint venture seldom changes, and its stock is usually not traded publicly. A noncontrolling interest held by public ownership, however, does not preclude a corporation from being a corporate joint venture.

Disposal Group

A disposal group for a long-lived asset or assets to be disposed of by sale or otherwise represents assets to be disposed of together as a group in a single transaction and liabilities directly associated with those assets that will be transferred in the transaction. A disposal group may include a discontinued operation along with other assets and liabilities that are not part of the discontinued operation.

Firm Purchase Commitment

A firm purchase commitment is an agreement with an unrelated party, binding on both parties and usually legally enforceable, that meets both of the following conditions:

a. It specifies all significant terms, including the price and timing of the transaction.

b. It includes a disincentive for nonperformance that is sufficiently large to make performance probable.

Joint Venture

An entity owned and operated by a small group of businesses (the joint venturers) as a separate and specific business or project for the mutual benefit of the members of the group. A government may also be a member of the group. The purpose of a joint venture frequently is to share risks and rewards in developing a new market, product, or technology; to combine complementary technological knowledge; or to pool resources in developing production or other facilities. A joint venture also usually provides an arrangement under which each joint venturer may participate, directly or indirectly, in the overall management of the joint venture. Joint venturers thus have an interest or relationship other than as passive investors. An entity that is a subsidiary of one of the joint venturers is not a joint venture. The ownership of a joint venture seldom changes, and its equity interests usually are not traded publicly. A minority public ownership, however, does not preclude an entity from being a joint venture. As distinguished from a corporate joint venture, a joint venture is not limited to corporate entities.

Nonprofit Activity

An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing benefits, other than goods or services at a profit or profit equivalent, as a fulfillment of an entity's purpose or mission (for example, goods or services to beneficiaries, customers, or members). As with a not-for-profit entity, a nonprofit activity possesses characteristics that distinguish it from a business or a for-profit business entity.

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.

Operating Segment

A component of a public entity. See Section 280-10-50 for additional guidance on the definition of an operating segment.

Probable

The future event or events are likely to occur.

Public Business Entity

A public business entity is a business entity meeting any one of the criteria below. Neither a not-for-profit entity nor an employee benefit plan is a business entity.

a. It is required by the U.S. Securities and Exchange Commission (SEC) to file or furnish financial statements, or does file or furnish financial statements (including voluntary filers), with the SEC (including other entities whose financial statements or financial information are required to be or are included in a filing).

b. It is required by the Securities Exchange Act of 1934 (the Act), as amended, or rules or regulations promulgated under the Act, to file or furnish financial statements with a regulatory agency other than the SEC.

c. It is required to file or furnish financial statements with a foreign or domestic regulatory agency in preparation for the sale of or for purposes of issuing securities that are not subject to contractual restrictions on transfer.

d. It 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.

e. It has one or more securities that are not subject to contractual restrictions on transfer, and it is required by law, contract, or regulation to prepare U.S. GAAP financial statements (including notes) and make them publicly available on a periodic basis (for example, interim or annual periods). An entity must meet both of these conditions to meet this criterion.

An entity may meet the definition of a public business entity solely because its financial statements or financial information is included in another entity's filing with the SEC. In that case, the entity is only a public business entity for purposes of financial statements that are filed or furnished with the SEC.

Reporting Unit

The level of reporting at which goodwill is tested for impairment. A reporting unit is an operating segment or one level below an operating segment (also known as a component).

Security

A share, participation, or other interest in property or in an entity of the issuer or an obligation of the issuer that has all of the following characteristics:

a. It is either represented by an instrument issued in bearer or registered form or, if not represented by an instrument, is registered in books maintained to record transfers by or on behalf of the issuer.

b. It is of a type commonly dealt in on securities exchanges or markets or, when represented by an instrument, is commonly recognized in any area in which it is issued or dealt in as a medium for investment.

c. It either is one of a class or series or by its terms is divisible into a class or series of shares, participations, interests, or obligations.

Settlement of a Pension or Postretirement Benefit Obligation

A transaction that is an irrevocable action, relieves the employer (or the plan) of primary responsibility for a pension or postretirement benefit obligation, and eliminates significant risks related to the obligation and the assets used to effect the settlement.

205-20-**45 - Other Presentation Matters**

General Note: The Other Presentation Matters Section provides guidance on other presentation matters not addressed in the Recognition, Initial Measurement, Subsequent Measurement, and Derecognition Sections. Other presentation matters may include items such as current or long-term balance sheet classification, cash flow presentation, earnings per share matters, and so forth. The FASB Codification also contains Presentation Topics, which provide guidance for general presentation and display items. See those Topics for general guidance.

General

205-20-45-**1** Paragraph superseded by Accounting Standards Update No. 2014-08.

What Is a Discontinued Operation?

205-20-45-**1A** A discontinued operation may include a component of an entity or a group of components of an entity, or a business or nonprofit activity.

A Discontinued Operation Comprising a Component or a Group of Components of an Entity

205-20-45-**1B** A disposal of a component of an entity or a group of components of an entity shall be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when any of the following occurs:

a. The component of an entity or group of components of an entity meets the criteria in paragraph 205-20-45-1E to be classified as held for sale.

b. The component of an entity or group of components of an entity is disposed of by sale.

c. The component of an entity or group of components of an entity is disposed of other than by sale in accordance with paragraph 360-10-45-15 (for example, by abandonment or in a distribution to owners in a spinoff).

205-20-45-**1C** Examples of a strategic shift that has (or will have) a major effect on an entity's operations and financial results could include a disposal of a major geographical area, a major line of business, a major equity method investment, or other major parts of an entity (see paragraphs 205-20-55-83 through 55-101 for Examples).

A Discontinued Operation Comprising a Business or Nonprofit Activity

205-20-45-**1D** A business or nonprofit activity that, on acquisition, meets the criteria in paragraph 205-20-45-1E to be classified as held for sale is a discontinued operation. If the one-year requirement in paragraph 205-20-45-1E(d) is met (except as permitted by paragraph 205-20-45-1G), a business or nonprofit activity shall be classified as held for sale as a discontinued operation at the acquisition date if the other criteria in paragraph 205-20-45-1E are probable of being met within a short period following the acquisition (usually within three months).

> **PENDING CONTENT**
>
> **Transition Date:** P January 1, 2025; N January 1, 2025 **- Transition Guidance :** 805-60-65-1
>
> A business or nonprofit activity that, on acquisition or upon formation of a joint venture, meets the criteria in paragraph 205-20-45-1E to be classified as held for sale is a discontinued operation. If the one-year requirement in paragraph 205-20-45-1E(d) is met (except as permitted by paragraph 205-20-45-1G), a business or nonprofit activity shall be classified as held for sale as a discontinued operation at the acquisition date or the formation date if the other criteria in paragraph 205-20-45-1E are probable of being met within a short period following the acquisition date or the formation date (usually within three months).

Initial Criteria for Classification of Held for Sale

205-20-45-**1E** A component of an entity or a group of components of an entity, or a business or nonprofit activity (the entity to be sold), shall be classified as held for sale in the period in which all of the following criteria are met:

a. Management, having the authority to approve the action, commits to a plan to sell the entity to be sold.

b. The entity to be sold is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such entities to be sold. (See Examples 5 through 7 [paragraphs 360-10-55-37 through 55-42], which illustrate when that criterion would be met.)

c. An active program to locate a buyer or buyers and other actions required to complete the plan to sell the entity to be sold have been initiated.

d. The sale of the entity to be sold is probable, and transfer of the entity to be sold is expected to qualify for recognition as a completed sale, within one year, except as permitted by paragraph 205-20-45-1G. (See Example 8 [paragraph 360-10-55-43], which illustrates when that criterion would be met.)

e. The entity to be sold is being actively marketed for sale at a price that is reasonable in relation to its current fair value. The price at which an entity to be sold is being marketed is indicative of whether the entity currently has the intent and ability to sell the entity to be sold. A market price that is reasonable in relation to fair value indicates that the entity to be sold is available for immediate sale, whereas a market price in excess of fair value indicates that the entity to be sold is not available for immediate sale.

f. Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

205-20-45-**1F** If at any time the criteria in paragraph 205-20-45-1E are no longer met (except as permitted by paragraph 205-20-45-1G), an entity to be sold that is classified as held for sale shall be reclassified as held and used and measured in accordance with paragraph 360-10-35-44.

205-20-45-**1G** Events or circumstances beyond an entity's control may extend the period required to complete the sale of an entity to be sold beyond one year. An exception to the one-year requirement in paragraph 205-20-45-1E(d) shall apply in the following situations in which those events or circumstances arise:

a. If at the date that an entity commits to a plan to sell an entity to be sold, the entity reasonably expects that others (not a buyer) will impose conditions on the transfer of the entity to be sold that will extend the period required to complete the sale and both of the following conditions are met:

   1. Actions necessary to respond to those conditions cannot be initiated until after a firm purchase commitment is obtained.

   2. A firm purchase commitment is probable within one year. (See Example 9 [paragraph 360-10-55-44], which illustrates that situation.)

b. If an entity obtains a firm purchase commitment and, as a result, a buyer or others unexpectedly impose conditions on the transfer of an entity to be sold previously classified as held for sale that will extend the period required to complete the sale and both of the following conditions are met:

   1. Actions necessary to respond to the conditions have been or will be timely initiated.

   2. A favorable resolution of the delaying factors is expected. (See Example 10 [paragraph 360-10-55-46], which illustrates that situation.)

c. If during the initial one-year period, circumstances arise that previously were considered unlikely and, as a result, an entity to be sold previously classified as held for sale is not sold by the end of that period and all of the following conditions are met:

   1. During the initial one-year period, the entity initiated actions necessary to respond to the change in circumstances.

   2. The entity to be sold is being actively marketed at a price that is reasonable given the change in circumstances.

   3. The criteria in paragraph 205-20-45-1E are met. (See Example 11 [paragraph 360-10-55-48], which illustrates that situation.)

205-20-45-**2** Paragraph superseded by Accounting Standards Update No. 2014-08.

Statement in Which Net Income Is Reported

205-20-45-**3** The statement in which net income of a business entity is reported or the statement of activities of a not-for-profit entity (NFP) for current and prior periods shall report the results of operations of the discontinued operation, including any gain or loss recognized in accordance with paragraph 205-20-45-3C, in the period in which a discontinued operation either has been disposed of or is classified as held for sale.

205-20-45-**3A** The results of all discontinued operations, less applicable income taxes (benefit), shall be reported as a separate component of income. For example, the results of all discontinued operations may be reported in the statement where net income of a business entity is reported as follows.

Income from continuing operations before income taxes	$XXXX	
Income taxes	XXX	
Income from continuing operations		$XXXX
Discontinued operations (Note X)		
Loss from operations of discontinued Component X (including loss on disposal of $XXX)		XXXX
Income tax benefit		XXXX
Loss on discontinued operations		XXXX
Net income		$XXXX

205-20-45-**3B** A gain or loss recognized on the disposal (or loss recognized on classification as held for sale) shall be presented separately on the face of the statement where net income is reported or disclosed in the notes to financial statements (see paragraph 205-20-50-1(b)).

205-20-45-**3C** A gain or loss recognized on the disposal (or loss recognized on classification as held for sale) of a discontinued operation shall be calculated in accordance with the guidance in other Subtopics. For example, if a discontinued operation is within the scope of Topic 360 on property, plant, and equipment, an entity shall follow the guidance in paragraphs 360-10-35-37 through 35-45 and 360-10-40-5 for calculating the gain or loss recognized on the disposal (or loss on classification as held for sale) of the discontinued operation.

205-20-45-**4** Adjustments to amounts previously reported in discontinued operations in a prior period shall be presented separately in the current period in the discontinued operations section of the statement where net income is reported.

205-20-45-**5** Examples of circumstances in which those types of adjustments may arise include the following:

a. The resolution of contingencies that arise pursuant to the terms of the disposal transaction, such as the resolution of purchase price adjustments and indemnification issues with the purchaser

b. The resolution of contingencies that arise from and that are directly related to the operations of the discontinued operation before its disposal, such as environmental and product warranty obligations retained by the seller

c. The settlement of employee benefit plan obligations (pension, postemployment benefits other than pensions, and other postemployment benefits), provided that the settlement is directly related to the disposal transaction. A settlement is directly related to the disposal transaction if there is a demonstrated direct cause-and-effect relationship and the settlement occurs no later than one year following the disposal transaction, unless it is delayed by events or circumstances beyond an entity's control (see paragraph 205-20-45-1G).

Allocation of Interest to Discontinued Operations

205-20-45-**6** Interest on debt that is to be assumed by the buyer and interest on debt that is required to be repaid as a result of a disposal transaction shall be allocated to discontinued operations.

205-20-45-**7** The allocation to discontinued operations of other consolidated interest that is not directly attributable to or related to other operations of the entity is permitted but not required. Other consolidated interest that cannot be attributed to other operations of the entity is allocated based on the ratio of net assets to be sold or discontinued less debt that is required to be paid as a result of the disposal transaction to the sum of total net assets of the consolidated entity plus consolidated debt other than the following:

a. Debt of the discontinued operation that will be assumed by the buyer

b. Debt that is required to be paid as a result of the disposal transaction

c. Debt that can be directly attributed to other operations of the entity.

205-20-45-**8** This allocation assumes a uniform ratio of consolidated debt to equity for all operations (unless the assets to be sold are atypical-for example, a finance company-in which case a normal debt-equity ratio for that type of business may be used). If allocation based on net assets would not provide meaningful results, then the entity shall allocate interest to the discontinued operations based on debt that can be identified as specifically attributed to those operations. This guidance applies to income statement presentation of both continuing and discontinued operations (including the presentation of the gain or loss on disposal of a component of an entity). A decision as to interest allocation shall be applied consistently to all discontinued operations.

Allocation of Overhead to Discontinued Operations

205-20-45-**9** General corporate overhead shall not be allocated to discontinued operations.

Statement of Financial Position

205-20-45-**10** In the period(s) that a discontinued operation is classified as held for sale and for all prior periods presented, the assets and liabilities of the discontinued operation shall be presented separately in the asset and liability sections, respectively, of the statement of financial position. Those assets and liabilities shall not be offset and presented as a single amount. If a discontinued operation is part of a disposal group that includes other assets and liabilities that are not part of the discontinued operation, an entity may present the assets and liabilities of the disposal group separately in the asset and liability sections, respectively, of the statement of financial position. If a discontinued operation is disposed of before meeting the criteria in paragraph 205-20-45-1E to be classified as held for sale, an entity shall present the assets and liabilities of the discontinued operation separately in the asset and liability sections, respectively, of the statement of financial position for the periods presented in the statement of financial position before the period that includes the disposal. When an entity separately presents in prior periods the assets and liabilities of a discontinued operation, the entity shall not apply the guidance in paragraph 360-10-35-43 as if those assets and liabilities were held for sale in those prior periods.

205-20-45-**11** For any discontinued operation initially classified as held for sale in the current period, an entity shall either present on the face of the statement of financial position or disclose in the notes to financial statements (see paragraph 205-20-50-5B(e)) the major classes of assets and liabilities of the discontinued operation classified as held for sale for all periods presented in the statement of financial position. Any loss recognized on a discontinued operation classified as held for sale in accordance with paragraphs 205-20-45-3B through 45-3C shall not be allocated to the major classes of assets and liabilities of the discontinued operation.

205-20-**50 - Disclosure**

General Note: The Disclosure Section provides guidance regarding the disclosure in the notes to financial statements. In some cases, disclosure may relate to disclosure on the face of the financial statements.

General

Disclosures Required for All Types of Discontinued Operations

205-20-50-**1** The following shall be disclosed in the notes to financial statements that cover the period in which a discontinued operation either has been disposed of or is classified as held for sale under the requirements of paragraph 205-20-45-1E:

a. A description of both of the following:
   1. The facts and circumstances leading to the disposal or expected disposal
   2. The expected manner and timing of that disposal.

b. If not separately presented on the face of the statement where net income is reported (or statement of activities for a not-for-profit entity) as part of discontinued operations (see paragraph 205-20-45-3B), the gain or loss recognized in accordance with paragraph 205-20-45-3C.

c. Subparagraph superseded by Accounting Standards Update No. 2014-08.

d. If applicable, the segment(s) in which the discontinued operation is reported under Topic 280 on segment reporting.

205-20-50-**2** Paragraph superseded by Accounting Standards Update No. 2014-08.

Change to a Plan of Sale

205-20-50-**3** An entity may change its plan of sale as addressed in paragraph 360-10-35-44 or paragraph 360-10-35-45. In the period in which the decision is made to change the plan for selling the discontinued operation, an entity shall disclose in the notes to financial statements a description of the facts and circumstances leading to the decision to change that plan and the change's effect on the results of operations for the period and any prior periods presented.

Adjustments to Previously Reported Amounts

205-20-50-**3A** The nature and amount of adjustments to amounts previously reported in discontinued operations that are directly related to the disposal of a discontinued operation in a prior period shall be disclosed (see paragraph 205-20-45-5 for examples of circumstances in which those types of adjustments may arise).

205-20-50-**4** Paragraph superseded by Accounting Standards Update No. 2014-08.

Continuing Involvement

205-20-50-**4A** An entity shall disclose information about its significant continuing involvement with a discontinued operation after the disposal date. Examples of continuing involvement with a discontinued operation after the disposal date include a supply and distribution agreement, a financial guarantee, an option to repurchase a discontinued operation, and an equity method investment in the discontinued operation. The disclosures are required until the results of operations of the discontinued operation in which an entity retains significant continuing involvement are no longer presented separately as discontinued operations in the statement where net income is reported (or statement of activities for a not-for-profit entity).

205-20-50-**4B** An entity shall disclose the following in the notes to financial statements for each discontinued operation in which the entity retains significant continuing involvement after the disposal date:

a. A description of the nature of the activities that give rise to the continuing involvement.

b. The period of time during which the involvement is expected to continue.

c. For all periods presented, both of the following:
   1. The amount of any cash inflows or outflows from or to the discontinued operation after the disposal transaction
   2. Revenues or expenses presented, if any, in continuing operations after the disposal transaction that before the disposal transaction were eliminated in consolidated financial statements as intra-entity transactions.

d. For a discontinued operation in which an entity retains an equity method investment after the disposal (the investee), information that enables users of financial statements to compare the financial performance of the entity from period to period assuming that the entity held the same equity method investment in all periods presented in the statement where net income is reported (or statement of activities for a not-for-profit entity). The disclosure shall include all of the following until the discontinued operation is no longer reported separately in discontinued operations:

1. For each period presented in the statement where net income is reported (or statement of activities for a not-for-profit entity) after the period in which the discontinued operation was disposed of, the pretax income of the investee in which the entity retains an equity method investment
2. The entity's ownership interest in the discontinued operation before the disposal transaction
3. The entity's ownership interest in the investee after the disposal transaction
4. The entity's share of the income or loss of the investee in the period(s) after the disposal transaction and the line item in the statement where net income is reported (or statement of activities for a not-for-profit entity) that includes the income or loss.

205-20-50-**5** Paragraph superseded by Accounting Standards Update No. 2014-08.

Disclosures Required for a Discontinued Operation Comprising a Component or Group of Components of an Entity

205-20-50-**5A** Paragraphs 205-20-50-5B through 50-5D provide disclosures required for discontinued operations that meet the criteria in paragraphs 205-20-45-1B through 45-1C except for a discontinued operation that was an equity method investment before the disposal. For disclosures required for discontinued operations that were equity method investments before the disposal, see paragraph 205-20-50-7.

205-20-50-**5B** An entity shall disclose, to the extent not presented on the face of the financial statements as part of discontinued operations, all of the following in the notes to financial statements:

a. The pretax profit or loss (or change in net assets for a not-for-profit entity) of the discontinued operation for the periods in which the results of operations of the discontinued operation are presented in the statement where net income is reported (or statement of activities for a not-for-profit entity).

b. The major classes of line items constituting the pretax profit or loss (or change in net assets for a not-for-profit entity) of the discontinued operation (for example, revenue, cost of sales, depreciation and amortization, and interest expense) for the periods in which the results of operations of the discontinued operation are presented in the statement where net income is reported (or statement of activities for a not-for-profit entity).

c. Either of the following:

   1. The total operating and investing cash flows of the discontinued operation for the periods in which the results of operations of the discontinued operation are presented in the statement where net income is reported (or statement of activities for a not-for-profit entity)
   2. The depreciation, amortization, capital expenditures, and significant operating and investing noncash items of the discontinued operation for the periods in which the results of operations of the discontinued operation are presented in the statement where net income is reported (or statement of activities for a not-for-profit entity).

d. If the discontinued operation includes a noncontrolling interest, the pretax profit or loss (or change in net assets for a not-for-profit entity) attributable to the parent for the periods in which the results of operations of the discontinued operation are presented in the statement where net income is reported (or statement of activities for a not-for-profit entity).

e. The carrying amount(s) of the major classes of assets and liabilities included as part of a discontinued operation classified as held for sale for the period in which the discontinued operation is classified as held for sale and all prior periods presented in the statement of financial position. Any loss recognized on the discontinued operation classified as held for sale in accordance with paragraphs 205-20-45-3B through 45-3C shall not be allocated to the major classes of assets and liabilities of the discontinued operation.

205-20-50-**5C** If an entity provides the disclosures required by paragraph 205-20-50-5B(a), (b), and (e) in the notes to financial statements, the entity shall disclose the following:

a. For the initial period in which the disposal group is classified as held for sale and for all prior periods presented in the statement of financial position, a reconciliation of both of the following:

   1. The amounts disclosed in paragraph 205-20-50-5B(e)
   2. Total assets and total liabilities of the disposal group classified as held for sale that are presented separately on the face of the statement of financial position. If the disposal group includes assets and liabilities that are not part of the discontinued operation, an entity shall present those assets and liabilities in line items in the reconciliations that are separate from the assets and liabilities of the discontinued operation (see paragraph 205-20-55-102 for an Example).

b. For the periods in which the results of operations of the discontinued operation are reported in the statement where net income is reported (or statement of activities for a not-for-profit entity), a reconciliation of both of the following:

1. The amounts disclosed in paragraph 205-20-50-5B(a) and (b)

2. The after-tax profit or loss from discontinued operations presented on the face of the statement where net income is reported (or statement of activities for a not-for-profit entity) (see paragraph 205-20-55-103 for an Example).

205-20-50-**5D** For purposes of the reconciliation in paragraph 205-20-50-5C(a) or (b), an entity may aggregate the amounts that are not considered major and present them as one line item in the reconciliation.

205-20-50-**6** Paragraph superseded by Accounting Standards Update No. 2014-08.

Disclosures Required for a Discontinued Operation Comprising an Equity Method Investment

205-20-50-**7** For an equity method investment that meets the criteria in paragraphs 205-20-45-1B through 45-1C, an entity shall disclose summarized information about the assets, liabilities, and results of operations of the investee if that information was disclosed in financial reporting periods before the disposal in accordance with paragraph 323-10-50-3(c).

205-20-**55 - Implementation Guidance and Illustrations**

> **General Note:** The Implementation Guidance and Illustrations Section contains implementation guidance and illustrations that are an integral part of the Subtopic. The implementation guidance and illustrations do not address all possible variations. Users must consider carefully the actual facts and circumstances in relation to the requirements of the Subtopic.

General

205-20-55-**1** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**2** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**3** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**4** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**5** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**6** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**7** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**8** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**9** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**10** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**11** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**12** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**13** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**14** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**15** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**16** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**17** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**18** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**19** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**20** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**21** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**22** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**23** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**24** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**25** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**26** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**27** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**28** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**29** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**30** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**31** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**32** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**33** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**34** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**35** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**36** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**37** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**38** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**39** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**40** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**41** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**42** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**43** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**44** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**45** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**46** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**47** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**48** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**49** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**50** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**51** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**52** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**53** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**54** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**55** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**56** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**57** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**58** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**59** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**60** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**61** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**62** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**63** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**64** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**65** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**66** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**67** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**68** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**69** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**70** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**71** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**72** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**73** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**74** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**75** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**76** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**77** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**78** Paragraph superseded by Accounting Standards Update No. 2014-08.

205-20-55-**79** Paragraph superseded by Accounting Standards Update No. 2014-08.

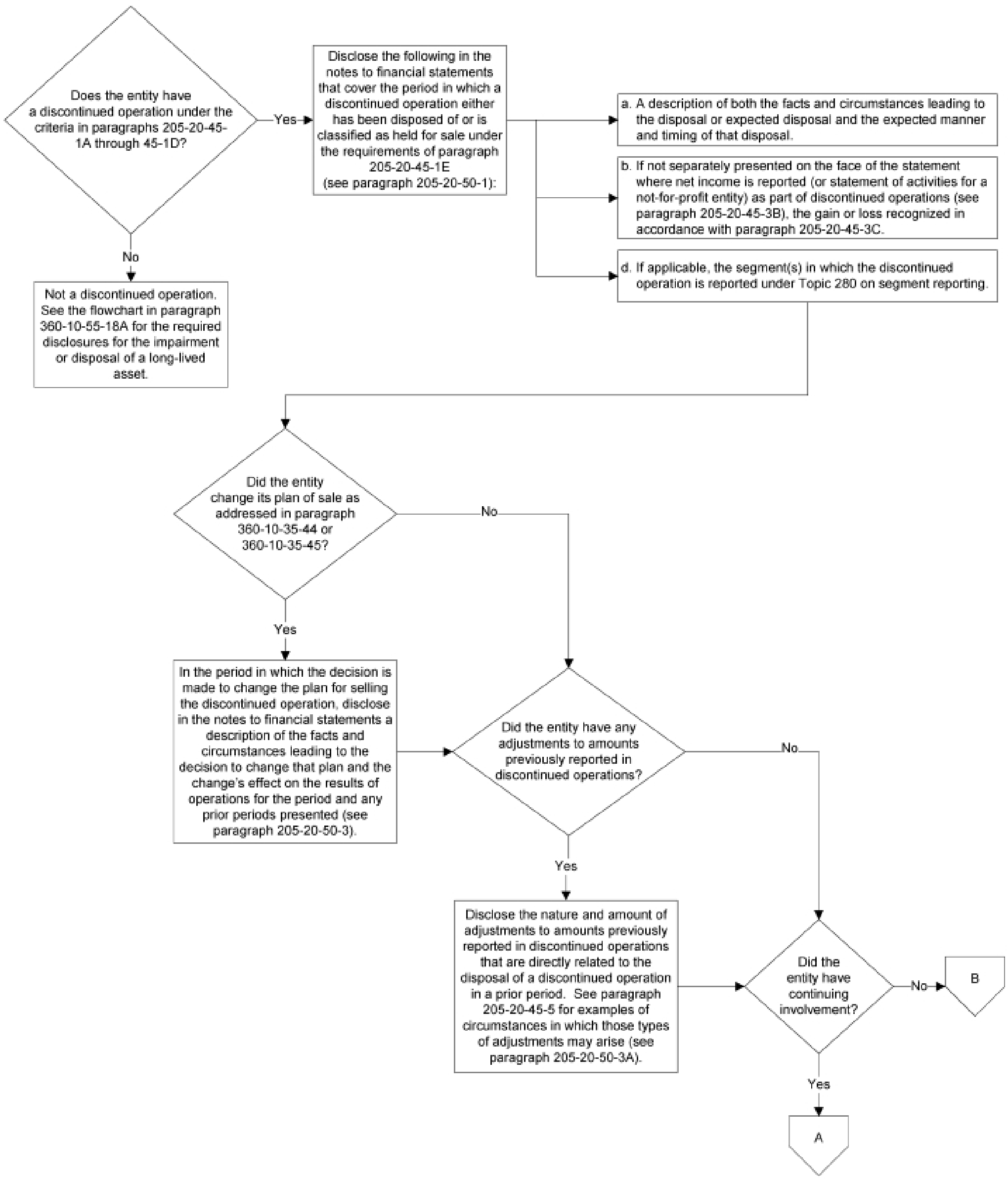
205-20-55-**80** Paragraph superseded by Accounting Standards Update No. 2014-08.

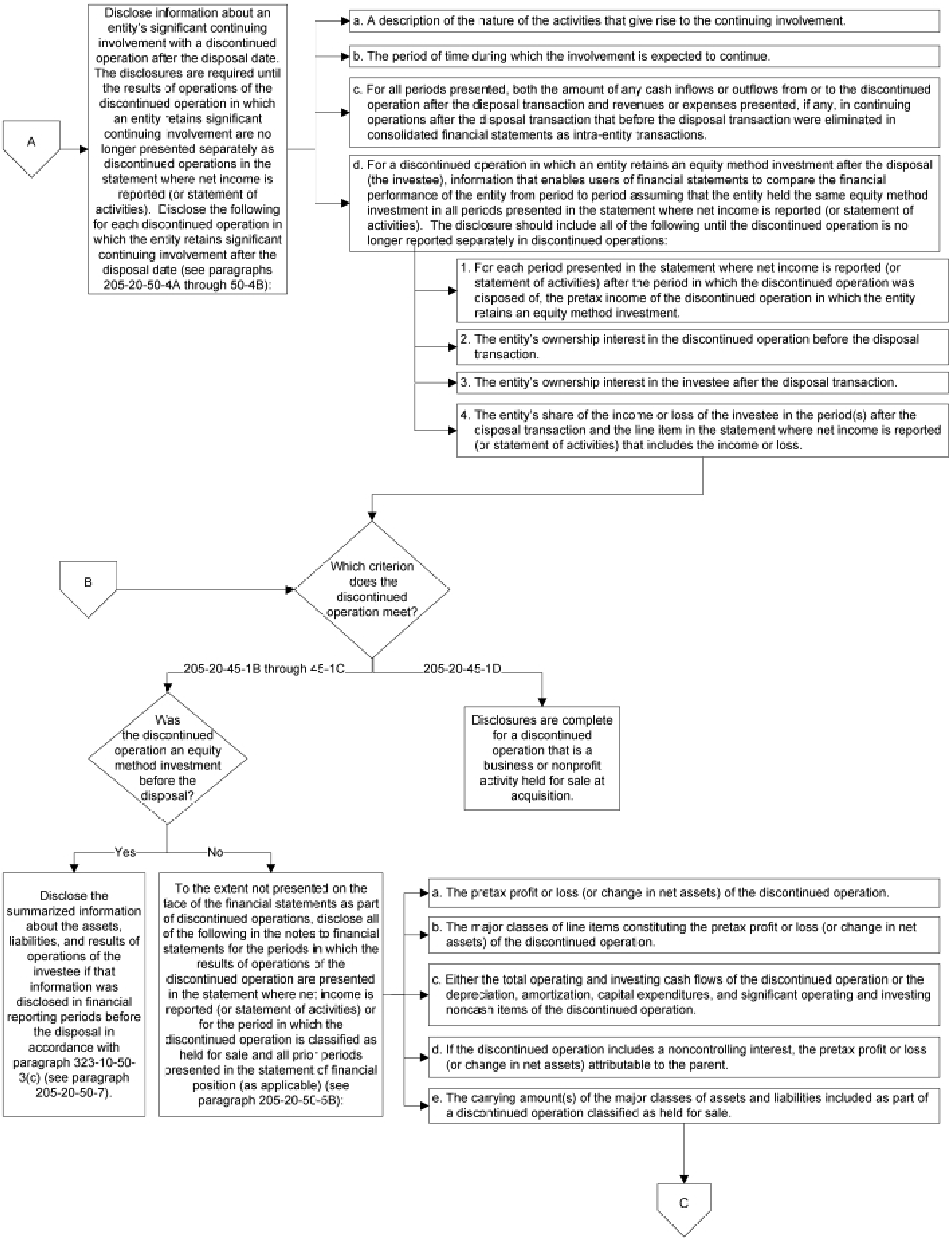
205-20-55-**81** Paragraph superseded by Accounting Standards Update No. 2014-08.

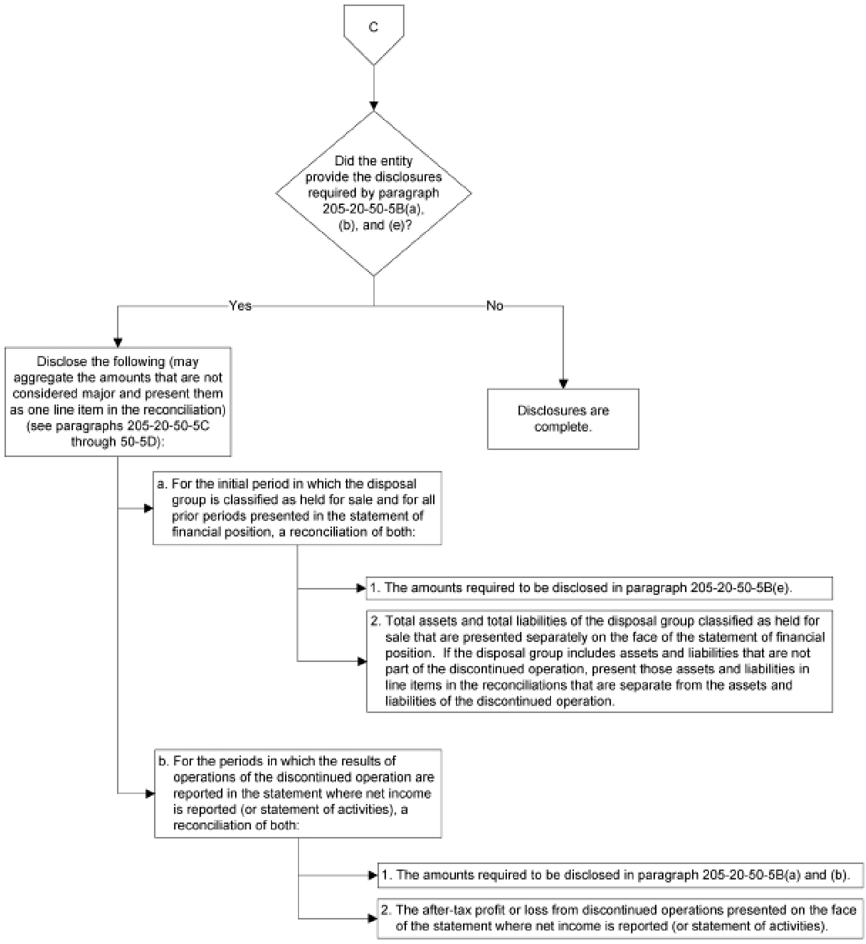
Implementation Guidance

205-20-55-**82** The following flowchart provides an overview of the disclosures required for discontinued operations.

Required Disclosures for a Discontinued Operation




A
Disclose information about an entity's significant continuing involvement with a discontinued operation after the disposal date. The disclosures are required until the results of operations of the discontinued operation in which an entity retains significant continuing involvement are no longer presented separately as discontinued operations in the statement where net income is reported (or statement of activities). Disclose the following for each discontinued operation in which the entity retains significant continuing involvement after the disposal date (see paragraphs 205-20-50-4A through 50-4B):
a. A description of the nature of the activities that give rise to the continuing involvement.
b. The period of time during which the involvement is expected to continue.
c. For all periods presented, both the amount of any cash inflows or outflows from or to the discontinued operation after the disposal transaction and revenues or expenses presented, if any, in continuing operations after the disposal transaction that before the disposal transaction were eliminated in consolidated financial statements as intra-entity transactions.
d. For a discontinued operation in which an entity retains an equity method investment after the disposal (the investee), information that enables users of financial statements to compare the financial performance of the entity from period to period assuming that the entity held the same equity method investment in all periods presented in the statement where net income is reported (or statement of activities). The disclosure should include all of the following until the discontinued operation is no longer reported separately in discontinued operations:
1. For each period presented in the statement where net income is reported (or statement of activities) after the period in which the discontinued operation was disposed of, the pretax income of the discontinued operation in which the entity retains an equity method investment.
2. The entity's ownership interest in the discontinued operation before the disposal transaction.
3. The entity's ownership interest in the investee after the disposal transaction.
4. The entity's share of the income or loss of the investee in the period(s) after the disposal transaction and the line item in the statement where net income is reported (or statement of activities) that includes the income or loss.
B
Which criterion does the discontinued operation meet?
205-20-45-1B through 45-1C
205-20-45-1D
Disclosures are complete for a discontinued operation that is a business or nonprofit activity held for sale at acquisition.
Was the discontinued operation an equity method investment before the disposal?
Yes
No
Disclose the summarized information about the assets, liabilities, and results of operations of the investee if that information was disclosed in financial reporting periods before the disposal in accordance with paragraph 323-10-50-3(c) (see paragraph 205-20-50-7).
To the extent not presented on the face of the financial statements as part of discontinued operations, disclose all of the following in the notes to financial statements for the periods in which the results of operations of the discontinued operation are presented in the statement where net income is reported (or statement of activities) or for the period in which the discontinued operation is classified as held for sale and all prior periods presented in the statement of financial position (as applicable) (see paragraph 205-20-50-5B):
a. The pretax profit or loss (or change in net assets) of the discontinued operation.
b. The major classes of line items constituting the pretax profit or loss (or change in net assets) of the discontinued operation.
c. Either the total operating and investing cash flows of the discontinued operation or the depreciation, amortization, capital expenditures, and significant operating and investing noncash items of the discontinued operation.
d. If the discontinued operation includes a noncontrolling interest, the pretax profit or loss (or change in net assets) attributable to the parent.
e. The carrying amount(s) of the major classes of assets and liabilities included as part of a discontinued operation classified as held for sale.
C

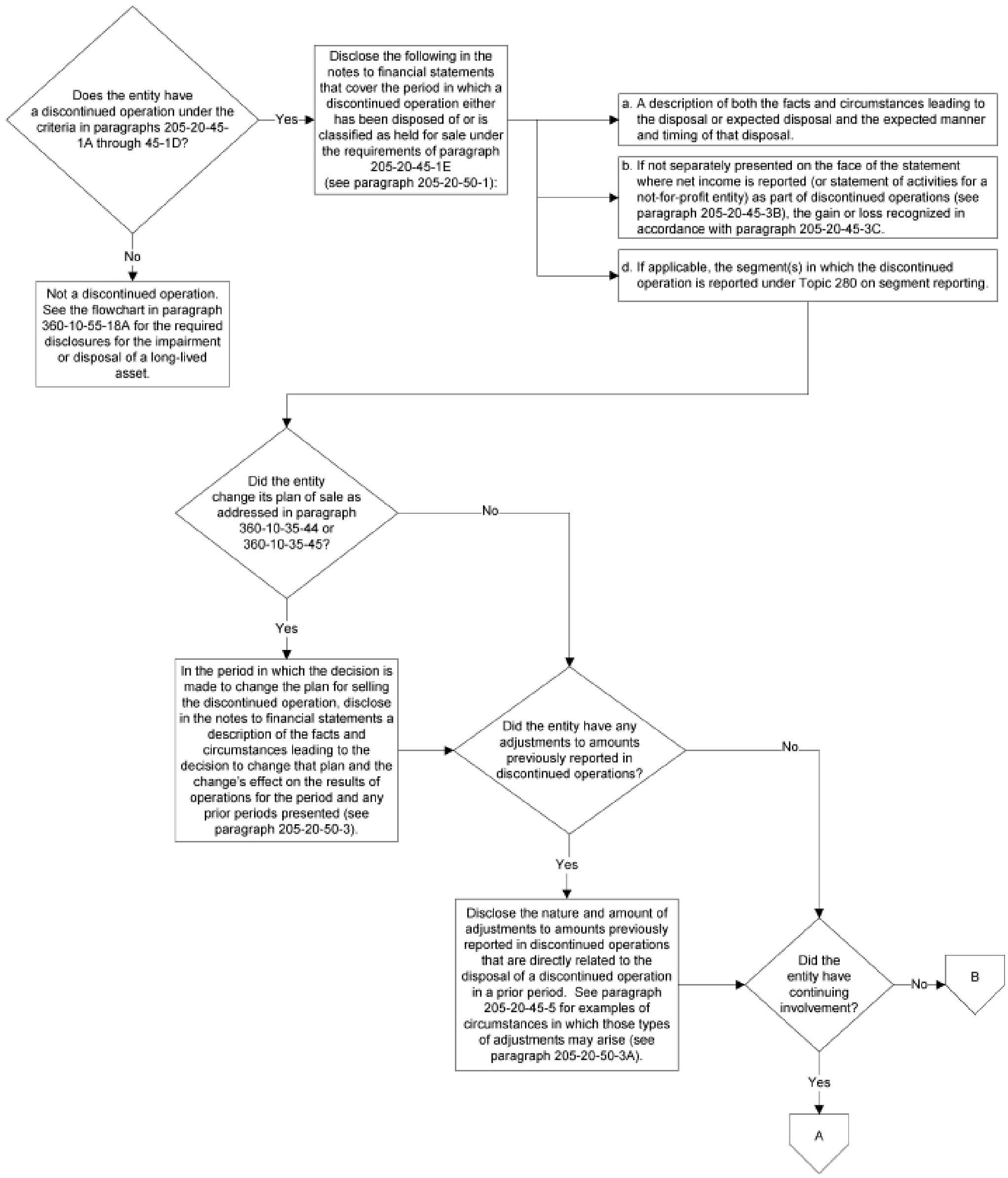


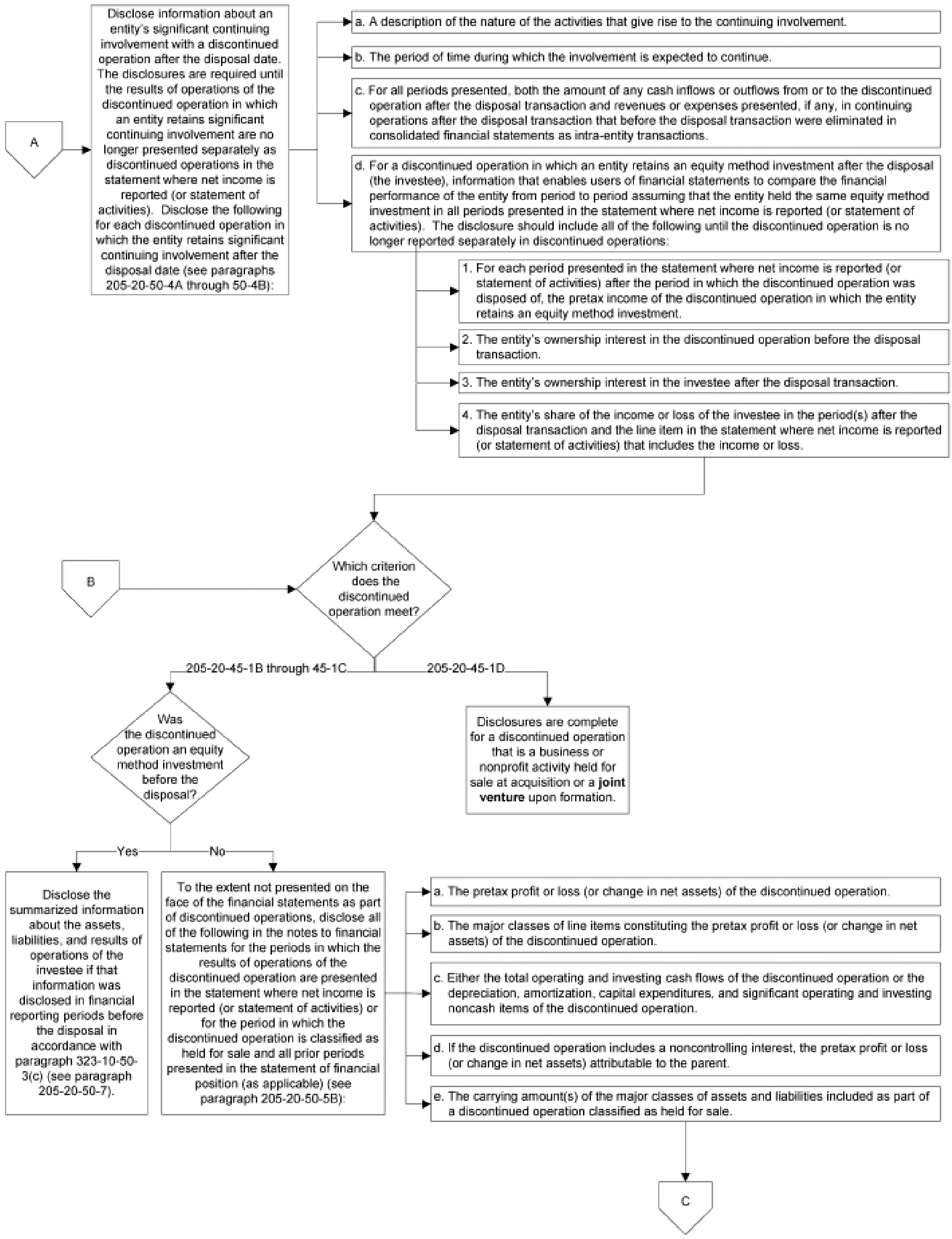
PENDING CONTENT

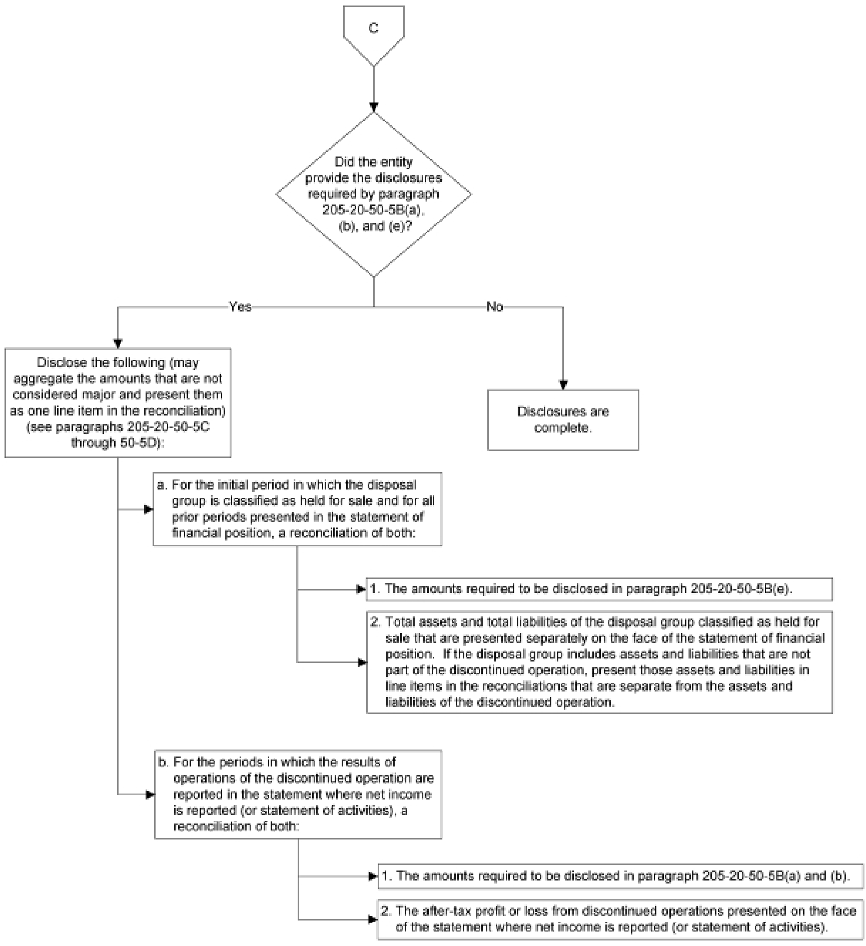
Transition Date: P January 1, 2025; N January 1, 2025 **- Transition Guidance :** 805-60-65-1

The following flowchart provides an overview of the disclosures required for discontinued operations.

Required Disclosures for a Discontinued Operation




A
Disclose information about an entity's significant continuing involvement with a discontinued operation after the disposal date. The disclosures are required until the results of operations of the discontinued operation in which an entity retains significant continuing involvement are no longer presented separately as discontinued operations in the statement where net income is reported (or statement of activities). Disclose the following for each discontinued operation in which the entity retains significant continuing involvement after the disposal date (see paragraphs 205-20-50-4A through 50-4B):
a. A description of the nature of the activities that give rise to the continuing involvement.
b. The period of time during which the involvement is expected to continue.
c. For all periods presented, both the amount of any cash inflows or outflows from or to the discontinued operation after the disposal transaction and revenues or expenses presented, if any, in continuing operations after the disposal transaction that before the disposal transaction were eliminated in consolidated financial statements as intra-entity transactions.
d. For a discontinued operation in which an entity retains an equity method investment after the disposal (the investee), information that enables users of financial statements to compare the financial performance of the entity from period to period assuming that the entity held the same equity method investment in all periods presented in the statement where net income is reported (or statement of activities). The disclosure should include all of the following until the discontinued operation is no longer reported separately in discontinued operations:
1. For each period presented in the statement where net income is reported (or statement of activities) after the period in which the discontinued operation was disposed of, the pretax income of the discontinued operation in which the entity retains an equity method investment.
2. The entity's ownership interest in the discontinued operation before the disposal transaction.
3. The entity's ownership interest in the investee after the disposal transaction.
4. The entity's share of the income or loss of the investee in the period(s) after the disposal transaction and the line item in the statement where net income is reported (or statement of activities) that includes the income or loss.
B
Which criterion does the discontinued operation meet?
205-20-45-1B through 45-1C
205-20-45-1D
Disclosures are complete for a discontinued operation that is a business or nonprofit activity held for sale at acquisition or a **joint venture** upon formation.
Was the discontinued operation an equity method investment before the disposal?
Yes
No
Disclose the summarized information about the assets, liabilities, and results of operations of the investee if that information was disclosed in financial reporting periods before the disposal in accordance with paragraph 323-10-50-3(c) (see paragraph 205-20-50-7).
To the extent not presented on the face of the financial statements as part of discontinued operations, disclose all of the following in the notes to financial statements for the periods in which the results of operations of the discontinued operation are presented in the statement where net income is reported (or statement of activities) or for the period in which the discontinued operation is classified as held for sale and all prior periods presented in the statement of financial position (as applicable) (see paragraph 205-20-50-5B):
a. The pretax profit or loss (or change in net assets) of the discontinued operation.
b. The major classes of line items constituting the pretax profit or loss (or change in net assets) of the discontinued operation.
c. Either the total operating and investing cash flows of the discontinued operation or the depreciation, amortization, capital expenditures, and significant operating and investing noncash items of the discontinued operation.
d. If the discontinued operation includes a noncontrolling interest, the pretax profit or loss (or change in net assets) attributable to the parent.
e. The carrying amount(s) of the major classes of assets and liabilities included as part of a discontinued operation classified as held for sale.
C



Illustrations

205-20-55-**83** Examples 1 through 3 provide illustrations of the guidance in paragraphs 205-20-45-1B through 45-1C on disposals of groups of components of an entity representing strategic shifts that have a major effect on the entity's operations and financial results and are reported in discontinued operations.

Example 1: Consumer Products Manufacturer

205-20-55-**84** An entity manufactures and sells consumer products that are grouped into five major product lines. Each product line includes several brands that comprise operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. Therefore, for that entity, each major product line includes a group of components of the entity.

205-20-55-**85** The entity has experienced high growth in its discount cleaning product line that has lower price points than its premium cleaning product line. Total revenues from the discount cleaning product line are 15 percent of the entity's total revenues; however, the discount cleaning product line will require significant future investments to increase its profits. Therefore, the entity decides to shift its strategy of selling cleaning products at multiple price points and focus solely on selling cleaning products at a premium price point. As a result, the entity decides to sell the discount cleaning product line.

205-20-55-**86** Because the entity shifts its strategy of offering discount cleaning products to consumers and because the discount cleaning product line is one of five major product lines that is a major part of the entity's operations and financial results, the disposal represents a strategic shift that is reported in discontinued operations.

Example 2: Processed and Packaged Goods Manufacturer

205-20-55-**87** An entity manufactures and sells food products that are grouped into five major geographical areas (Europe, Asia, Africa, the Americas, and Oceania). Each major geographical area includes several brands that comprise operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. Therefore, for that entity, each major geographical area includes a group of components of the entity.

205-20-55-**88** The entity has experienced slower growth in its operations located in the Americas, which accounts for 20 percent of the entity's total assets. Therefore, the entity decides to shift its strategy of selling food products in that geographical area and focus its resources on manufacturing and marketing food products in its other four higher growth geographical areas. As a result, the entity decides to sell its operations in the Americas.

205-20-55-**89** Because the entity's operations in the Americas is one of five major geographical areas that is a major part of the entity's operations and financial results, the disposal represents a strategic shift that is reported in discontinued operations.

Example 3: General Merchandise Retailer

205-20-55-**90** An entity that is a general merchandise retailer operates 1,000 retail stores in 2 different store formats-malls and supercenter stores-throughout the United States. The entity divides its stores into five major geographical regions: the Northwest, Southwest, Midwest, Northeast, and Southeast. For that entity, each retail store comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. Therefore, for that entity, each retail store is a component of the entity.

205-20-55-**91** The entity has experienced declining net income at its 200 stores located in malls across all 5 major geographical regions. Historically, net income from the 200 stores in malls has been in a range of 30 to 40 percent of the entity's total net income. Total net income from the 200 stores in malls is down to 15 percent of the entity's total net income because of declining customer traffic in malls. Therefore, the entity decides to shift its strategy of selling products in malls and sell the 200 stores located in malls.

205-20-55-**92** Because the entity decides to shift its strategy of selling products in malls and focus solely on its supercenter stores and because the 200 stores located in malls are a major part of the entity's operations and financial results, the disposal represents a strategic shift that is reported in discontinued operations.

Example 4: Oil and Gas Entity

205-20-55-**93** This Example provides an illustration of the guidance in paragraphs 205-20-45-1B through 45-1C. In this Example, the entity disposes of a component of an entity that is an equity method investment representing a strategic shift that has a major effect on the entity's operations and financial results and is reported in discontinued operations.

205-20-55-**94** An entity that follows the successful-efforts method of accounting produces oil and gas in two major geographical areas (Europe and Africa) that are each divided into several regions. Each region comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. Therefore, for that entity, each major geographical area includes a group of components of the entity.

205-20-55-**95** In its operations located in Africa, the entity operates through a joint venture with another entity that is accounted for by the reporting entity as an equity method investment. The entity's carrying amount of its investment in the joint venture is 20 percent of the entity's total assets. Because of significant investments needed in its operations in Europe, the entity decides to shift its strategy of operating in Africa to focus on its operations in Europe and sell its stake in the joint venture.

205-20-55-**96** Because the entity shifts its strategy of operating a joint venture to focus on its operations in Europe where it maintains full control and because its operations in Africa are a major part of the entity's operations and financial results, its disposal represents a strategic shift that is reported in discontinued operations.

Example 5: Sports Equipment Manufacturer

205-20-55-**97** This Example provides an illustration of the guidance in paragraphs 205-20-45-1B through 45-1C. In this Example, the entity sells 80 percent of a group of components of an entity representing a strategic shift that has a major effect on the entity's operations and financial results and is reported in discontinued operations.

205-20-55-**98** An entity that manufactures and sells sports equipment has two product lines that serve the football and baseball markets. Each product line includes several different brands that each comprise operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. Therefore, for that entity, each product line includes a group of components of the entity.

205-20-55-**99** The entity decides to shift its strategy of trying to sell products to the baseball equipment market, which accounts for 40 percent of its revenues, and focus more on serving its customers in the football equipment market. However, the entity decides to retain some exposure to the baseball equipment market by selling only 80 percent of the group of components in its product line that serves the baseball market to another entity.

205-20-55-**100** Because the entity decides to shift its strategy of trying to sell products to the baseball equipment market by selling 80 percent of the group of components of the entity in that product line and because the portion sold comprises a major part of the entity's operations and financial results, its disposal represents a strategic shift that is reported in discontinued operations.

205-20-55-**101** Because of the entity's significant continuing involvement after the disposal date, the entity provides the disclosures required by paragraphs 205-20-50-4A through 50-4B.

Reconciliation of the Carrying Amounts of Major Classes of Assets and Liabilities of Discontinued Operations to Total Assets and Liabilities Classified as Held for Sale

205-20-55-**102** The table in this illustration provides one example of how to disclose the reconciliation required by paragraph 205-20-50-5C(a).

Reconciliation of the Carrying Amounts of Major Classes of Assets and Liabilities of the Discontinued Operation That Are Disclosed in the Notes to Financial Statements to Total Assets and Liabilities of the Disposal Group Classified as Held for Sale That Are Presented Separately in the Statement of Financial Position (in thousands of currency units)

	20X4	20X3
Carrying amounts of major classes of assets included as part of discontinued operations		
Cash	$ XX	$ XX
Trade receivables	XX	XX
Inventories	XX	XX
Property, plant, and equipment	XX	XX
Other classes of assets that are not major	XX	XX
Total major classes of assets of the discontinued operation	XX	XX
Other assets included in the disposal group classified as held for sale	XX	XX
Total assets of the disposal group classified as held for sale in the statement of financial position	$ XX	$ XX
Carrying amounts of major classes of liabilities included as part of discontinued operations		
Trade payables	$ XX	$ XX
Short-term borrowings	XX	XX
Other classes of liabilities that are not major	XX	XX
Total major classes of liabilities of the discontinued operation	XX	XX
Other liabilities included in the disposal group classified as held for sale	XX	XX
Total liabilities of the disposal group classified as held for sale in the statement of financial position	$ XX	$ XX

Reconciliation of the Major Classes of Line Items Constituting Pretax Profit or Loss of Discontinued Operations to After-Tax Profit or Loss Reported in Discontinued Operations

205-20-55-**103** The table in this illustration provides one example of how to disclose the reconciliation required by paragraph 205-20-50-5C(b).

Reconciliation of the Major Classes of Line Items Constituting Pretax Profit (Loss) of Discontinued Operations That Are Disclosed in the Notes to Financial Statements to the After-Tax Profit or Loss of Discontinued Operations That Are Presented in the Statement Where Net Income Is Presented (in thousands of currency units)

	20X4	20X3
Major classes of line items constituting pretax profit (loss) of discontinued operations		
Revenue	$ XX	$ XX
Cost of sales	(XX)	(XX)
Selling, general, and administrative expenses	(XX)	(XX)
Interest expense	(XX)	(XX)
Other income and expense items that are not major	(XX)	(XX)
Pretax profit or loss of discontinued operations related to major classes of pretax profit (loss)	XX	XX
Pretax gain or loss on the disposal of the discontinued operation	XX	
Total pretax gain or loss on discontinued operations	XX	XX
Income tax expense or benefit	XX	XX
Total profit or loss on discontinued operations that is presented in the statement where net income is presented	$ XX	$ XX

205-20-**60 - Relationships**

> **General Note:** The Relationships Section contains links to guidance that may be helpful to, but not required by, a user of the Subtopic. This Section may not be all-inclusive. The relationship items are organized according to the Topic structure in the Codification.

General

Earnings Per Share

205-20-60-**1** For guidance on the presentation of basic and diluted per-share amounts for entities that report discontinued operations, see paragraph 260-10-45-3.

205-20-60-**2** For guidance on the control number to use in determining whether potential common shares are dilutive or antidilutive for entities that report discontinued operations, see paragraph 260-10-45-18.

Segment Reporting

205-20-60-**3** For guidance on the reporting and financial statement disclosure requirements for a component of an entity that is reported as a discontinued operation and is a reportable segment, see paragraph 280-10-55-7.

Intangibles-Goodwill and Other

205-20-60-**4** For guidance on reporting a goodwill impairment loss associated with a discontinued operation, see paragraph 350-20-45-3.

Compensation-Retirement Benefits

205-20-60-**5** For guidance on accounting for the effect on pension obligations of a reduction in work force associated with discontinued operations, see paragraphs 715-30-55-193 through 55-197.

205-20-**65** - Transition and Open Effective Date Information

> **General Note:** The Transition Section contains a description of the required transition provisions and a list of the related paragraphs that have been modified. This Section will retain the transition content during the transition period. After the transition period, the transition content will be removed yet will be available in archived versions of the Section.

General

205-20-65-**1** Paragraph superseded on 07/05/2017 after the end of the transition period stated in Accounting Standards Update No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.

205-20-**S00** - Status

> **General Note:** The Status Section identifies changes to this Subtopic resulting from Accounting Standards Updates. The Section provides references to the affected Codification content and links to the related Accounting Standards Updates. Nonsubstantive changes for items such as editorial, link and similar corrections are included separately in Maintenance Updates.

General

205-20-S00-**1** The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
205-20-S99-1	Amended	Accounting Standards Update No. 2012-03	08/27/2012
205-20-S99-2	Amended	Accounting Standards Update No. 2012-03	08/27/2012

205-20-**S45** - Other Presentation Matters

> **General Note:** The Other Presentation Matters Section provides guidance on other presentation matters not addressed in the Recognition, Initial Measurement, Subsequent Measurement, and Derecognition Sections. Other presentation matters may include items such as current or long-term balance sheet classification, cash flow presentation, earnings per share matters, and so forth. The FASB Codification also contains Presentation Topics, which provide guidance for general presentation and display items. See those Topics for general guidance.

General

Reporting Discontinued Operations

205-20-S45-**1** See paragraph 205-20-S99-1, SAB Topic 5.Z.4, for SEC Staff views on classification of disposal of operations when a significant interest is retained.

Disposal of a Component of an Entity

205-20-S45-**2** See paragraph 205-20-S99-2, SAB Topic 5.Z.5, for SEC Staff views on classification of contingencies relating to discontinued operations.

205-20-**S50** - Disclosure

> **General Note:** The Disclosure Section provides guidance regarding the disclosure in the notes to financial statements. In some cases, disclosure may relate to disclosure on the face of the financial statements.

General

Allocation of Interest to Discontinued Operations

205-20-S50-**1** See paragraph 205-20-S99-3, SEC Observer Comment: Allocation of Interest to Discontinued Operations, for SEC Staff views on disclosure of an accounting policy related to allocation of interest to discontinued operations.

Reporting Discontinued Operations

205-20-S50-**2** See paragraph 270-10-S99-1(b)(5), Regulation S-X Rule 10-01(b)(5), for disclosure requirements pertaining to the effect of the disposition of any significant segment.

205-20-**S99** - SEC Materials

> **General Note:** As more fully described in About the Codification, the Codification includes selected SEC and SEC Staff content for reference by public companies. The Codification does not replace or affect how the SEC or SEC Staff issues or updates SEC content. SEC Staff content does not constitute Commission-approved rules or interpretations of the SEC.

General

SEC Staff Guidance

Staff Accounting Bulletins

SAB Topic 5.Z.4, Disposal of Operation with Significant Interest Retained

205-20-S99-**1** The following is the text of SAB Topic 5.Z.4, Disposal of Operation with Significant Interest Retained.

Facts: A Company disposes of its controlling interest in a component of an entity as defined by FASB ASC Master Glossary. The Company retains a minority voting interest directly in the component or it holds a minority voting interest in the buyer of the component. Controlling interest includes those controlling interests established through other means, such as variable interests. Because the Company's voting interest enables it to exert significant influence over the operating and financial policies of the investee, the Company is required by FASB ASC Subtopic 323-10, Investments-Equity Method and Joint Ventures-Overall, to account for its residual investment using the equity method. FN54

FN54 In some circumstances, the seller's continuing interest may be so great that divestiture accounting is inappropriate.

Question: May the historical operating results of the component and the gain or loss on the sale of the majority interest in the component be classified in the Company's statement of operations as "discontinued operations" pursuant to FASB ASC Subtopic 205-20, Presentation of Financial Statements-Discontinued Operations?

Interpretive Response: No. A condition necessary for discontinued operations reporting, as indicated in FASB ASC paragraph 205-20-45-1 is that an entity "not have any significant continuing involvement in the operations of the component after the disposal transaction." In these circumstances, the transaction should be accounted for as the disposal of a group of assets that is not a component of an entity and classified within continuing operations pursuant to FASB ASC paragraph 360-10-45-5 (Property, Plant, and Equipment Topic). FN55

FN55 However, a plan of disposal that contemplates the transfer of assets to a limited-life entity created for the single purpose of liquidating the assets of a component of an entity would not necessitate classification within continuing operations solely because the registrant retains control or significant influence over the liquidating entity.

SAB Topic 5.Z.5, Classification and Disclosure of Contingencies Relating to Discontinued Operations

205-20-S99-**2** The following is the text of SAB Topic 5.Z.5, Classification and Disclosure of Contingencies Relating to Discontinued Operations.

Facts: A company disposed of a component of an entity in a previous accounting period. The Company received debt and/or equity securities of the buyer of the component or of the disposed component as consideration in the sale, but this financial interest is not sufficient to enable the Company to apply the equity method with respect to its investment in the buyer. The Company made certain warranties to the buyer with respect to the discontinued business, or remains liable under environmental or other laws with respect to certain facilities or operations transferred to the buyer. The disposition satisfied the criteria of FASB ASC Subtopic 205-20 for presentation as "discontinued operations." The Company estimated the fair value of the securities received in the transaction for purposes of calculating the gain or loss on disposal that was recognized in its financial statements. The results of discontinued operations prior to the date of disposal or classification as held for sale included provisions for the Company's existing obligations under environmental laws, product warranties, or other contingencies. The calculation of gain or loss on disposal included estimates of the Company's obligations arising as a direct result of its decision to dispose of the component, under its warranties to the buyer, and under environmental or other laws. In a period subsequent to the disposal date, the Company records a charge to income with respect to the securities because their fair value declined materially and the Company determined that the decline was other than temporary. The Company also records adjustments of its previously estimated liabilities arising under the warranties and under environmental or other laws.

Question 1: Should the writedown of the carrying value of the securities and the adjustments of the contingent liabilities be classified in the current period's statement of operations within continuing operations or as an element of discontinued operations?

Interpretive Response: Adjustments of estimates of contingent liabilities or contingent assets that remain after disposal of a component of an entity or that arose pursuant to the terms of the disposal generally should be classified within discontinued operations. FN56 However, the staff believes that changes in the carrying value of assets received as consideration in the disposal or of residual interests in the business should be classified within continuing operations.

FN56 Registrants are reminded that FASB ASC Topic 460, Guarantees requires recognition and disclosure of certain guarantees which may impose accounting and disclosure requirements in addition to those discussed in this SAB Topic.

FASB ASC paragraph 205-20-45-4 requires that "adjustments to amounts previously reported in discontinued operations that are directly related to the disposal of a component of an entity in a prior period shall be classified separately in the current period in discontinued operations." The staff believes that the provisions of FASB ASC paragraph 205-20-45-4 apply only to adjustments that are necessary to reflect new information about events that have occurred that becomes available prior to disposal of the component of the entity, to reflect the actual timing and terms of the disposal when it is consummated, and to reflect the resolution of contingencies associated with that component, such as warranties and environmental liabilities retained by the seller.

Developments subsequent to the disposal date that are not directly related to the disposal of the component or the operations of the component prior to disposal are not "directly related to the disposal" as contemplated by FASB ASC paragraph 205-20-45-4. Subsequent changes in the carrying value of assets received upon disposition of a component do not affect the determination of gain or loss at the disposal date, but represent the consequences of management's subsequent decisions to hold or sell those assets. Gains and losses, dividend and interest income, and portfolio management expenses associated with assets received as consideration for discontinued operations should be reported within continuing operations.

Question 2: What disclosures would the staff expect regarding discontinued operations prior to the disposal date and with respect to risks retained subsequent to the disposal date?

Interpretive Response: MD&A FN57 should include disclosure of known trends, events, and uncertainties involving discontinued operations that may materially affect the Company's liquidity, financial condition, and results of operations (including net income) between the date when a component of an entity is classified as discontinued and the date when the risks of those operations will be transferred or otherwise terminated. Disclosure should include discussion of the impact on the Company's liquidity, financial condition, and results of operations of changes in the plan of disposal or changes in circumstances related to the plan. Material contingent liabilities, FN58 such as product or environmental liabilities or litigation, that may remain with the Company notwithstanding disposal of the underlying business should be identified in notes to the financial statements and any reasonably likely range of possible loss should be disclosed pursuant to FASB ASC Topic 450, Contingencies. MD&A should include discussion of the reasonably likely effects of these contingencies on reported results and liquidity. If the Company retains a financial interest in the discontinued component or in the buyer of that component that is material to the Company, MD&A should include discussion of known trends, events, and uncertainties, such as the financial condition and operating results of the issuer of the security, that may be reasonably expected to affect the amounts ultimately realized on the investments.

FN57 Item 303 of Regulation S-K.

FN58 Registrants also should consider the disclosure requirements of FASB ASC Topic 460.

Comments Made by SEC Observer at Emerging Issues Task Force (EITF) Meetings

SEC Observer Comment: Allocation of Interest to Discontinued Operations

205-20-S99-**3** The following is the text of SEC Observer Comment: Allocation of Interest to Discontinued Operations.

The SEC staff will expect registrants electing to allocate interest in accordance with paragraph 205-20-45-6 to clearly disclose the accounting policy (including the method of allocation) and the amount allocated to and included in discontinued operations for all periods presented.

205-**30 - Liquidation Basis of Accounting**

205-30-**00 - Status**

General Note: The Status Section identifies changes to this Subtopic resulting from Accounting Standards Updates. The Section provides references to the affected Codification content and links to the related Accounting Standards Updates. Nonsubstantive changes for items such as editorial, link and similar corrections are included separately in Maintenance Updates.

General

205-30-00-**1** The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Fair Value	Added	Accounting Standards Update No. 2013-07	04/22/2013
Liquidation	Added	Accounting Standards Update No. 2013-07	04/22/2013
Remote	Added	Maintenance Update 2016-17	09/02/2016
Statement of Changes in Net Assets in Liquidation	Added	Accounting Standards Update No. 2013-07	04/22/2013
Statement of Net Assets in Liquidation	Added	Accounting Standards Update No. 2013-07	04/22/2013
205-30-05-1	Added	Accounting Standards Update No. 2013-07	04/22/2013
205-30-15-1	Added	Accounting Standards Update No. 2013-07	04/22/2013
205-30-25-1 through 25-7	Added	Accounting Standards Update No. 2013-07	04/22/2013
205-30-25-2	Amended	Maintenance Update 2016-17	09/02/2016
205-30-30-1 through 30-3	Added	Accounting Standards Update	04/22/2013

		No. 2013-07	
205-30-35-1	Added	Accounting Standards Update No. 2013-07	04/22/2013
205-30-45-1	Added	Accounting Standards Update No. 2013-07	04/22/2013
205-30-45-2	Added	Accounting Standards Update No. 2013-07	04/22/2013
205-30-50-1	Added	Accounting Standards Update No. 2013-07	04/22/2013
205-30-50-2	Added	Accounting Standards Update No. 2013-07	04/22/2013
205-30-55-1 through 55-3	Added	Accounting Standards Update No. 2013-07	04/22/2013
205-30-65-1	Added	Accounting Standards Update No. 2013-07	04/22/2013

205-30-**05 - Overview and Background**

> **General Note:** The Overview and Background Section provides overview and background material for the guidance contained in the Subtopic. It does not provide the historical background or due process. It may contain certain material that users generally consider useful to understand the typical situations addressed by the standards. The Section does not summarize the accounting and reporting requirements.

General

205-30-05-**1** The Liquidation Basis of Accounting Subtopic provides guidance on when and how an entity should prepare its financial statements using the liquidation basis of accounting and describes the related disclosures that should be made.

205-30-**15 - Scope and Scope Exceptions**

> **General Note:** The Scope and Scope Exceptions Section outlines the items (for example, the entities, transactions, instruments, or events) to which the guidance in the Subtopic does or does not apply. In some cases, the Section may contain definitional or other text to frame the scope.

General

205-30-15-**1** The guidance in this Subtopic applies to all entities except for investment companies regulated under the Investment Company Act of 1940. Other entities shall not apply this scope exception by analogy.

205-30-**20 - Glossary**

> **General Note:** The Master Glossary contains all terms identified as glossary terms throughout the Codification. Clicking on any term in the Master Glossary will display where the term is used. The Master Glossary may contain identical terms with different definitions, some of which may not be appropriate for a particular Subtopic. For any particular Subtopic, users should only use the glossary terms included in the particular Subtopic Glossary Section (Section 20).

Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an market participants at the measurement date.

Liquidation

The process by which an entity converts its assets to cash or other assets and settles its obligations with creditors in anticipation of the entity ceasing all activities. Upon cessation of the entity's activities, any remaining cash or other assets are distributed to the entity's investors or other claimants (albeit sometimes indirectly). Liquidation may be compulsory or voluntary. Dissolution of an entity as a result of that entity being acquired by another entity or merged into another entity in its entirety and with the expectation of continuing its business does not qualify as liquidation.

Market Participants

Buyers and sellers in the principal (or most advantageous) market for the asset or liability that have all of the following characteristics:

a. They are independent of each other, that is, they are not related parties, although the price in a related-party transaction may be used as an input to a fair value measurement if the reporting entity has evidence that the transaction was entered into at market terms

b. They are knowledgeable, having a reasonable understanding about the asset or liability and the transaction using all available information, including information that might be obtained through due diligence efforts that are usual and customary

c. They are able to enter into a transaction for the asset or liability

d. They are willing to enter into a transaction for the asset or liability, that is, they are motivated but not forced or otherwise compelled to do so.

Orderly Transaction

A transaction that assumes exposure to the market for a period before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction (for example, a forced liquidation or distress sale).

Related Parties

Related parties include:

a. Affiliates of the entity

b. Entities for which investments in their equity securities would be required, absent the election of the fair value option under the Fair Value Option Subsection of Section 825-10-15, to be accounted for by the equity method by the investing entity

c. Trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management

d. Principal owners of the entity and members of their immediate families

e. Management of the entity and members of their immediate families

f. Other parties with which the entity may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests

g. Other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

Remote

The chance of the future event or events occurring is slight.

Statement of Changes in Net Assets in Liquidation

A statement that presents the changes during the period in net assets available for distribution to investors and other claimants during liquidation.

Statement of Net Assets in Liquidation

A statement that presents a liquidating entity's net assets available for distribution to investors and other claimants as of the end of the reporting period.

205-30-**25 - Recognition**

> **General Note:** The Recognition Section provides guidance on the required criteria, timing, and location (within the financial statements) for recording a particular item in the financial statements. Disclosure is not recognition.

General

205-30-25-**1** An entity shall prepare financial statements in accordance with the requirements of this Subtopic when liquidation is imminent unless the liquidation follows a plan for liquidation that was specified in the entity's governing documents at the entity's inception.

205-30-25-**2** Liquidation is imminent when either of the following occurs:

a. A plan for liquidation has been approved by the person or persons with the authority to make such a plan effective, and the likelihood is remote that any of the following will occur:

1. Execution of the plan will be blocked by other parties (for example, those with shareholder rights)

2. The entity will return from liquidation.

b. A plan for liquidation is imposed by other forces (for example, involuntary bankruptcy), and the likelihood is remote that the entity will return from liquidation.

205-30-25-**3** An entity shall presume that its plan of liquidation does not follow a plan that was specified in the entity's governing documents at its inception if the entity is forced to dispose of its assets in exchange for consideration that is not commensurate with the fair value of those assets. Other aspects of the entity's plan of liquidation also might differ from a plan that was specified in the entity's governing documents at its inception (for example, the date at which liquidation shall commence). However, those factors should be considered in determining whether to apply the liquidation basis of accounting only to the extent that they affect whether the entity expects to receive consideration in exchange for its assets that is not commensurate with fair value.

205-30-25-**4** When using the liquidation basis of accounting, an entity shall recognize other items that it previously had not recognized (for example, trademarks) but that it expects to either sell in liquidation or use to settle liabilities. Those items may be recognized in the aggregate.

205-30-25-**5** An entity shall recognize liabilities in accordance with the recognition provisions of other Topics that otherwise would apply to those liabilities, including paragraph 405-20-40-1.

205-30-25-**6** An entity shall accrue estimated costs to dispose of assets or other items that it expects to sell in liquidation and present those costs in the aggregate separately from those assets or items.

205-30-25-**7** An entity shall accrue costs and income that it expects to incur or earn (for example, payroll costs or income from preexisting orders that the entity expects to fulfill during liquidation) through the end of its liquidation if and when it has a reasonable basis for estimation.

205-30-**30 - Initial Measurement**

> **General Note:** The Initial Measurement Section provides guidance on the criteria and amounts used to measure a particular item at the date of initial recognition.

General

205-30-30-**1** An entity shall measure assets to reflect the estimated amount of cash or other consideration that it expects to collect in settling or disposing of those assets in carrying out its plan for liquidation. In some cases, fair value may approximate the amount that an entity expects to collect. However, an entity shall not presume this to be true for all assets.

205-30-30-**2** An entity shall measure liabilities in accordance with the measurement provisions of other Topics that otherwise would apply to those liabilities (excluding the accrual of estimated disposal costs as described in paragraph 205-30-25-6 and expected income and expenses as described in paragraph 205-30-25-7). In applying those other Topics, an entity shall adjust its liabilities to reflect changes in assumptions that are a result of the entity's decision to liquidate (for example, timing of payments). However, an entity shall not anticipate being legally released from being the primary obligor under a liability, either judicially or by the creditor.

205-30-30-**3** An entity shall not apply discounting provisions in measuring the accruals for estimated disposal costs in accordance with paragraph 205-30-25-6 and expected income and expenses in accordance with paragraph 205-30-25-7.

205-30-**35 - Subsequent Measurement**

> **General Note:** The Subsequent Measurement Section provides guidance on an entity's subsequent measurement and subsequent recognition of an item. Situations that may result in subsequent changes to carrying amount include impairment, credit losses, fair value adjustments, depreciation and amortization, and so forth.

General

205-30-35-**1** At each reporting date, an entity shall remeasure its assets and other items it expects to sell that it had not previously recognized (for example, trademarks), liabilities (if required under the relevant Topic for those liabilities), and the accruals of disposal or other costs or income to reflect the actual or estimated change in carrying value since the previous reporting date in accordance with paragraphs 205-30-30-1 through 30-3.

205-30-**45 - Other Presentation Matters**

> **General Note:** The Other Presentation Matters Section provides guidance on other presentation matters not addressed in the Recognition, Initial Measurement, Subsequent Measurement, and Derecognition Sections. Other presentation matters may include items such as current or long-term balance sheet classification, cash flow presentation, earnings per share matters, and so forth. The FASB Codification also contains Presentation Topics, which provide guidance for general presentation and display items. See those Topics for general guidance.

General

205-30-45-**1** At a minimum, an entity that applies the liquidation basis of accounting shall prepare the following:

a. A statement of net assets in liquidation
b. A statement of changes in net assets in liquidation.

205-30-45-**2** The liquidation basis of accounting shall be applied prospectively from the day that liquidation becomes imminent. The initial statement of changes in net assets in liquidation shall present only changes in net assets that occurred during the period since liquidation became imminent.

205-30-**50 - Disclosure**

> **General Note:** The Disclosure Section provides guidance regarding the disclosure in the notes to financial statements. In some cases, disclosure may relate to disclosure on the face of the financial statements.

General

205-30-50-**1** An entity shall make all disclosures required by other Topics that are relevant to understanding the entity's statement of net assets in liquidation and statement of changes in net assets in liquidation. The disclosures shall convey information about the amount of cash or other consideration that an entity expects to collect and the amount that the entity is obligated or expects to be obligated (in the case of the accruals described in paragraphs 205-30-25-6 through 25-7) to pay during the course of liquidation.

205-30-50-**2** At a minimum, an entity shall disclose all of the following when it prepares financial statements using the liquidation basis of accounting:

a. That the financial statements are prepared using the liquidation basis of accounting, including the facts and circumstances surrounding the adoption of the liquidation basis of accounting and the entity's determination that liquidation is imminent.

b. A description of the entity's plan for liquidation, including a description of each of the following:

   1. The manner by which it expects to dispose of its assets and other items it expects to sell that it had not previously recognized as assets (for example, trademarks)

   2. The manner by which it expects to settle its liabilities

   3. The expected date by which the entity expects to complete its liquidation.

c. The methods and significant assumptions used to measure assets and liabilities, including any subsequent changes to those methods and assumptions.

d. The type and amount of costs and income accrued in the statement of net assets in liquidation and the period over which those costs are expected to be paid or income earned.

205-30-**55 - Implementation Guidance and Illustrations**

> **General Note:** The Implementation Guidance and Illustrations Section contains implementation guidance and illustrations that are an integral part of the Subtopic. The implementation guidance and illustrations do not address all possible variations. Users must consider carefully the actual facts and circumstances in relation to the requirements of the Subtopic.

General

Illustrations

205-30-55-**1** The following Examples illustrate how an entity would determine when it should apply the liquidation basis of accounting. The Examples are not intended to capture every scenario under which an entity might have to apply the liquidation basis of accounting.

Example 1: Unplanned Liquidation

205-30-55-**2** Entity A is a manufacturer of goods. In 20X3, Entity A began experiencing financial difficulty because of declining market demand for its goods. On September 19, 20X3, Entity A's board of directors approved a plan for liquidation. The board of directors had the authority to make the plan effective. There were no other parties that could block the execution of the plan, and the likelihood that the entity would return from liquidation was remote. Entity A should begin applying the liquidation basis of accounting as of September 19, 20X3, which is the date that Entity A's board of directors approved the plan for liquidation.

Example 2: Liquidation That Does Not Follow a Plan Specified at an Entity's Inception

205-30-55-**3** The governing documents from Entity B's inception specified that its contractual life would end in Year 10. On March 11 of Year 6, Entity B's board of directors determined that the entity would not be able to meet its debt obligations and voted to begin liquidating the entity earlier than planned. Entity B required approval from Entity C, a third party, to make its plan of liquidation effective. Entity B obtained approval from Entity C on April 10 of Year 6. No other parties could block the execution of the plan of liquidation, and the likelihood that Entity B would return from liquidation was remote. Under the plan of liquidation, Entity B anticipated that it would not have sufficient time to sell its assets in exchange for consideration that would approximate the fair value of those assets. Entity B should begin preparing its financial statements using the liquidation basis of accounting as of April 10 of Year 6, which is the date that the entity had obtained all of the approvals required to make its plan of liquidation effective.

205-30-**65 - Transition and Open Effective Date Information**

> **General Note:** The Transition Section contains a description of the required transition provisions and a list of the related paragraphs that

have been modified. This Section will retain the transition content during the transition period. After the transition period, the transition content will be removed yet will be available in archived versions of the Section.

General

205-30-65-**1** Paragraph superseded on 01/05/2016 after the end of the transition period stated in Accounting Standards Update No. 2013-07, Presentation of Financial Statements (Topic 205): Liquidation Basis of Accounting.

205-**40 - Going Concern**

205-40-**00 - Status**

General Note: The Status Section identifies changes to this Subtopic resulting from Accounting Standards Updates. The Section provides references to the affected Codification content and links to the related Accounting Standards Updates. Nonsubstantive changes for items such as editorial, link and similar corrections are included separately in Maintenance Updates.

General

205-40-00-**1** The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Financial Statements Are Available to Be Issued	Added	Accounting Standards Update No. 2014-15	08/27/2014
Financial Statements Are Issued	Added	Accounting Standards Update No. 2014-15	08/27/2014
Liquidation	Added	Accounting Standards Update No. 2014-15	08/27/2014
Probable (2nd def)	Added	Accounting Standards Update No. 2014-15	08/27/2014
Substantial Doubt about an Entity's Ability to Continue as a Going Concern	Added	Accounting Standards Update No. 2014-15	08/27/2014
205-40-05-1 through 05-3	Added	Accounting Standards Update No. 2014-15	08/27/2014
205-40-05-3	Amended	Maintenance Update 2016-11	06/27/2016
205-40-15-1	Added	Accounting Standards Update No. 2014-15	08/27/2014
205-40-50-1 through 50-14	Added	Accounting Standards Update No. 2014-15	08/27/2014
205-40-55-1 through 55-3	Added	Accounting Standards Update No. 2014-15	08/27/2014
205-40-50-12	Amended	Maintenance Update 2016-11	06/27/2016
205-40-50-13	Amended	Maintenance Update 2016-11	06/27/2016
205-40-55-1	Amended	Maintenance Update 2016-11	06/27/2016
205-40-55-3	Added	Accounting Standards Update No. 2016-02	02/25/2016
205-40-65-1	Added	Accounting Standards Update No. 2014-15	08/27/2014

205-40-**05 - Overview and Background**

General Note: The Overview and Background Section provides overview and background material for the guidance contained in the Subtopic. It does not provide the historical background or due process. It may contain certain material that users generally consider useful to understand the typical situations addressed by the standards. The Section does not summarize the accounting and reporting requirements.

General

205-40-05-**1** Continuation of an entity as a going concern is presumed as the basis for financial reporting unless and until the entity's liquidation becomes imminent. Preparation of financial statements under this presumption is commonly referred to as the going concern basis of accounting. If and when an entity's liquidation becomes imminent, financial statements are prepared under the liquidation basis of accounting in accordance with Subtopic 205-30 on the liquidation basis of accounting.

205-40-05-**2** Even if an entity's liquidation is not imminent, there may be conditions and events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern. In those situations, financial statements continue to be prepared under the going concern basis of accounting, but the guidance in this Subtopic should be followed to determine whether to disclose information about the relevant conditions or events.

205-40-05-**3** This Subtopic provides guidance for evaluating whether there is substantial doubt about an entity's ability to continue as a going concern and about related note disclosures.

205-40-**15 - Scope and Scope Exceptions**

> **General Note:** The Scope and Scope Exceptions Section outlines the items (for example, the entities, transactions, instruments, or events) to which the guidance in the Subtopic does or does not apply. In some cases, the Section may contain definitional or other text to frame the scope.

General

Entities

205-40-15-**1** The guidance in this Subtopic applies to all entities.

205-40-**20 - Glossary**

> **General Note:** The Master Glossary contains all terms identified as glossary terms throughout the Codification. Clicking on any term in the Master Glossary will display where the term is used. The Master Glossary may contain identical terms with different definitions, some of which may not be appropriate for a particular Subtopic. For any particular Subtopic, users should only use the glossary terms included in the particular Subtopic Glossary Section (Section 20).

Financial Statements Are Available to Be Issued

Financial statements are considered available to be issued when they are complete in a form and format that complies with GAAP and all approvals necessary for issuance have been obtained, for example, from management, the board of directors, and/or significant shareholders. The process involved in creating and distributing the financial statements will vary depending on an entity's management and corporate governance structure as well as statutory and regulatory requirements.

Financial Statements Are Issued

Financial statements are considered issued when they are widely distributed to shareholders and other financial statement users for general use and reliance in a form and format that complies with GAAP. (U.S. Securities and Exchange Commission [SEC] registrants also are required to consider the guidance in paragraph 855-10-S99-2.)

Liquidation

The process by which an entity converts its assets to cash or other assets and settles its obligations with creditors in anticipation of the entity ceasing all activities. Upon cessation of the entity's activities, any remaining cash or other assets are distributed to the entity's investors or other claimants (albeit sometimes indirectly). Liquidation may be compulsory or voluntary. Dissolution of an entity as a result of that entity being acquired by another entity or merged into another entity in its entirety and with the expectation of continuing its business does not qualify as liquidation.

Probable

The future event or events are likely to occur.

Substantial Doubt about an Entity's Ability to Continue as a Going Concern

Substantial doubt about an entity's ability to continue as a going concern exists when conditions and events, considered in the aggregate, indicate that it is 450 on contingencies.

205-40-**50 - Disclosure**

> **General Note:** The Disclosure Section provides guidance regarding the disclosure in the notes to financial statements. In some cases, disclosure may relate to disclosure on the face of the financial statements.

General

Evaluating Conditions and Events That May Raise Substantial Doubt

205-40-50-**1** In connection with preparing financial statements for each annual and interim reporting period, an entity's management shall evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable).

205-40-50-**2** Ordinarily, conditions or events that raise substantial doubt about an entity's ability to continue as a going concern relate to the entity's ability to meet its obligations as they become due. Accordingly, management's evaluation of an entity's ability to continue as a going concern ordinarily is based on conditions and events that are relevant to an entity's ability to meet its obligations as they become due within one year after the date that the financial statements are issued.

205-40-50-**3** Management's evaluation shall be based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued.

205-40-50-**4** Management shall evaluate whether relevant conditions and events, considered in the aggregate, indicate that it is probable that an entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. The evaluation initially shall not take into consideration the potential mitigating effect of management's plans that have not been fully implemented as of the date that the financial statements are issued (for example, plans to raise capital, borrow money, restructure debt, or dispose of an asset that have been approved but that have not been fully implemented as of the date that the financial statements are issued).

205-40-50-**5** When evaluating an entity's ability to meet its obligations, management shall consider quantitative and qualitative information about the following conditions and events, among other relevant conditions and events known and reasonably knowable at the date that the financial statements are issued:

a. The entity's current financial condition, including its liquidity sources at the date that the financial statements are issued (for example, available liquid funds and available access to credit)

b. The entity's conditional and unconditional obligations due or anticipated within one year after the date that the financial statements are issued (regardless of whether those obligations are recognized in the entity's financial statements)

c. The funds necessary to maintain the entity's operations considering its current financial condition, obligations, and other expected cash flows within one year after the date that the financial statements are issued

d. The other conditions and events, when considered in conjunction with (a), (b), and (c) above, that may adversely affect the entity's ability to meet its obligations within one year after the date that the financial statements are issued. See paragraph 205-40-55-2 for examples of those conditions and events.

Consideration of Management's Plans When Substantial Doubt Is Raised

205-40-50-**6** When relevant conditions or events, considered in the aggregate, initially indicate that it is probable that an entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued (and therefore they raise substantial doubt about the entity's ability to continue as a going concern), management shall evaluate whether its plans that are intended to mitigate those conditions and events, when implemented, will alleviate substantial doubt about the entity's ability to continue as a going concern.

205-40-50-**7** The mitigating effect of management's plans shall be considered in evaluating whether the substantial doubt is alleviated only to the extent that information available as of the date that the financial statements are issued indicates both of the following:

a. It is probable that management's plans will be effectively implemented within one year after the date that the financial statements are issued.

b. It is probable that management's plans, when implemented, will mitigate the relevant conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued.

205-40-50-**8** The evaluation of whether it is probable that management's plans will be effectively implemented within one year after the date that the financial statements are issued shall be based on the feasibility of implementation of management's plans in light of an entity's specific facts and circumstances. Generally, to be considered probable of being effectively implemented, management (or others with the appropriate authority) must have approved the plan before the date that the financial statements are issued. Paragraph 205-40-55-3 provides examples of plans that management may implement and information that management should consider for each plan in evaluating the feasibility of the plans.

205-40-50-**9** The mitigating effect of management's plans that are not probable of being effectively implemented within one year after the date that the financial statements are issued shall not be considered in evaluating whether substantial doubt about an entity's ability to continue as a going concern is alleviated.

205-40-50-**10** As required in paragraph 205-40-50-7, management shall further assess its plans that are probable of being effectively implemented to determine whether it is probable that those plans will mitigate the conditions or events that raise substantial doubt about an entity's ability to continue as a going concern. In this assessment, management shall consider the expected magnitude and timing of the mitigating effect of its plans in relation to the magnitude and timing of the relevant conditions or events that those plans intend to mitigate.

205-40-50-**11** A plan to meet an entity's obligations as they become due through liquidation (as defined in Subtopic 205-30 on the liquidation basis of accounting) shall not be considered as part of management's plans in evaluating whether substantial doubt is alleviated even if liquidation is probable of occurring.

Disclosures When Substantial Doubt Is Raised but Is Alleviated by Management's Plans (Substantial Doubt Does Not Exist)

205-40-50-**12** If, after considering management's plans, substantial doubt about an entity's ability to continue as a going concern is alleviated as a result of consideration of management's plans, an entity shall disclose in the notes to financial statements information that enables users of the financial statements to understand all of the following (or refer to similar information disclosed elsewhere in the notes):

a. Principal conditions or events that raised substantial doubt about the entity's ability to continue as a going concern (before consideration of management's plans)

b. Management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligations

c. Management's plans that alleviated substantial doubt about the entity's ability to continue as a going concern.

Disclosures When Substantial Doubt Is Raised and Is Not Alleviated (Substantial Doubt Exists)

205-40-50-**13** If, after considering management's plans, substantial doubt about an entity's ability to continue as a going concern is not alleviated, the entity shall include a statement in the notes to financial statements indicating that there is substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. Additionally, the entity shall disclose information that enables users of the financial statements to understand all of the following:

a. Principal conditions or events that raise substantial doubt about the entity's ability to continue as a going concern

b. Management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligations

c. Management's plans that are intended to mitigate the conditions or events that raise substantial doubt about the entity's ability to continue as a going concern.

205-40-50-**14** If conditions or events continue to raise substantial doubt about an entity's ability to continue as a going concern in subsequent annual or interim reporting periods, the entity shall continue to provide the required disclosures in paragraphs 205-40-50-12 through 50-13 in those subsequent periods. Disclosures should become more extensive as additional information becomes available about the relevant conditions or events and about management's plans. An entity shall provide appropriate context and continuity in explaining how conditions or events have changed between reporting periods. For the period in which substantial doubt no longer exists (before or after consideration of management's plans), an entity shall disclose how the relevant conditions or events that raised substantial doubt were resolved.

205-40-**55 - Implementation Guidance and Illustrations**

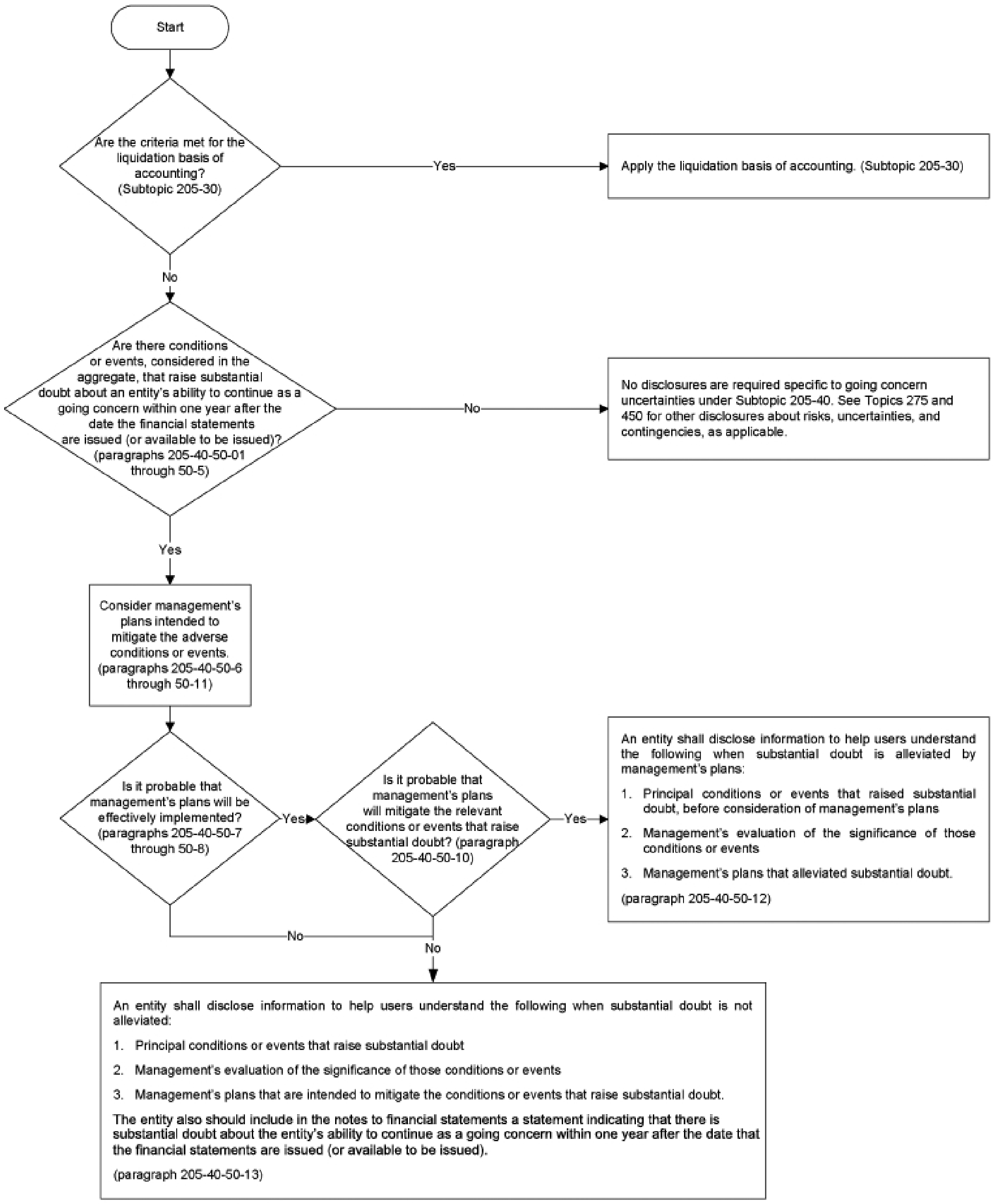
> **General Note:** The Implementation Guidance and Illustrations Section contains implementation guidance and illustrations that are an integral part of the Subtopic. The implementation guidance and illustrations do not address all possible variations. Users must consider carefully the actual facts and circumstances in relation to the requirements of the Subtopic.

General

Implementation Guidance

Decision Flowchart

205-40-55-**1** The following flowchart depicts the decision process to follow for evaluating whether there is substantial doubt about an entity's ability to continue as a going concern and determining related disclosure requirements.



Examples of Adverse Conditions and Events

205-40-55-**2** The following are examples of adverse conditions and events that may raise substantial doubt about an entity's ability to continue as a going concern. The examples are not all-inclusive. The existence of one or more of these conditions or events does not determine that there is substantial doubt about an entity's ability to continue as a going concern. Similarly, the absence of those conditions or events does not determine that there is no substantial doubt about an entity's ability to continue as a going concern. Determining whether there is substantial doubt depends on an assessment of relevant conditions and events, in the aggregate, that are known and reasonably knowable at the date that the financial statements are issued (or at the date the financial statements are available to be issued when applicable). An entity should weigh the likelihood and magnitude of the potential effects of the relevant conditions and events, and consider their anticipated timing.

a. Negative financial trends, for example, recurring operating losses, working capital deficiencies, negative cash flows from operating activities, and other adverse key financial ratios

b. Other indications of possible financial difficulties, for example, default on loans or similar agreements, arrearages in dividends, denial of usual trade credit from suppliers, a need to restructure debt to avoid default, noncompliance with statutory capital requirements, and a need to seek new sources or methods of financing or to dispose of substantial assets

c. Internal matters, for example, work stoppages or other labor difficulties, substantial dependence on the success of a particular project, uneconomic long-term commitments, and a need to significantly revise operations

d. External matters, for example, legal proceedings, legislation, or similar matters that might jeopardize the entity's ability to operate; loss of a key franchise, license, or patent; loss of a principal customer or supplier; and an uninsured or underinsured catastrophe such as a hurricane, tornado, earthquake, or flood.

205-40-55-**3** The following are examples of plans that management may implement to mitigate conditions or events that raise substantial doubt about an entity's ability to continue as a going concern. The examples are not all-inclusive. Below each example is a list of the types of information that management should consider at the date that the financial statements are issued in evaluating the feasibility of the plans to determine whether it is probable that the plan will be effectively implemented within one year after the date that the financial statements are issued.

a. Plans to dispose of an asset or business:
    1. Restrictions on disposal of an asset or business, such as covenants that limit those transactions in loan or similar agreements, or encumbrances against the asset or business
    2. Marketability of the asset or business that management plans to sell
    3. Possible direct or indirect effects of disposal of the asset or business

b. Plans to borrow money or restructure debt:
    1. Availability and terms of new debt financing, or availability and terms of existing debt refinancing, such as term debt, lines of credit, or arrangements for factoring receivables or sale and leaseback of assets
    2. Existing or committed arrangements to restructure or subordinate debt or to guarantee loans to the entity
    3. Possible effects on management's borrowing plans of existing restrictions on additional borrowing or the sufficiency of available collateral

c. Plans to reduce or delay expenditures:
    1. Feasibility of plans to reduce overhead or administrative expenditures, to postpone maintenance or research and development projects, or to lease rather than purchase assets
    2. Possible direct or indirect effects on the entity and its cash flows of reduced or delayed expenditures

d. Plans to increase ownership equity:
    1. Feasibility of plans to increase ownership equity, including existing or committed arrangements to raise additional capital
    2. Existing or committed arrangements to reduce current dividend requirements or to accelerate cash infusions from affiliates or other investors.

205-40-**65 - Transition Date and Open Effective Date Information**

> **General Note:** The Transition Section contains a description of the required transition provisions and a list of the related paragraphs that have been modified. This Section will retain the transition content during the transition period. After the transition period, the transition content will be removed yet will be available in archived versions of the Section.

General

205-40-65-**1** Paragraph superseded on 06/20/2018 after the end of the transition period stated in Accounting Standards Update No. 2014-15, Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern.