820 - Fair Value Measurement

820-10 - Overall

820-10-00 - 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

820-10-00-**1** The following table identifies the changes made to this Subtopic.

Note: Topic title changed by Accounting Standards Update No. 2011-04 on 05/12/2011 from Fair Value Measurements and Disclosures to Fair Value Measurement.

Paragraph	Action	Accounting Standards Update	Date
Acquirer	Amended	Accounting Standards Update No. 2025-03	05/12/2025
Acquisition by a Not-for-Profit Entity	Added	Accounting Standards Update No. 2010-07	01/28/2010
Active Market	Amended	Accounting Standards Update No. 2011-04	05/12/2011
Benchmark Interest Rate	Added	Accounting Standards Update No. 2017-12	08/28/2017
Beneficial Interests	Added	Accounting Standards Update No. 2014-13	08/05/2014
Brokered Market	Amended	Accounting Standards Update No. 2011-04	05/12/2011
Business	Amended	Accounting Standards Update No. 2017-01	01/05/2017
Collateralized Financing Entity	Added	Accounting Standards Update No. 2014-13	08/05/2014
Conduit Debt Security	Added	Maintenance Update 2014-20	09/29/2014
Contract	Added	Accounting Standards Update No. 2014-09	05/28/2014
Cost Approach	Amended	Accounting Standards Update No. 2016-19	12/14/2016
Cost Approach	Amended	Accounting Standards Update No. 2011-04	05/12/2011
Credit Risk	Amended	Accounting Standards Update No. 2017-12	08/28/2017
Currency Risk	Added	Accounting Standards Update No. 2011-04	05/12/2011
Customer	Added	Accounting Standards Update No. 2014-09	05/28/2014
Dealer Market	Amended	Accounting Standards Update No. 2014-06	03/14/2014
Dealer Market	Amended	Accounting Standards Update No. 2011-04	05/12/2011
Discount Rate Adjustment Technique	Amended	Accounting Standards Update No. 2011-04	05/12/2011
Equity Security (1st def.)	Added	Accounting Standards Update No. 2022-03	06/30/2022
Exchange Market	Amended	Accounting Standards Update No. 2011-04	05/12/2011
Expected Cash Flow	Amended	Accounting Standards Update No. 2011-04	05/12/2011
Financial Asset (1st def.)	Superseded	Accounting Standards Update No. 2016-19	12/14/2016
Financial Asset (2nd def.)	Amended	Accounting Standards Update No. 2016-19	12/14/2016
Financial Instrument	Amended	Accounting Standards Update No. 2024-02	03/29/2024
Financial Statements Are Available to Be Issued	Added	Accounting Standards Update No. 2016-19	12/14/2016
General Market Risk	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
Highest and Best Use	Amended	Accounting Standards Update No. 2011-04	05/12/2011
Income Approach	Amended	Accounting Standards Update No. 2016-19	12/14/2016
Income Approach	Amended	Accounting Standards Update No. 2011-04	05/12/2011
Incremental Direct Costs	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
Inputs	Amended	Accounting Standards Update No. 2011-04	05/12/2011
Interest Rate Risk	Amended	Accounting Standards Update	08/28/2017

		No. 2017-12	
Level 1 Inputs	Amended	Accounting Standards Update No. 2011-04	05/12/2011
Level 2 Inputs	Amended	Accounting Standards Update No. 2011-04	05/12/2011
Level 3 Inputs	Amended	Accounting Standards Update No. 2011-04	05/12/2011
Liability Issued with an Inseparable Third-Party Credit Enhancement	Added	Accounting Standards Update No. 2011-04	05/12/2011
Market Approach	Amended	Accounting Standards Update No. 2016-19	12/14/2016
Market Approach	Amended	Accounting Standards Update No. 2011-04	05/12/2011
Market Participants	Amended	Accounting Standards Update No. 2011-04	05/12/2011
Market Risk	Added	Accounting Standards Update No. 2011-04	05/12/2011
Most Advantageous Market	Amended	Accounting Standards Update No. 2011-04	05/12/2011
Nonfinancial Asset	Added	Accounting Standards Update No. 2014-13	08/05/2014
Nonperformance Risk	Amended	Accounting Standards Update No. 2011-04	05/12/2011
Nonpublic Entity (Def. 1)	Amended	Maintenance Update 2014-20	09/29/2014
Observable Inputs	Amended	Accounting Standards Update No. 2011-04	05/12/2011
Obsolescence	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
Orderly Transaction	Amended	Accounting Standards Update No. 2011-04	05/12/2011
Other Price Risk	Added	Accounting Standards Update No. 2011-04	05/12/2011
Present Value	Amended	Accounting Standards Update No. 2011-04	05/12/2011
Principal Market	Amended	Accounting Standards Update No. 2011-04	05/12/2011
Principal-to-Principal Market	Amended	Accounting Standards Update No. 2011-04	05/12/2011
Public Business Entity	Amended	Maintenance Update 2017-06	04/07/2017
Public Business Entity	Added	Accounting Standards Update No. 2016-19	12/14/2016
Readily Determinable Fair Value	Amended	Accounting Standards Update No. 2015-10	06/12/2015
Readily Determinable Fair Value	Amended	Accounting Standards Update No. 2014-06	03/14/2014
Revenue	Added	Accounting Standards Update No. 2014-09	05/28/2014
Risk Premium	Amended	Accounting Standards Update No. 2011-04	05/12/2011
Standalone Selling Price	Added	Accounting Standards Update No. 2014-09	05/28/2014
Systematic Risk	Amended	Accounting Standards Update No. 2011-04	05/12/2011
Transaction Costs	Amended	Accounting Standards Update No. 2011-04	05/12/2011
Transportation Costs	Added	Accounting Standards Update No. 2011-04	05/12/2011
Unit of Account	Amended	Accounting Standards Update No. 2011-04	05/12/2011
Unobservable Inputs	Amended	Accounting Standards Update No. 2011-04	05/12/2011
Unsystematic Risk	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-05-1	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-05-1A through 05-1D	Added	Accounting Standards Update No. 2011-04	05/12/2011
820-10-05-2	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-05-3	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-15-1	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-15-2	Amended	Accounting Standards Update No. 2018-07	06/20/2018
820-10-15-2	Amended	Accounting Standards Update No. 2016-02	02/25/2016
820-10-15-2	Amended	Accounting Standards Update No. 2014-09	05/28/2014

820-10-15-2	Amended	Accounting Standards Update No. 2012-04	10/01/2012
820-10-15-2 through 15-5	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-15-2	Amended	Accounting Standards Update No. 2010-07	01/28/2010
820-10-15-3	Amended	Maintenance Update 2021-02	01/19/2021
820-10-15-3	Amended	Accounting Standards Update No. 2016-01	01/05/2016
820-10-15-3	Amended	Accounting Standards Update No. 2015-10	06/12/2015
810-10-15-3	Amended	Accounting Standards Update No. 2014-13	08/05/2014
820-10-15-3	Amended	Accounting Standards Update No. 2014-09	05/28/2014
820-10-15-3	Amended	Accounting Standards Update No. 2009-16	12/23/2009
820-10-15-4	Amended	Accounting Standards Update No. 2013-08	06/07/2013
820-10-15-4	Added	Accounting Standards Update No. 2009-12	09/30/2009
820-10-15-5	Amended	Accounting Standards Update No. 2014-06	03/14/2014
820-10-15-5	Added	Accounting Standards Update No. 2009-12	09/30/2009
820-10-25-1	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-25-2	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-30-1 through 30-3	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-30-3A	Added	Accounting Standards Update No. 2011-04	05/12/2011
820-10-30-4	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-30-5	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-30-6	Added	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-1	Amended	Maintenance Update 2014-20	09/29/2014
820-10-35-1	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-2	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-2A	Amended	Accounting Standards Update No. 2020-03	03/09/2020
820-10-35-2A through 35-2E	Added	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-3	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-4	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-5	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-5A	Added	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-6	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-6A through 35-6C	Added	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-6B	Amended	Accounting Standards Update No. 2022-03	06/30/2022
820-10-35-7	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-8	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-9	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-9A through 35-9C	Added	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-10	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-10A through 35-10E	Added	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-11	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-11A	Added	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-12	Superseded	Accounting Standards Update	05/12/2011

		No. 2011-04	
820-10-35-13	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-14	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-15	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-16	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-16A	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-16A	Added	Accounting Standards Update No. 2009-05	08/26/2009
820-10-35-16AA	Added	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-16B	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-16B	Added	Accounting Standards Update No. 2009-05	08/26/2009
820-10-35-16BB	Amended	Accounting Standards Update No. 2016-19	12/14/2016
820-10-35-16BB	Added	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-16C	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-16C	Added	Accounting Standards Update No. 2009-05	08/26/2009
820-10-35-16D	Amended	Accounting Standards Update No. 2022-03	06/30/2022
820-10-35-16D	Amended	Accounting Standards Update No. 2018-09	07/16/2018
820-10-35-16D	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-16D	Added	Accounting Standards Update No. 2009-05	08/26/2009
820-10-35-16E through 35-16G	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-16E through 35-16G	Added	Accounting Standards Update No. 2009-05	08/26/2009
820-10-35-16H through 35-16L	Added	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-17 through 35-18A	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-18B through 35-18L	Added	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-18D through 18-F	Amended	Accounting Standards Update No. 2018-09	07/16/2018
820-10-35-18D	Amended	Accounting Standards Update No. 2016-19	12/14/2016
820-10-35-18H through 35-18L	Amended	Accounting Standards Update No. 2018-09	07/16/2018
820-10-35-18L	Amended	Accounting Standards Update No. 2020-03	03/09/2020
820-10-35-19 through 35-23	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-24	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-24A	Amended	Accounting Standards Update No. 2016-19	12/14/2016
820-10-35-24A through 35-24C	Added	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-24B	Amended	Accounting Standards Update No. 2018-09	07/16/2018
820-10-35-25 through 35-27	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-28 through 35-35	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-36	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-36A through 35-36D	Added	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-36B	Amended	Accounting Standards Update No. 2022-03	06/30/2022
820-10-35-36D	Amended	Accounting Standards Update No. 2015-10	06/12/2015
820-10-35-37	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-37A	Added	Accounting Standards Update No. 2011-04	05/12/2011

820-10-35-38	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-38A	Added	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-39	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-39	Amended	Accounting Standards Update No. 2009-12	09/30/2009
820-10-35-40	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-41	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-41	Amended	Accounting Standards Update No. 2009-05	08/26/2009
820-10-35-41A	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-41A	Added	Accounting Standards Update No. 2009-05	08/26/2009
820-10-35-41B	Added	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-41C	Added	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-42	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-43	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-44	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-45	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-46 through 35-48	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-50	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-50	Amended	Accounting Standards Update No. 2009-05	08/26/2009
820-10-35-51	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-51A through 51H	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-52 through 35-54	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-54A through 35-54M	Added	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-54B	Amended	Accounting Standards Update No. 2015-07	05/01/2015
820-10-35-55	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-56 through 35-38	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-58	Added	Accounting Standards Update No. 2009-12	09/30/2009
820-10-35-59	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-59	Added	Accounting Standards Update No. 2009-12	09/30/2009
820-10-35-60	Added	Accounting Standards Update No. 2009-12	09/30/2009
820-10-35-61	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-35-61	Added	Accounting Standards Update No. 2009-12	09/30/2009
820-10-35-62	Added	Accounting Standards Update No. 2009-12	09/30/2009
820-10-50-1 through 1B	Superseded	Accounting Standards Update No. 2018-13	08/28/2018
820-10-50-1	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-50-1	Amended	Accounting Standards Update No. 2010-06	01/21/2010
820-10-50-1A	Added	Accounting Standards Update No. 2011-04	05/12/2011
820-10-50-1B	Added	Accounting Standards Update No. 2011-04	05/12/2011
820-10-50-1C through 1E	Added	Accounting Standards Update No. 2018-13	08/28/2018
820-10-50-2	Amended	Accounting Standards Update No. 2020-03	03/09/2020
820-10-50-2	Amended	Accounting Standards Update	08/28/2018

		No. 2018-13	
820-10-50-2	Amended	Accounting Standards Update No. 2018-09	07/16/2018
820-10-50-2	Amended	Maintenance Update 2018-09	07/12/2018
820-10-50-2	Amended	Accounting Standards Update No. 2016-19	12/14/2016
820-10-50-2	Amended	Accounting Standards Update No. 2015-10	06/12/2015
820-10-50-2	Amended	Accounting Standards Update No. 2013-09	07/08/2013
820-10-50-2	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-50-2	Amended	Accounting Standards Update No. 2009-12	09/30/2009
820-10-50-2	Amended	Accounting Standards Update No. 2010-06	01/21/2010
820-10-50-2A	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-50-2A	Added	Accounting Standards Update No. 2010-06	01/21/2010
820-10-50-2B through 50-2F	Added	Accounting Standards Update No. 2011-04	05/12/2011
820-10-50-2C	Amended	Accounting Standards Update No. 2018-13	08/28/2018
820-10-50-2E	Amended	Accounting Standards Update No. 2018-09	07/16/2018
820-10-50-2E	Amended	Maintenance Update 2015-11	06/19/2015
820-10-50-2F	Amended	Accounting Standards Update No. 2018-13	08/28/2018
820-10-50-2G	Added	Accounting Standards Update No. 2018-13	08/28/2018
820-10-50-2H	Added	Accounting Standards Update No. 2020-07	09/17/2020
820-10-50-3	Amended	Accounting Standards Update No. 2018-13	08/28/2018
820-10-50-3	Amended	Accounting Standards Update No. 2010-06	01/21/2010
820-10-50-4	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-50-4A	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-50-5	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-50-5	Amended	Accounting Standards Update No. 2009-12	09/30/2009
820-10-50-5	Amended	Accounting Standards Update No. 2010-06	01/21/2010
820-10-50-6	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-50-6A	Amended	Accounting Standards Update No. 2018-13	08/28/2018
820-10-50-6A	Amended	Accounting Standards Update No. 2015-07	05/01/2015
820-10-50-6A through 50-8	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-50-6A	Added	Accounting Standards Update No. 2009-12	09/30/2009
820-10-50-6A	Amended	Accounting Standards Update No. 2010-06	01/21/2010
820-10-50-6B	Added	Accounting Standards Update No. 2022-03	06/30/2022
820-10-50-9	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-50-10	Amended	Accounting Standards Update No. 2018-13	08/28/2018
820-10-50-10	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-55-1 through 55-3	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-55-3A through 55-3G	Added	Accounting Standards Update No. 2011-04	05/12/2011
820-10-55-4 through 55-19	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-55-11	Amended	Accounting Standards Update No. 2018-09	07/16/2018
820-10-55-21	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-55-22	Amended	Accounting Standards Update No. 2011-04	05/12/2011

820-10-55-22A through 55-23	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-55-22A	Added	Accounting Standards Update No. 2010-06	01/21/2010
820-10-55-22B	Added	Accounting Standards Update No. 2010-06	01/21/2010
820-10-55-23C	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-55-23D	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-55-24 through 55-38	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-55-33	Amended	Accounting Standards Update No. 2018-09	07/16/2018
820-10-55-34	Amended	Accounting Standards Update No. 2018-09	07/16/2018
820-10-55-35	Amended	Accounting Standards Update No. 2016-19	12/14/2016
820-10-55-38A	Added	Accounting Standards Update No. 2011-04	05/12/2011
820-10-55-39 through 55-45	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-55-45A	Added	Accounting Standards Update No. 2011-04	05/12/2011
820-10-55-46 through 55-49	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-55-50	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-55-51	Amended	Accounting Standards Update No. 2022-03	06/30/2022
820-10-55-51 through 55-55	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-55-52	Amended	Accounting Standards Update No. 2022-03	06/30/2022
820-10-55-52	Amended	Accounting Standards Update No. 2016-19	12/14/2016
820-10-55-52A	Added	Accounting Standards Update No. 2022-03	06/30/2022
820-10-55-54	Amended	Accounting Standards Update No. 2012-04	10/01/2012
820-10-55-55	Amended	Accounting Standards Update No. 2012-04	10/01/2012
820-10-55-55A	Added	Accounting Standards Update No. 2011-04	05/12/2011
820-10-55-56	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-55-57	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-55-57A	Added	Accounting Standards Update No. 2011-04	05/12/2011
820-10-55-58	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-55-59	Amended	Accounting Standards Update No. 2011-04	05/12/2011
820-10-55-59A through 55-59I	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-55-60 through 55-76	Superseded	Accounting Standards Update No. 2011-04	05/12/2011
820-10-55-60	Amended	Accounting Standards Update No. 2009-12	09/30/2009
820-10-55-61 through 55-64A	Amended	Accounting Standards Update No. 2010-06	01/21/2010
820-10-55-64A	Added	Accounting Standards Update No. 2009-12	09/30/2009
820-10-55-65 through 55-76	Added	Accounting Standards Update No. 2009-05	08/26/2009
820-10-55-77 through 55-107	Added	Accounting Standards Update No. 2011-04	05/12/2011
820-10-55-90	Amended	Accounting Standards Update No. 2022-03	06/30/2022
820-10-55-92	Amended	Accounting Standards Update No. 2016-13	06/16/2016
820-10-55-99	Amended	Accounting Standards Update No. 2018-13	08/28/2018
820-10-55-100	Amended	Accounting Standards Update No. 2018-09	07/16/2018
820-10-55-100	Amended	Accounting Standards Update No. 2016-01	01/05/2016
820-10-55-100	Amended	Accounting Standards Update	05/01/2015

		No. 2015-07	
820-10-55-101	Amended	Accounting Standards Update No. 2018-13	08/28/2018
820-10-55-103	Amended	Accounting Standards Update No. 2018-13	08/28/2018
820-10-55-104	Amended	Accounting Standards Update No. 2018-13	08/28/2018
820-10-55-105	Superseded	Accounting Standards Update No. 2018-13	08/28/2018
820-10-55-106	Amended	Accounting Standards Update No. 2018-13	08/28/2018
820-10-55-107	Amended	Accounting Standards Update No. 2018-13	08/28/2018
820-10-55-107	Amended	Accounting Standards Update No. 2015-07	05/01/2015
820-10-65-5	Added	Accounting Standards Update No. 2009-05	08/26/2009
820-10-65-6	Added	Accounting Standards Update No. 2009-12	09/30/2009
820-10-65-7	Added	Accounting Standards Update No. 2010-06	01/21/2010
820-10-65-8	Added	Accounting Standards Update No. 2011-04	05/12/2011
820-10-65-9	Superseded	Accounting Standards Update No. 2018-09	07/16/2018
820-10-65-9	Added	Accounting Standards Update No. 2013-09	07/08/2013
820-10-65-10	Added	Accounting Standards Update No. 2015-07	05/01/2015
820-10-65-11	Added	Accounting Standards Update No. 2016-19	12/14/2016
820-10-65-12	Added	Accounting Standards Update No. 2018-13	08/28/2018
820-10-65-13	Added	Accounting Standards Update No. 2022-03	06/30/2022

820-10-**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

820-10-05-**1** This Topic contains only the Overall Subtopic. This Topic does all of the following:

a. Defines fair value

b. Sets out in a single Topic a framework for measuring fair value

c. Requires disclosures about fair value measurements.

820-10-05-**1A** This Topic explains how to measure fair value for financial reporting. It does not require fair value measurements in addition to those already required or permitted by other Topics and is not intended to establish valuation standards or affect valuation practices outside of financial reporting.

820-10-05-**1B** Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same-to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

820-10-05-**1C** When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

820-10-05-**1D** The definition of fair value focuses on assets and liabilities because they are a primary subject of accounting measurement. In addition, this Topic shall be applied to instruments measured at fair value that are classified in shareholders' equity.

820-10-05-**2** Paragraph superseded by Accounting Standards Update No. 2011-04.

820-10-05-**3** Paragraph superseded by Accounting Standards Update No. 2011-04.

820-10-**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

820-10-15-**1** The Scope Section of the Overall Subtopic establishes the scope for the Fair Value Measurement Topic. Except as noted below, this Topic applies when another Topic requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements).

820-10-15-**1A** Paragraph not used.

Other Considerations

Topics and Subtopics Not within Scope

820-10-15-**2** The Fair Value Measurement Topic does not apply as follows:

a. To accounting principles that address share-based payment transactions (this includes all Subtopics in Topic 718 except for 718-40, which is within the scope of Topic 820)

b. To Sections, Subtopics, or Topics that require or permit measurements that are similar to fair value but that are not intended to measure fair value, including both of the following:

   1. Sections, Subtopics, or Topics that permit measurements that are determined on the basis of, or otherwise use, standalone selling price

   2. Topic 330.

c. Subparagraph superseded by Accounting Standards Update No. 2016-02.

d. To the recognition and measurement of revenue from contracts with customers in accordance with Topic 606

e. To the recognition and measurement of gains and losses upon the derecognition of nonfinancial assets in accordance with Subtopic 610-20.

Practicability Exceptions to This Topic

820-10-15-**3** The Fair Value Measurement Topic does not eliminate the practicability exceptions to fair value measurements within the scope of this Topic. Those practicability exceptions to fair value measurements in specified circumstances include, among others, those stated in the following:

a. The use of a transaction price (an entry price) to measure fair value (an exit price) at initial recognition, including the following:

   1. Guarantees in accordance with Topic 460

   2. Subparagraph superseded by Accounting Standards Update No. 2009-16.

b. Subparagraph superseded by Accounting Standards Update No. 2016-01.

   1. Subparagraph superseded by Accounting Standards Update No. 2016-01.

   2. Subparagraph superseded by Accounting Standards Update No. 2009-16.

c. An exemption to the requirement to measure fair value if fair value is not reasonably determinable, such as all of the following:

   1. Nonmonetary assets in accordance with Topic 845 and Sections 605-20-25 and 605-20-50

   2. Asset retirement obligations in accordance with Subtopic 410-20 and Sections 440-10-50 and 440-10-55

   3. Restructuring obligations in accordance with Topic 420

   4. Participation rights in accordance with Subtopics 715-30 and 715-60.

d. Subparagraph superseded by Accounting Standards Update No. 2015-10.

e. The use of particular measurement methods referred to in paragraph 805-20-30-10 that allow measurements other than fair value for specified assets acquired and liabilities assumed in a business combination.

ee. Financial assets or financial liabilities of a consolidated variable interest entity that is a collateralized financing entity when the financial assets or financial liabilities are measured using the measurement alternative in paragraphs 810-10-30-10 through 30-15 and 810-10-35-6 through 35-8.

f. An exemption to the requirement to measure fair value if fair value cannot be reasonably estimated, such as the following:

   1. Noncash consideration promised in a contract in accordance with the guidance in paragraphs 606-10-32-21 through 32-24.

Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)

820-10-15-**4** Paragraphs 820-10-35-59 through 35-62 and 820-10-50-6A shall apply only to an investment that meets both of the following criteria as of the reporting entity's measurement date:

a. The investment does not have a readily determinable fair value

b. The investment is in an investment company within the scope of Topic 946 or is an investment in a real estate fund for which it is industry practice to measure investment assets at fair value on a recurring basis and to issue financial statements that are consistent with the measurement principles in Topic 946.

820-10-15-**5** The definition of readily determinable fair value indicates that an equity security would have a readily determinable fair value if any one of three conditions is met. One of those conditions is that sales prices or bid-and-asked quotations are currently available on a securities exchange registered with the U.S. Securities and Exchange Commission (SEC) or in the over-the-counter market, provided that those prices or quotations for the over-the-counter market are publicly reported by the National Association of Securities Dealers Automated Quotations systems or by OTC Markets Group Inc. The definition notes that restricted stock meets that definition if the restriction expires within one year. If an investment otherwise would have a readily determinable fair value, except that the investment has a restriction expiring in more than one year, the reporting entity shall not apply paragraphs 820-10-35-59 through 35-62 and 820-10-50-6A to the investment.

820-10-**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).

Acquiree

The business or businesses that the acquirer obtains control of in a business combination. This term also includes a nonprofit activity or business that a not-for-profit acquirer obtains control of in an acquisition by a not-for-profit entity.

Acquirer

The entity that obtains control of the acquiree. However, in a business combination in which a variable interest entity (VIE) is acquired, the primary beneficiary of that entity always is the acquirer.

PENDING CONTENT

Transition Date: P December 16, 2026; N December 16, 2026 **- Transition Guidance :** 805-10-65-5

The entity that obtains control of the acquiree. See paragraphs 805-10-25-4 through 25-5 for guidance on determining the acquirer.

Acquisition by a Not-for-Profit Entity

A transaction or other event in which a not-for-profit acquirer obtains control of one or more nonprofit activities or businesses and initially recognizes their assets and liabilities in the acquirer's financial statements. When applicable guidance in Topic 805 is applied by a not-for-profit entity, the term business combination has the same meaning as this term has for a for-profit entity. Likewise, a reference to business combinations in guidance that links to Topic 805 has the same meaning as a reference to acquisitions by not-for-profit entities.

Active Market

A market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Benchmark Interest Rate

A widely recognized and quoted rate in an active financial market that is broadly indicative of the overall level of interest rates attributable to high-credit-quality obligors in that market. It is a rate that is widely used in a given financial market as an underlying basis for determining the interest rates of individual financial instruments and commonly referenced in interest-rate-related transactions. In theory, the benchmark interest rate should be a risk-free rate (that is, has no risk of default). In some markets, government borrowing rates may serve as a benchmark. In other markets, the benchmark interest rate may be an interbank offered rate.

Beneficial Interests

Rights to receive all or portions of specified cash inflows received by a trust or other entity, including, but not limited to, all of the following:

a. Senior and subordinated shares of interest, principal, or other cash inflows to be passed-through or paid-through

b. Premiums due to guarantors

c. Commercial paper obligations

d. Residual interests, whether in the form of debt or equity.

Brokered Market

A market in which brokers attempt to match buyers with sellers but do not stand ready to trade for their own account. In other words, brokers do not use their own capital to hold an inventory of the items for which they make a market. The broker knows the prices bid and asked by the respective parties, but each party is typically unaware of another party's price requirements. Prices of completed transactions are sometimes available. Brokered markets include electronic communication networks, in which buy and sell orders are matched, and commercial and residential real estate markets.

Business

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

Business Combination

A transaction or other event in which an acquirer obtains control of one or more businesses. Transactions sometimes referred to as true mergers or mergers of equals also are business combinations. See also Acquisition by a Not-for-Profit Entity.

Collateralized Financing Entity

A variable interest entity that holds financial assets, issues beneficial interests in those financial assets, and has no more than nominal equity. The beneficial interests have contractual recourse only to the related assets of the collateralized financing entity and are classified as financial liabilities. A collateralized financing entity may hold nonfinancial assets temporarily as a result of default by the debtor on the underlying debt instruments held as assets by the collateralized financing entity or in an effort to restructure the debt instruments held as assets by the collateralized financing entity. A collateralized financing entity also may hold other financial assets and financial liabilities that are incidental to the operations of the collateralized financing entity and have carrying values that approximate fair value (for example, cash, broker receivables, or broker payables).

Conduit Debt Securities

Certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by a state or local governmental entity for the express purpose of providing financing for a specific third party (the conduit bond obligor) that is not a part of the state or local government's financial reporting entity. Although conduit debt securities bear the name of the governmental entity that issues them, the governmental entity often has no obligation for such debt beyond the resources provided by a lease or loan agreement with the third party on whose behalf the securities are issued. Further, the conduit bond obligor is responsible for any future financial reporting requirements.

Contract

An agreement between two or more parties that creates enforceable rights and obligations.

Cost Approach

A valuation approach that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

Credit Risk

For purposes of a hedged item in a fair value hedge, credit risk is the risk of changes in the hedged item's fair value attributable to both of the following:

a. Changes in the obligor's creditworthiness

b. Changes in the spread over the benchmark interest rate with respect to the hedged item's credit sector at inception of the hedge.

For purposes of a hedged transaction in a cash flow hedge, credit risk is the risk of changes in the hedged transaction's cash flows attributable to all of the following:

a. Default

b. Changes in the obligor's creditworthiness

c. Changes in the spread over the contractually specified interest rate or the benchmark interest rate with respect to the related financial asset's or liability's credit sector at inception of the hedge.

Currency Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Customer

A party that has contracted with an entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration.

Dealer Market

A market in which dealers stand ready to trade (either buy or sell for their own account), thereby providing liquidity by using their capital to hold an inventory of the items for which they make a market. Typically, bid and ask prices (representing the price at which the dealer is willing to buy and the price at which the dealer is willing to sell, respectively) are more readily available than closing prices. Over-the-counter markets (for which prices are publicly reported by the National Association of Securities Dealers Automated Quotations systems or by OTC Markets Group Inc.) are dealer markets. For example, the market for U.S. Treasury securities is a dealer market. Dealer markets also exist for some other assets and liabilities, including other financial instruments, commodities, and physical assets (for example, used equipment).

Discount Rate Adjustment Technique

A present value technique that uses a risk-adjusted discount rate and contractual, promised, or most likely cash flows.

Entry Price

The price paid to acquire an asset or received to assume a liability in an exchange transaction.

Equity Security

Any security representing an ownership interest in an entity (for example, common, preferred, or other capital stock) or the right to acquire (for example, warrants, rights, forward purchase contracts, and call options) or dispose of (for example, put options and forward sale contracts) an ownership interest in an entity at fixed or determinable prices. The term equity security does not include any of the following:

a. Written equity options (because they represent obligations of the writer, not investments)

b. Cash-settled options on equity securities or options on equity-based indexes (because those instruments do not represent ownership interests in an entity)

c. Convertible debt or preferred stock that by its terms either must be redeemed by the issuing entity or is redeemable at the option of the investor.

Exchange Market

A market in which closing prices are both readily available and generally representative of fair value. An example of such a market is the New York Stock Exchange.

Exit Price

The price that would be received to sell an asset or paid to transfer a liability.

Expected Cash Flow

The probability-weighted average (that is, mean of the distribution) of possible future cash flows.

Fair Value

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

Financial Asset

Cash, evidence of an ownership interest in an entity, or a contract that conveys to one entity a right to do either of the following:

a. Receive cash or another financial instrument from a second entity

b. Exchange other financial instruments on potentially favorable terms with the second entity.

Financial Instrument

Cash, evidence of an ownership interest in an entity, or a contract that both:

a. Imposes on one entity a contractual obligation either:

   1. To deliver cash or another financial instrument to a second entity

   2. To exchange other financial instruments on potentially unfavorable terms with the second entity.

b. Conveys to that second entity a contractual right either:

   1. To receive cash or another financial instrument from the first entity

   2. To exchange other financial instruments on potentially favorable terms with the first entity.

The use of the term financial instrument in this definition is recursive (because the term financial instrument is included in it), though it is not circular. The definition requires a chain of contractual obligations that ends with the delivery of cash or an ownership interest in an entity. Any number of obligations to deliver financial instruments can be links in a chain that qualifies a particular contract as a financial instrument. Contractual rights and contractual obligations encompass both those that are conditioned on the occurrence of a specified event and those that are not. All contractual rights (contractual obligations) that are financial instruments meet the definition of asset (liability) set forth in FASB Concepts Statement No. 6, Elements of Financial Statements, although some may not be recognized as assets (liabilities) in financial statements-that is, they may be off-balance-sheet-because they fail to meet some other criterion for recognition. For some financial instruments, the right is held by or the obligation is due from (or the obligation is owed to or by) a group of entities rather than a single entity.

PENDING CONTENT

Transition Date: P December 16, 2024; N December 16, 2025 **- Transition Guidance :** 105-10-65-9

Cash, evidence of an ownership interest in an entity, or a contract that both:

a. Imposes on one entity a contractual obligation either:

   1. To deliver cash or another financial instrument to a second entity

   2. To exchange other financial instruments on potentially unfavorable terms with the second entity.

b. Conveys to that second entity a contractual right either:

   1. To receive cash or another financial instrument from the first entity

   2. To exchange other financial instruments on potentially favorable terms with the first entity.

The use of the term financial instrument in this definition is recursive (because the term financial instrument is included in it), though it is not circular. The definition requires a chain of contractual obligations that ends with the delivery of cash or an ownership interest in an entity. Any number of obligations to deliver financial instruments can be links in a chain that qualifies a particular contract as a financial instrument. Contractual rights and contractual obligations encompass both those that are conditioned on the occurrence of a specified event and those that are not. Some contractual rights (contractual obligations) that are financial instruments may not be recognized in financial statements-that is, they may be off-balance-sheet-because they fail to meet some other criterion for recognition. For some financial instruments, the right is held by or the obligation is due from (or the obligation is owed to or by) a group of entities rather than a single entity.

Financial Liability

A contract that imposes on one entity an obligation to do either of the following:

a. Deliver cash or another financial instrument to a second entity

b. Exchange other financial instruments on potentially unfavorable terms with the second entity.

Highest and Best Use

The use of a nonfinancial asset by market participants that would maximize the value of the asset or the group of assets and liabilities (for example, a business) within which the asset would be used.

Income Approach

Valuation approaches that convert future amounts (for example, cash flows or income and expenses) to a single current (that is, discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.

Inputs

The assumptions that market participants would use when pricing the asset or liability, including assumptions about risk, such as the following:

a. The risk inherent in a particular valuation technique used to measure fair value (such as a pricing model)

b. The risk inherent in the inputs to the valuation technique.

Inputs may be observable or unobservable.

Interest Rate Risk

For recognized variable-rate financial instruments and forecasted issuances or purchases of variable-rate financial instruments, interest rate risk is the risk of changes in the hedged item's cash flows attributable to changes in the contractually specified interest rate in the agreement. For recognized fixed-rate financial instruments, interest rate risk is the risk of changes in the hedged item's fair value attributable to changes in the designated benchmark interest rate. For forecasted issuances or purchases of fixed-rate financial instruments, interest rate risk is the risk of changes in the hedged item's cash flows attributable to changes in the designated benchmark interest rate.

Legal Entity

Any legal structure used to conduct activities or to hold assets. Some examples of such structures are corporations, partnerships, limited liability companies, grantor trusts, and other trusts.

Level 1 Inputs

Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2 Inputs

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs

Unobservable inputs for the asset or liability.

Liability Issued with an Inseparable Third-Party Credit Enhancement

A liability that is issued with a credit enhancement obtained from a third party, such as debt that is issued with a financial guarantee from a third party that guarantees the issuer's payment obligation.

Management

Persons who are responsible for achieving the objectives of the entity and who have the authority to establish policies and make decisions by which those objectives are to be pursued. Management normally includes members of the board of directors, the chief executive officer, chief operating officer, vice presidents in charge of principal business functions (such as sales, administration, or finance), and other persons who perform similar policy making functions. Persons without formal titles also may be members of management.

Market Approach

A valuation approach that uses prices and other relevant information generated by market transactions involving identical or comparable (that is, similar) assets, liabilities, or a group of assets and liabilities, such as a business.

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.

Market Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises the following:

a. Interest rate risk

b. Currency risk

c. Other price risk.

Market-Corroborated Inputs

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Most Advantageous Market

The market that maximizes the amount that would be received to sell the asset or minimizes the amount that would be paid to transfer the liability, after taking into account transaction costs and transportation costs.

Net Asset Value per Share

Net asset value per share is the amount of net assets attributable to each share of capital stock (other than senior equity securities, that is, preferred stock) outstanding at the close of the period. It excludes the effects of assuming conversion of outstanding convertible securities, whether or not their conversion would have a diluting effect.

Nonfinancial Asset

An asset that is not a financial asset. Nonfinancial assets include land, buildings, use of facilities or utilities, materials and supplies, intangible assets, or services.

Nonperformance Risk

The risk that an entity will not fulfill an obligation. Nonperformance risk includes, but may not be limited to, the reporting entity's own credit risk.

Nonpublic Entity

Any entity that does not meet any of the following conditions:

a. Its debt or equity securities trade in a public market either on a stock exchange (domestic or foreign) or in an over-the-counter market, including securities quoted only locally or regionally.

b. It is a conduit bond obligor for conduit debt securities that are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local or regional markets).

c. It files with a regulatory agency in preparation for the sale of any class of debt or equity securities in a public market.

d. It is required to file or furnish financial statements with the Securities and Exchange Commission.

e. It is controlled by an entity covered by criteria (a) through (d).

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.

Observable Inputs

Inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability.

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).

Other Price Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

Present Value

A tool used to link future amounts (cash flows or values) to a present amount using a discount rate (an application of the income approach). Present value techniques differ in how they adjust for risk and in the type of cash flows they use. See Discount Rate Adjustment Technique.

Principal Market

The market with the greatest volume and level of activity for the asset or liability.

Principal-to-Principal Market

A market in which transactions, both originations and resales, are negotiated independently with no intermediary. Little information about those transactions may be made available publicly.

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.

Readily Determinable Fair Value

An equity security has a readily determinable fair value if it meets any of the following conditions:

a. The fair value of an equity security is readily determinable if sales prices or bid-and-asked quotations are currently available on a securities exchange registered with the U.S. Securities and Exchange Commission (SEC) or in the over-the-counter market, provided that those prices or quotations for the over-the-counter market are publicly reported by the National Association of Securities Dealers Automated Quotations systems or by OTC Markets Group Inc. Restricted stock meets that definition if the restriction terminates within one year.

b. The fair value of an equity security traded only in a foreign market is readily determinable if that foreign market is of a breadth and scope comparable to one of the U.S. markets referred to above.

c. The fair value of an equity security that is an investment in a mutual fund or in a structure similar to a mutual fund (that is, a limited partnership or a venture capital entity) is readily determinable if the fair value per share (unit) is determined and published and is the basis for current transactions.

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.

Revenue

Inflows or other enhancements of assets of an entity or settlements of its liabilities (or a combination of both) from delivering or producing goods, rendering services, or other activities that constitute the entity's ongoing major or central operations.

Risk Premium

Compensation sought by risk-averse market participants for bearing the uncertainty inherent in the cash flows of an asset or a liability. Also referred to as a risk adjustment.

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.

Standalone Selling Price

The price at which an entity would sell a promised good or service separately to a customer.

Systematic Risk

The common risk shared by an asset or a liability with the other items in a diversified portfolio. Portfolio theory holds that in a market in equilibrium, market participants will be compensated only for bearing the systematic risk inherent in the cash flows. (In markets that are inefficient or out of equilibrium, other forms of return or compensation might be available.) Also referred to as nondiversifiable risk.

Transaction Costs

The costs to sell an asset or transfer a liability in the principal (or most advantageous) market for the asset or liability that are directly attributable to the disposal of the asset or the transfer of the liability and meet both of the following criteria:

a. They result directly from and are essential to that transaction.

b. They would not have been incurred by the entity had the decision to sell the asset or transfer the liability not been made (similar to costs to sell, as defined in paragraph 360-10-35-38).

Transportation Costs

The costs that would be incurred to transport an asset from its current location to its principal (or most advantageous) market.

Unit of Account

The level at which an asset or a liability is aggregated or disaggregated in a Topic for recognition purposes.

Unobservable Inputs

Inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.

Unsystematic Risk

The risk specific to a particular asset or liability. Also referred to as diversifiable risk.

Variable Interest Entity

A legal entity subject to consolidation according to the provisions of the Variable Interest Entities Subsections of Subtopic 810-10.

820-10-**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

820-10-25-**1** Paragraph superseded by Accounting Standards Update No. 2011-04.

820-10-25-**2** Paragraph superseded by Accounting Standards Update No. 2011-04.

820-10-**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

820-10-30-**1** The fair value measurement framework, which applies at both initial and subsequent measurement if fair value is required or permitted by other Topics, is discussed primarily in Section 820-10-35. This Section sets out additional guidance specific to applying the framework at initial measurement.

820-10-30-**2** When an asset is acquired or a liability is assumed in an exchange transaction for that asset or liability, the transaction price is the price paid to acquire the asset or received to assume the liability (an entry price). In contrast, the fair value of the asset or liability is the price that would be received to sell the asset or paid to transfer the liability (an exit price). Entities do not necessarily sell assets at the prices paid to acquire them. Similarly, entities do not necessarily transfer liabilities at the prices received to assume them.

820-10-30-**3** In many cases, the transaction price will equal the fair value (for example, that might be the case when on the transaction date the transaction to buy an asset takes place in the market in which the asset would be sold).

a. Subparagraph superseded by Accounting Standards Update No. 2011-04.

b. Subparagraph superseded by Accounting Standards Update No. 2011-04.

c. Subparagraph superseded by Accounting Standards Update No. 2011-04.

d. Subparagraph superseded by Accounting Standards Update No. 2011-04.

820-10-30-**3A** When determining whether fair value at initial recognition equals the transaction price, a reporting entity shall take into account factors specific to the transaction and to the asset or liability. For example, the transaction price might not represent the fair value of an asset or a liability at initial recognition if any of the following conditions exist:

a. The transaction is between related parties, although the price in a related party transaction may be used as an input into a fair value measurement if the reporting entity has evidence that the transaction was entered into at market terms.

b. The transaction takes place under duress or the seller is forced to accept the price in the transaction. For example, that might be the case if the seller is experiencing financial difficulty.

c. The unit of account represented by the transaction price is different from the unit of account for the asset or liability measured at fair value. For example, that might be the case if the asset or liability measured at fair value is only one of the elements in the transaction (for example, in a business combination), the transaction includes unstated rights and privileges that are measured separately, in accordance with another Topic, or the transaction price includes transaction costs.

d. The market in which the transaction takes place is different from the principal market (or most advantageous market). For example, those markets might be different if the reporting entity is a dealer that enters into transactions with customers in the retail market, but the principal (or most advantageous) market for the exit transaction is with other dealers in the dealer market.

820-10-30-**4** Paragraph superseded by Accounting Standards Update No. 2011-04.

820-10-30-**5** Paragraph 820-10-55-46 illustrates situations in which the price in a transaction involving a derivative instrument might (and might not) equal the fair value of the instrument.

820-10-30-**6** If another Topic requires or permits a reporting entity to measure an asset or a liability initially at fair value and the transaction price differs from fair value, the reporting entity shall recognize the resulting gain or loss in earnings unless that Topic specifies otherwise.

820-10-**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

820-10-35-**1** The fair value measurement framework, which applies at both initial and subsequent measurement if fair value is required or permitted by another Topic, is discussed primarily in this Section. Section 820-10-30 sets out additional guidance specific to applying the framework at initial measurement. This Section is organized as follows:

a. Definition of fair value

b. Valuation techniques

c. Inputs to valuation techniques

d. Fair value hierarchy

e. Measuring fair value when the volume or level of activity for an asset or a liability has significantly decreased

f. Identifying transactions that are not orderly

g. Using quoted prices provided by third parties

h. Measuring the fair value of investments in certain entities that calculate net asset value per share (or its equivalent).

Definition of Fair Value

820-10-35-**2** This Topic defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

a. Subparagraph superseded by Accounting Standards Update No. 2011-04.

b. Subparagraph superseded by Accounting Standards Update No. 2011-04.

c. Subparagraph superseded by Accounting Standards Update No. 2011-04.

d. Subparagraph superseded by Accounting Standards Update No. 2011-04.

e. Subparagraph superseded by Accounting Standards Update No. 2011-04.

f. Subparagraph superseded by Accounting Standards Update No. 2011-04.

820-10-35-**2A** The remainder of this guidance is organized as follows:

a. The asset or liability

b. The transaction

c. Market participants

d. The price

e. Application to nonfinancial assets

f. Application to liabilities and instruments classified in a reporting entity's shareholders' equity

g. Application to financial assets, financial liabilities, and nonfinancial items accounted for as derivatives under Topic 815with offsetting positions in market risks or counterparty credit risk.

The Asset or Liability

820-10-35-**2B** A fair value measurement is for a particular asset or liability. Therefore, when measuring fair value a reporting entity shall take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Such characteristics include, for example, the following:

a. The condition and location of the asset

b. Restrictions, if any, on the sale or use of the asset.

820-10-35-**2C** The effect on the measurement arising from a particular characteristic will differ depending on how that characteristic would be taken into account by market participants. Paragraph 820-10-55-51 illustrates a restriction's effect on fair value measurement.

820-10-35-**2D** The asset or liability measured at fair value might be either of the following:

a. A standalone asset or liability (for example, a financial instrument or a nonfinancial asset)

b. A group of assets, a group of liabilities, or a group of assets and liabilities (for example, a reporting unit or a business).

820-10-35-**2E** Whether the asset or liability is a standalone asset or liability, a group of assets, a group of liabilities, or a group of assets and liabilities for recognition or disclosure purposes depends on its unit of account. The unit of account for the asset or liability shall be determined in accordance with the Topic that requires or permits the fair value measurement, except as provided in this Topic.

The Transaction

820-10-35-**3** A fair value measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions.

820-10-35-**4** Paragraph superseded by Accounting Standards Update No. 2011-04.

820-10-35-**5** A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a. In the principal market for the asset or liability

b. In the absence of a principal market, in the most advantageous market for the asset or liability.

820-10-35-**5A** A reporting entity need not undertake an exhaustive search of all possible markets to identify the principal market or, in the absence of a principal market, the most advantageous market, but it shall take into account all information that is reasonably available. In the absence of evidence to the contrary, the market in which the reporting entity normally would enter into a transaction to sell the asset or to transfer the liability is presumed to be the principal market or, in the absence of a principal market, the most advantageous market.

820-10-35-**6** If there is a principal market for the asset or liability, the fair value measurement shall represent the price in that market (whether that price is directly observable or estimated using another valuation technique), even if the price in a different market is potentially more advantageous at the measurement date.

820-10-35-**6A** The reporting entity must have access to the principal (or most advantageous) market at the measurement date. Because different entities (and businesses within those entities) with different activities may have access to different markets, the principal (or most advantageous) market for the same asset or liability might be different for different entities (and businesses within those entities). Therefore, the principal (or most advantageous) market (and thus, market participants) shall be considered from the perspective of the reporting entity, thereby allowing for differences between and among entities with different activities.

820-10-35-**6B** Although a reporting entity must be able to access the market, the reporting entity does not need to be able to sell the particular asset or transfer the particular liability on the measurement date to be able to measure fair value on the basis of the price in that market.

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Although a reporting entity must be able to access the market, the reporting entity does not need to be able to sell the particular asset or transfer the particular liability on the measurement date to be able to measure fair value on the basis of the price in that market. For example, an equity security that an entity cannot sell on the measurement date because of a contractual sale

> restriction shall be measured at fair value on the basis of the price in the principal (or most advantageous) market. A contractual sale restriction does not change the market in which that equity security would be sold (see paragraphs 820-10-55-52 through 55-52A820-10-55-52A).

820-10-35-**6C** Even when there is no observable market to provide pricing information about the sale of an asset or the transfer of a liability at the measurement date, a fair value measurement shall assume that a transaction takes place at that date, considered from the perspective of a market participant that holds the asset or owes the liability. That assumed transaction establishes a basis for estimating the price to sell the asset or to transfer the liability.

820-10-35-**7** Paragraph superseded by Accounting Standards Update No. 2011-04.

820-10-35-**8** Paragraph superseded by Accounting Standards Update No. 2011-04.

Market Participants

820-10-35-**9** A reporting entity shall measure the fair value of an asset or a liability using the assumptions that market participants would use in pricing the asset or liability, assuming that market participants act in their economic best interest. In developing those assumptions, a reporting entity need not identify specific market participants. Rather, the reporting entity shall identify characteristics that distinguish market participants generally, considering factors specific to all of the following:

a. The asset or liability

b. The principal (or most advantageous) market for the asset or liability

c. Market participants with whom the reporting entity would enter into a transaction in that market.

The Price

820-10-35-**9A** Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (that is, an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

820-10-35-**9B** The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. Transaction costs shall be accounted for in accordance with other Topics. Transaction costs are not a characteristic of an asset or a liability; rather, they are specific to a transaction and will differ depending on how a reporting entity enters into a transaction for the asset or liability.

820-10-35-**9C** Transaction costs do not include transportation costs. If location is a characteristic of the asset (as might be the case, for example, for a commodity), the price in the principal (or most advantageous) market shall be adjusted for the costs, if any, that would be incurred to transport the asset from its current location to that market.

Application to Nonfinancial Assets

820-10-35-**10** Paragraph superseded by Accounting Standards Update No. 2011-04.

Highest and Best Use for Nonfinancial Assets

820-10-35-**10A** A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

820-10-35-**10B** The highest and best use of a nonfinancial asset takes into account the use of the asset that is physically possible, legally permissible, and financially feasible, as follows:

a. A use that is physically possible takes into account the physical characteristics of the asset that market participants would take into account when pricing the asset (for example, the location or size of a property).

b. A use that is legally permissible takes into account any legal restrictions on the use of the asset that market participants would take into account when pricing the asset (for example, the zoning regulations applicable to a property).

c. A use that is financially feasible takes into account whether a use of the asset that is physically possible and legally permissible generates adequate income or cash flows (taking into account the costs of converting the asset to that use) to produce an investment return that market participants would require from an investment in that asset put to that use.

820-10-35-**10C** Highest and best use is determined from the perspective of market participants, even if the reporting entity intends a different use. However, a reporting entity's current use of a nonfinancial asset is presumed to be its highest and best use unless market or other factors suggest that a different use by market participants would maximize the value of the asset.

820-10-35-**10D** To protect its competitive position, or for other reasons, a reporting entity may intend not to use an acquired nonfinancial asset actively, or it may intend not to use the asset according to its highest and best use. For example, that might be the case for an acquired intangible asset that the reporting entity plans to use defensively by preventing others from using it. Nevertheless, the reporting entity shall measure the fair value of a nonfinancial asset assuming its highest and best use by market participants.

Valuation Premise for Nonfinancial Assets

820-10-35-**10E** The highest and best use of a nonfinancial asset establishes the valuation premise used to measure the fair value of the asset, as follows:

a. The highest and best use of a nonfinancial asset might provide maximum value to market participants through its use in combination with other assets as a group (as installed or otherwise configured for use) or in combination with other assets and liabilities (for example, a business).

1. If the highest and best use of the asset is to use the asset in combination with other assets or with other assets and liabilities, the fair value of the asset is the price that would be received in a current transaction to sell the asset assuming that the asset would be used with other assets or with other assets and liabilities and that those assets and liabilities (that is, its complementary assets and the associated liabilities) would be available to market participants.
2. Liabilities associated with the asset and with the complementary assets include liabilities that fund working capital, but do not include liabilities used to fund assets other than those within the group of assets.
3. Assumptions about the highest and best use of a nonfinancial asset shall be consistent for all of the assets (for which highest and best use is relevant) of the group of assets or the group of assets and liabilities within which the asset would be used.

b. The highest and best use of a nonfinancial asset might provide maximum value to market participants on a standalone basis. If the highest and best use of the asset is to use it on a standalone basis, the fair value of the asset is the price that would be received in a current transaction to sell the asset to market participants that would use the asset on a standalone basis.

820-10-35-**11** Paragraph superseded by Accounting Standards Update No. 2011-04.

820-10-35-**11A** The fair value measurement of a nonfinancial asset assumes that the asset is sold consistent with the unit of account specified in other Topics (which may be an individual asset). That is the case even when that fair value measurement assumes that the highest and best use of the asset is to use it in combination with other assets or with other assets and liabilities because a fair value measurement assumes that the market participant already holds the complementary assets and associated liabilities.

820-10-35-**12** Paragraph superseded by Accounting Standards Update No. 2011-04.

820-10-35-**13** Paragraph superseded by Accounting Standards Update No. 2011-04.

820-10-35-**14** Paragraph 820-10-55-25 illustrates the application of the highest and best use and valuation premise concepts for nonfinancial assets.

820-10-35-**15** Paragraph superseded by Accounting Standards Update No. 2011-04.

820-10-35-**15A** Paragraph not used.

Application to Liabilities and Instruments Classified in a Reporting Entity's Shareholders' Equity

General Principles

820-10-35-**16** A fair value measurement assumes that a financial or nonfinancial liability or an instrument classified in a reporting entity's shareholders' equity (for example, equity interests issued as consideration in a business combination) is transferred to a market participant at the measurement date. The transfer of a liability or an instrument classified in a reporting entity's shareholders' equity assumes the following:

a. Subparagraph superseded by Accounting Standards Update No. 2011-04.

b. A liability would remain outstanding and the market participant transferee would be required to fulfill the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date.

c. An instrument classified in a reporting entity's shareholders' equity would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

820-10-35-**16A** Even when there is no observable market to provide pricing information about the transfer of a liability or an instrument classified in a reporting entity's shareholders' equity (for example, because contractual or other legal restrictions prevent the transfer of such items), there might be an observable market for such items if they are held by other parties as assets (for example, a corporate bond or a call option on a reporting entity's shares).

820-10-35-**16AA** In all cases, a reporting entity shall maximize the use of relevant observable inputs and minimize the use of unobservable inputs to meet the objective of a fair value measurement, which is to estimate the price at which an orderly transaction to transfer the liability or instrument classified in shareholders' equity would take place between market participants at the measurement date under current market conditions.

Liabilities and Instruments Classified in a Reporting Entity's Shareholders' Equity Held by Other Parties as Assets

820-10-35-**16B** When a quoted price for the transfer of an identical or a similar liability or instrument classified in a reporting entity's shareholders' equity is not available and the identical item is held by another party as an asset, a reporting entity shall measure the fair value of the liability or equity instrument from the perspective of a market participant that holds the identical item as an asset at the measurement date.

a. Subparagraph superseded by Accounting Standards Update No. 2011-04.

b. Subparagraph superseded by Accounting Standards Update No. 2011-04.

820-10-35-**16BB** In such cases, a reporting entity shall measure the fair value of the liability or equity instrument as follows:

a. Using the quoted price in an active market for the identical item held by another party as an asset, if that price is available

b. If that price is not available, using other observable inputs, such as the quoted price in a market that is not active for the identical item held by another party as an asset

c. If the observable prices in (a) and (b) are not available, using another valuation approach, such as:

1. An income approach (for example, a present value technique that takes into account the future cash flows that a market participant would expect to receive from holding the liability or equity instrument as an asset; see paragraph 820-10-55-3F)
2. A market approach (for example, using quoted prices for similar liabilities or instruments classified in shareholders' equity held by other parties as assets; see paragraph 820-10-55-3A).

820-10-35-**16C** Paragraph superseded by Accounting Standards Update No. 2011-04.

820-10-35-**16D** When measuring the fair value of a liability or an equity instrument held by another party as an asset, a reporting entity shall adjust the quoted price of the asset only if there are factors specific to the asset that are not applicable to the fair value measurement of the liability or equity instrument. When the asset held by another party includes a characteristic restricting its sale, the fair value of the corresponding liability or equity instrument also would include the effect of the restriction. Some factors that may indicate that the quoted price of the asset should be adjusted include the following:

a. The quoted price for the asset relates to a similar (but not identical) liability or equity instrument held by another party as an asset. For example, the liability or equity instrument may have a particular characteristic (for example, the credit quality of the issuer) that is different from that reflected in the fair value of the similar liability or equity instrument held as an asset.

b. The unit of account for the asset is not the same as for the liability or equity instrument. For example, for liabilities, in some cases the price for an asset reflects a combined price for a package comprising both the amounts due from the issuer and a third-party credit enhancement. If the unit of account for the liability is not for the combined package, the objective is to measure the fair value of the issuer's liability, not the fair value of the combined package. Thus, in such cases, the reporting entity would adjust the observed price for the asset to exclude the effect of the third-party credit enhancement. See paragraph 820-10-35-18A for further guidance.

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When measuring the fair value of a liability or an equity instrument held by another party as an asset, a reporting entity shall adjust the quoted price of the asset only if there are factors specific to the asset that are not applicable to the fair value measurement of the liability or equity instrument. When the asset held by another party includes a characteristic restricting its sale, (see paragraphs 820-10-35-6B and 820-10-35-36B), the fair value of the corresponding liability or equity instrument also would include the effect of the restriction. Some factors that may indicate that the quoted price of the asset should be adjusted include the following:

a. The quoted price for the asset relates to a similar (but not identical) liability or equity instrument held by another party as an asset. For example, the liability or equity instrument may have a particular characteristic (for example, the credit quality of the issuer) that is different from that reflected in the fair value of the similar liability or equity instrument held as an asset.

b. The unit of account for the asset is not the same as for the liability or equity instrument. For example, for liabilities, in some cases the price for an asset reflects a combined price for a package comprising both the amounts due from the issuer and a third-party credit enhancement. If the unit of account for the liability is not for the combined package, the objective is to measure the fair value of the issuer's liability, not the fair value of the combined package. Thus, in such cases, the reporting entity would adjust the observed price for the asset to exclude the effect of the third-party credit enhancement. See paragraph 820-10-35-18A for further guidance.

820-10-35-**16E** Paragraphs 820-10-35-16E through 35-16G superseded by Accounting Standards Update No. 2011-04.

Liabilities and Instruments Classified in a Reporting Entity's Shareholders' Equity Not Held by Other Parties as Assets

820-10-35-**16H** When a quoted price for the transfer of an identical or a similar liability or instrument classified in a reporting entity's shareholders' equity is not available and the identical item is not held by another party as an asset, a reporting entity shall measure the fair value of the liability or equity instrument using a valuation technique from the perspective of a market participant that owes the liability or has issued the claim on equity.

820-10-35-**16I** For example, when applying a present value technique, a reporting entity might take into account either of the following:

a. The future cash outflows that a market participant would expect to incur in fulfilling the obligation, including the compensation that a market participant would require for taking on the obligation (see paragraphs 820-10-35-16J through 35-16K).

b. The amount that a market participant would receive to enter into or issue an identical liability or equity instrument, using the assumptions that market participants would use when pricing the identical item (for example, having the same credit characteristics) in the principal (or most advantageous) market for issuing a liability or an equity instrument with the same contractual terms.

820-10-35-**16J** When using a present value technique to measure the fair value of a liability that is not held by another party as an asset (for example, an asset retirement obligation), a reporting entity shall, among other things, estimate the future cash outflows that market participants would expect to incur in fulfilling the obligation. Those future cash outflows shall include market participants' expectations about the costs of fulfilling the obligation and the compensation that a market participant would require for taking on the obligation. Such compensation includes the return that a market participant would require for the following:

a. Undertaking the activity (that is, the value of fulfilling the obligation-for example, by using resources that could be used for other activities)

b. Assuming the risk associated with the obligation (that is, a risk premium that reflects the risk that the actual cash outflows might differ from the expected cash outflows; see paragraph 820-10-35-16L).

820-10-35-**16K** For example, a nonfinancial liability does not contain a contractual rate of return and there is no observable market yield for that liability. In some cases, the components of the return that market participants would require will be indistinguishable from one another (for example, when using the price a third-party contractor would charge on a fixed-fee basis). In other cases, a reporting entity needs to estimate those components separately (for example, when using the price a third-party contractor would charge on a cost-plus basis because the contractor in that case would not bear the risk of future changes in costs).

820-10-35-**16L** A reporting entity can include a risk premium in the fair value measurement of a liability or an instrument classified in a reporting entity's shareholders' equity that is not held by another party as an asset in one of the following ways:

a. By adjusting the cash flows (that is, as an increase in the amount of cash outflows)

b. By adjusting the rate used to discount the future cash flows to their present values (that is, as a reduction in the discount rate).

A reporting entity shall ensure that it does not double count or omit adjustments for risk. For example, if the estimated cash flows are increased to take into account the compensation for assuming the risk associated with the obligation, the discount rate should not be adjusted to reflect that risk.

Nonperformance Risk

820-10-35-**17** The fair value of a liability reflects the effect of nonperformance risk. Nonperformance risk includes, but may not be limited to, a reporting entity's own credit risk. Nonperformance risk is assumed to be the same before and after the transfer of the liability.

820-10-35-**18** When measuring the fair value of a liability, a reporting entity shall take into account the effect of its credit risk (credit standing) and any other factors that might influence the likelihood that the obligation will or will not be fulfilled. That effect may differ depending on the liability, for example:

a. Whether the liability is an obligation to deliver cash (a financial liability) or an obligation to deliver goods or services (a nonfinancial liability)

b. The terms of credit enhancements related to the liability, if any.

Paragraph 820-10-55-56 illustrates the effect of credit risk on the fair value measurement of a liability.

820-10-35-**18A** The fair value of a liability reflects the effect of nonperformance risk on the basis of its unit of account. In accordance with Topic 825, the issuer of a liability issued with an inseparable third-party credit enhancement that is accounted for separately from the liability shall not include the effect of the credit enhancement (for example, a third-party guarantee of debt) in the fair value measurement of the liability. If the credit enhancement is accounted for separately from the liability, the issuer would take into account its own credit standing and not that of the third-party guarantor when measuring the fair value of the liability.

Restriction Preventing the Transfer of a Liability or an Instrument Classified in a Reporting Entity's Shareholders' Equity

820-10-35-**18B** When measuring the fair value of a liability or an instrument classified in a reporting entity's shareholders' equity, a reporting entity shall not include a separate input or an adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the item. The effect of a restriction that prevents the transfer of a liability or an instrument classified in a reporting entity's shareholders' equity is either implicitly or explicitly included in the other inputs to the fair value measurement.

820-10-35-**18C** For example, at the transaction date, both the creditor and the obligor accepted the transaction price for the liability with full knowledge that the obligation includes a restriction that prevents its transfer. As a result of the restriction being included in the transaction price, a separate input or an adjustment to an existing input is not required at the transaction date to reflect the effect of the restriction on transfer. Similarly, a separate input or an adjustment to an existing input is not required at subsequent measurement dates to reflect the effect of the restriction on transfer.

Application to Financial Assets and Financial Liabilities with Offsetting Positions in Market Risks or Counterparty Credit Risk

820-10-35-**18D** A reporting entity that holds a group of financial assets, financial liabilities, nonfinancial items accounted for as derivatives in accordance with Topic 815, or combinations of these items is exposed to market risks (that is, interest rate risk, currency risk, or other price risk) and to the credit risk of each of the counterparties. If the reporting entity manages that group of financial assets, financial liabilities, nonfinancial items accounted for as derivatives in accordance with Topic 815, or combinations of these items on the basis of its net exposure to either market risks or credit risk, the reporting entity is permitted to apply an exception to this Topic for measuring fair value. That exception permits a reporting entity to measure the fair value of a group of financial assets, financial liabilities, nonfinancial items accounted for as derivatives in accordance with Topic 815, or combinations of these items on the basis of the price that would be received to sell a net long position (that is, an asset) for a particular risk exposure or paid to transfer a net short position (that is, a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions. Accordingly, a reporting entity shall measure the fair value of the group of financial assets, financial liabilities, nonfinancial items accounted for as derivatives in accordance with Topic 815, or combinations of these items consistently with how market participants would price the net risk exposure at the measurement date.

820-10-35-**18E** A reporting entity is permitted to use the exception in paragraph 820-10-35-18D only if the reporting entity does all of the following:

a. Manages the group of financial assets, financial liabilities, nonfinancial items accounted for as derivatives in accordance with Topic 815, or combinations of these items on the basis of the reporting entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the reporting entity's documented risk management or investment strategy

b. Provides information on that basis about the group of financial assets, financial liabilities, nonfinancial items accounted for as derivatives in accordance with Topic 815, or combinations of these items to the reporting entity's management

c. Is required or has elected to measure those financial assets, financial liabilities, nonfinancial items accounted for as derivatives in accordance with Topic 815, or combinations of these items at fair value in the statement of financial position at the end of each reporting period.

820-10-35-**18F** The exception in paragraph 820-10-35-18D does not pertain to financial statement presentation. In some cases, the basis for the presentation of financial instruments in the statement of financial position differs from the basis for the measurement of financial instruments, for example, if a Topic does not require or permit financial instruments to be presented on a net basis. In such cases, a reporting entity may need to allocate the portfolio-level adjustments (see paragraphs 820-10-35-18I through 35-18L) to the individual assets or liabilities that make up the group of financial assets, financial liabilities, nonfinancial items accounted for as derivatives in accordance with Topic 815, or combinations of these items managed on the basis of the reporting entity's net risk exposure. A reporting entity shall perform such allocations on a reasonable and consistent basis using a methodology appropriate in the circumstances.

820-10-35-**18G** A reporting entity shall make an accounting policy decision to use the exception in paragraph 820-10-35-18D. A reporting entity that uses the exception shall apply that accounting policy, including its policy for allocating bid-ask adjustments (see paragraphs 820-10-35-18I through 35-18K) and credit adjustments (see paragraph 820-10-35-18L), if applicable, consistently from period to period for a particular portfolio.

820-10-35-**18H** The exception in paragraph 820-10-35-18D applies only to financial assets and financial liabilities within the scope of Topic 815 or Topic 825 and nonfinancial items accounted for as derivatives in accordance with Topic 815.

Exposure to Market Risks

820-10-35-**18I** When using the exception in paragraph 820-10-35-18D to measure the fair value of a group of financial assets, financial liabilities, nonfinancial items accounted for as derivatives in accordance with Topic 815, or combinations of these items managed on the basis of the reporting entity's net exposure to a particular market risk (or risks), the reporting entity shall apply the price within the bid-ask spread that is most representative of fair value in the circumstances to the reporting entity's net exposure to those market risks (see paragraphs 820-10-35-36C through 35-36D).

820-10-35-**18J** When using the exception in paragraph 820-10-35-18D, a reporting entity shall ensure that the market risk (or risks) to which the reporting entity is exposed within that group of financial assets, financial liabilities, nonfinancial items accounted for as derivatives in accordance with Topic 815, or combinations of these items is substantially the same. For example, a reporting entity would not combine the interest rate risk associated with a financial asset with the commodity price risk associated with a financial liability, because doing so would not mitigate the reporting entity's exposure to interest rate risk or commodity price risk. When using the exception in paragraph 820-10-35-18D, any basis risk resulting from the market risk parameters not being identical shall be taken into account in the fair value measurement of the financial assets, financial liabilities, nonfinancial items accounted for as derivatives in accordance with Topic 815, or combinations of these items within the group.

820-10-35-**18K** Similarly, the duration of the reporting entity's exposure to a particular market risk (or risks) arising from the financial assets, financial liabilities, nonfinancial items accounted for as derivatives in accordance with Topic 815, or combinations of these items shall be substantially the same. For example, a reporting entity that uses a 12-month futures contract against the cash flows associated with 12 months' worth of interest rate risk exposure on a 5-year financial instrument within a group made up of only those financial assets, financial liabilities, nonfinancial items accounted for as derivatives in accordance with Topic 815, or combinations of these items measures the fair value of the exposure to 12-month interest rate risk on a net basis and the remaining interest rate risk exposure (that is, years 2 through 5) on a gross basis.

Application to Financial Assets, Financial Liabilities, and Nonfinancial Items Accounted for as Derivatives under Topic 815 with Offsetting Positions in Market Risks or Counterparty Credit Risk

820-10-35-**18L** When using the exception in paragraph 820-10-35-18D to measure the fair value of a group of financial assets, financial liabilities, nonfinancial items accounted for as derivatives in accordance with Topic 815, or combinations of these items entered into with a particular counterparty, the reporting entity shall include the effect of the reporting entity's net exposure to the credit risk of that counterparty or the counterparty's net exposure to the credit risk of the reporting entity in the fair value measurement when market participants would take into account any existing arrangements that mitigate credit risk exposure in the event of default (for example, a master netting agreement with the counterparty or an agreement that requires the exchange of collateral on the basis of each party's net exposure to the credit risk of the other party). The fair value measurement shall reflect market participants' expectations about the likelihood that such an arrangement would be legally enforceable in the event of default.

820-10-35-**19** Paragraphs 820-10-35-19 through 35-23 superseded by Accounting Standards Update No. 2011-04.

Valuation Techniques

820-10-35-**24** A reporting entity shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

820-10-35-**24A** The objective of using a valuation technique is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Three widely used valuation approaches are the market approach, cost approach, and income approach. The main aspects of valuation techniques consistent with those approaches are summarized in paragraphs 820-10-55-3A through 55-3G. An entity shall use valuation techniques consistent with one or more of those approaches to measure fair value.

820-10-35-**24B** In some cases, a single valuation technique will be appropriate (for example, when valuing an asset or a liability using quoted prices in an active market for identical assets or liabilities). In other cases, multiple valuation techniques will be appropriate (for example, that might be the case when valuing a reporting unit). If multiple valuation techniques are used to measure fair value, the results (that is, respective indications of fair value) shall be evaluated considering the reasonableness of the range of values indicated by those results. A fair value measurement is the point within that range that is most representative of fair value in the circumstances.

820-10-35-**24C** If the transaction price is fair value at initial recognition and a valuation technique that uses unobservable inputs will be used to measure fair value in subsequent periods, the valuation technique shall be calibrated so that at initial recognition the result of the valuation technique equals the transaction price. Calibration ensures that the valuation technique reflects current market conditions, and it helps a reporting entity to determine whether an adjustment to the valuation technique is necessary (for example, there might be a characteristic of the asset or liability that is not captured by the valuation technique). After initial recognition, when measuring fair value using a valuation technique or techniques that use unobservable inputs, a reporting entity shall ensure that those valuation techniques reflect observable market data (for example, the price for a similar asset or liability) at the measurement date.

820-10-35-**25** Valuation techniques used to measure fair value shall be applied consistently. However, a change in a valuation technique or its application (for example, a change in its weighting when multiple valuation techniques are used or a change in an adjustment applied to a valuation technique) is appropriate if the change results in a measurement that is equally or more representative of fair value in the circumstances. That might be the case if, for example, any of the following events take place:

a. New markets develop.

b. New information becomes available.

c. Information previously used is no longer available.

d. Valuation techniques improve.

e. Market conditions change.

820-10-35-**26** Revisions resulting from a change in the valuation technique or its application shall be accounted for as a change in accounting estimate. (See paragraph 250-10-45-17. However, paragraph 250-10-50-5 explains that the disclosures in Topic 250 for a change in accounting estimate are not required for revisions resulting from a change in a valuation technique or its application.)

820-10-35-**27** The Examples in Section 820-10-55 illustrate the judgments that might apply when a reporting entity measures assets and liabilities at fair value in different valuation situations.

820-10-35-**28** Paragraphs 820-10-35-28 through 35-35 superseded by Accounting Standards Update No. 2011-04.

Inputs to Valuation Techniques

General Principles

820-10-35-**36** Valuation techniques used to measure fair value shall maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

820-10-35-**36A** Examples of markets in which inputs might be observable for some assets and liabilities (for example, financial instruments) include exchange markets, dealer markets, brokered markets, and principal-to-principal markets.

820-10-35-**36B** A reporting entity shall select inputs that are consistent with the characteristics of the asset or liability that market participants would take into account in a transaction for the asset or liability (see paragraphs 820-10-35-2B through 35-2C). In some cases, those characteristics result in the application of an adjustment, such as a premium or discount (for example, a control premium or noncontrolling interest discount). However, a fair value measurement shall not incorporate a premium or discount that is inconsistent with the unit of account in the Topic that requires or permits the fair value measurement. Premiums or discounts that reflect size as a characteristic of the reporting entity's holding (specifically, a blockage factor that adjusts the quoted price of an asset or a liability because the market's normal daily trading volume is not sufficient to absorb the quantity held by the entity, as described in paragraph 820-10-35-44) rather than as a characteristic of the asset or liability (for example, a control premium when measuring the fair value of a controlling interest) are not permitted in a fair value measurement. In all cases, if there is a quoted price in an active market (that is, a Level 1 input) for an asset or a liability, a reporting entity shall use that quoted price without adjustment when measuring fair value, except as specified in paragraph 820-10-35-41C.

> **PENDING CONTENT**
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> **Transition Date:** P December 16, 2023; N December 16, 2024 **- Transition Guidance :** 820-10-65-13
>
> A reporting entity shall select inputs that are consistent with the characteristics of the asset or liability that market participants would take into account in a transaction for the asset or liability (see paragraphs 820-10-35-2B through 35-2C). In some cases, those characteristics result in the application of an adjustment, such as a premium or discount (for example, a control premium or noncontrolling interest discount). However, a fair value measurement shall not incorporate a premium or discount that is inconsistent with the unit of account in the Topic that requires or permits the fair value measurement. Premiums or discounts that reflect size as a characteristic of the reporting entity's holding (specifically, a blockage factor that adjusts the quoted price of an asset or a liability because the market's normal daily trading volume is not sufficient to absorb the quantity held by the entity, as described in paragraph 820-10-35-44) rather than as a characteristic of the asset or liability (for example, a control premium when measuring the fair value of a controlling interest) are not permitted in a fair value measurement. Similarly, a discount applied to the price of an equity security because of a contractual sale restriction is inconsistent with the unit of account being the equity security. A contractual sale restriction is a characteristic of the reporting entity holding the equity security rather than a characteristic of the asset and, therefore, is not considered in measuring the fair value of an equity security (see paragraphs 820-10-55-52 through 55-52A820-10-55-52A). A contractual sale restriction prohibiting the sale of an equity security is a characteristic of the reporting entity holding the equity security and shall not be separately recognized as its own unit of account. In all cases, if there is a quoted price in an active market (that is, a Level 1 input) for an asset or a liability, a reporting entity shall use that quoted price without adjustment when measuring fair value, except as specified in paragraph 820-10-35-41C.

Inputs Based on Bid and Ask Prices

820-10-35-**36C** If an asset or a liability measured at fair value has a bid price and an ask price (for example, an input from a dealer market), the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy (that is, Level 1, 2, or 3). The use of bid prices for asset positions and ask prices for liability positions is permitted but is not required.

820-10-35-**36D** This Topic does not preclude the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. For example, paragraphs 820-10-35-25 through 35-26 apply to a change from the use of mid-market pricing or other pricing conventions to another valuation technique. In addition, the disclosure requirements in paragraph 820-10-50-2(bbb) apply to such changes.

Fair Value Hierarchy

820-10-35-**37** To increase consistency and comparability in fair value measurements and related disclosures, this Topic establishes a fair value hierarchy that categorizes into three levels (see paragraphs 820-10-35-40 through 35-41, 820-10-35-41B through 35-41C, 820-10-35-44, 820-10-35-46 through 35-51, and 820-10-35-52 through 35-54A) the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

820-10-35-**37A** In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability. Adjustments to arrive at measurements based on fair value, such as costs to sell when measuring fair value less costs to sell, shall not be taken into account when determining the level of the fair value hierarchy within which a fair value measurement is categorized.

820-10-35-**38** The availability of relevant inputs and their relative subjectivity might affect the selection of appropriate valuation techniques (see paragraph 820-10-35-24). However, the fair value hierarchy prioritizes the inputs to valuation techniques, not the valuation techniques used to measure fair value. For example, a fair value measurement developed using a present value technique might be categorized within Level 2 or Level 3, depending on the inputs that are significant to the entire measurement and the level of the fair value hierarchy within which those inputs are categorized.

820-10-35-**38A** If an observable input requires an adjustment using an unobservable input and that adjustment results in a significantly higher or lower fair value measurement, the resulting measurement would be categorized within Level 3 of the fair value hierarchy. For example, if a market participant would take into account the effect of a restriction on the sale of an asset when estimating the price for the asset, a reporting entity would adjust the quoted price to reflect the effect of that restriction. If that quoted price is a Level 2 input and the adjustment is an unobservable input that is significant to the entire measurement, the measurement would be categorized within Level 3 of the fair value hierarchy.

820-10-35-**39** Paragraph superseded by Accounting Standards Update No. 2011-04.

Level 1 Inputs

820-10-35-**40** Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

820-10-35-**41** A quoted price in an active market provides the most reliable evidence of fair value and shall be used without adjustment to measure fair value whenever available, except as specified in paragraph 820-10-35-41C.

820-10-35-**41A** Paragraph superseded by Accounting Standards Update No. 2011-04.

820-10-35-**41B** A Level 1 input will be available for many financial assets and financial liabilities, some of which might be exchanged in multiple active markets (for example, on different exchanges). Therefore, the emphasis within Level 1 is on determining both of the following:

a. The principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability

b. Whether the reporting entity can enter into a transaction for the asset or liability at the price in that market for the asset or liability at the measurement date.

820-10-35-**41C** A reporting entity shall not make an adjustment to a Level 1 input except in the following circumstances:

a. When a reporting entity holds a large number of similar (but not identical) assets or liabilities (for example, debt securities) that are measured at fair value and a quoted price in an active market is available but not readily accessible for each of those assets or liabilities individually (that is, given the large number of similar assets or liabilities held by the reporting entity, it would be difficult to obtain pricing information for each individual asset or liability at the measurement date). In that case, as a practical expedient, a reporting entity may measure fair value using an alternative pricing method that does not rely exclusively on quoted prices (for example, matrix pricing). However, the use of an alternative pricing method results in a fair value measurement categorized within a lower level of the fair value hierarchy.

b. When a quoted price in an active market does not represent fair value at the measurement date. That might be the case if, for example, significant events (such as transactions in a principal-to-principal market, trades in a brokered market, or announcements) take place after the close of a market but before the measurement date. A reporting entity shall establish and consistently apply a policy for identifying those events that might affect fair value measurements. However, if the quoted price is adjusted for new information, the adjustment results in a fair value measurement categorized within a lower level of the fair value hierarchy.

c. When measuring the fair value of a liability or an instrument classified in a reporting entity's shareholders' equity using the quoted price for the identical item traded as an asset in an active market and that price needs to be adjusted for factors specific to the item or the asset (see paragraph 820-10-35-16D). If no adjustment to the quoted price of the asset is required, the result is a fair value measurement categorized within Level 1 of the fair value hierarchy. However, any adjustment to the quoted price of the asset results in a fair value measurement categorized within a lower level of the fair value hierarchy.

820-10-35-**42** Paragraph superseded by Accounting Standards Update No. 2011-04.

820-10-35-**43** Paragraph superseded by Accounting Standards Update No. 2011-04.

820-10-35-**44** If a reporting entity holds a position in a single asset or liability (including a position comprising a large number of identical assets or liabilities, such as a holding of financial instruments) and the asset or liability is traded in an active market, the fair value of the asset or liability shall be measured within Level 1 as the product of the quoted price for the individual asset or liability and the quantity held by the reporting entity. That is the case, even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

820-10-35-**45** Paragraph superseded by Accounting Standards Update No. 2011-04.

820-10-35-**46** Paragraph [820-10-55-42] illustrates the use of Level 1 inputs to measure the fair value of a financial asset that trades in multiple active markets with different prices.

Level 2 Inputs

820-10-35-**47** [Level 2 inputs] are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

820-10-35-**48** If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following:

a. Quoted prices for similar assets or liabilities in active markets

b. Quoted prices for identical or similar assets or liabilities in markets that are not active

c. Inputs other than quoted prices that are observable for the asset or liability, for example:

   1. Interest rates and yield curves observable at commonly quoted intervals

   2. Implied volatilities

   3. Subparagraph superseded by Accounting Standards Update No. 2011-04.

   4. Subparagraph superseded by Accounting Standards Update No. 2011-04.

   5. Credit spreads.

   6. Subparagraph superseded by Accounting Standards Update No. 2011-04.

d. Market-corroborated inputs.

820-10-35-**49** Paragraph [820-10-55-21] discusses Level 2 inputs for particular assets and liabilities.

820-10-35-**50** Adjustments to Level 2 inputs will vary depending on factors specific to the asset or liability. Those factors include the following:

a. The condition or location of the asset

b. The extent to which inputs relate to items that are comparable to the asset or liability (including those factors described in paragraph [820-10-35-16D])

c. The volume or level of activity in the markets within which the inputs are observed.

820-10-35-**51** An adjustment to a Level 2 input that is significant to the entire measurement might result in a fair value measurement categorized within Level 3 of the fair value hierarchy if the adjustment uses significant unobservable inputs.

820-10-35-**51A** Paragraphs 820-10-35-51A through 35-51H superseded by Accounting Standards Update No. 2011-04.

Level 3 Inputs

820-10-35-**52** Level 3 inputs are unobservable inputs for the asset or liability.

820-10-35-**53** Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs shall reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

820-10-35-**54** Assumptions about risk include the risk inherent in a particular valuation technique used to measure fair value (such as a pricing model) and the risk inherent in the inputs to the valuation technique. A measurement that does not include an adjustment for risk would not represent a fair value measurement if market participants would include one when pricing the asset or liability. For example, it might be necessary to include a risk adjustment when there is significant measurement uncertainty (for example, when there has been a significant decrease in the volume or level of activity when compared with normal market activity for the asset or liability, or similar assets or liabilities, and the reporting entity has determined that the transaction price or quoted price does not represent fair value, as described in paragraphs [820-10-35-54C through 35-54J]).

820-10-35-**54A** A reporting entity shall develop unobservable inputs using the best information available in the circumstances, which might include the reporting entity's own data. In developing unobservable inputs, a reporting entity may begin with its own data, but it shall adjust those data if reasonably available information indicates that other market participants would use different data or there is something particular to the reporting entity that is not available to other market participants (for example, an entity-specific synergy). A reporting entity need not undertake exhaustive efforts to obtain information about market participant assumptions. However, a reporting entity shall take into account all information about market participant assumptions that is reasonably available. Unobservable inputs developed in the manner described above are considered market participant assumptions and meet the objective of a fair value measurement.

Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)

820-10-35-**54B** An investment within the scope of paragraphs [820-10-15-4 through 15-5] for which fair value is measured using [net asset value per share] (or its equivalent, for example member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed) as a practical expedient, as described in paragraph [820-10-35-59], shall not be categorized within the fair value hierarchy. In addition, the disclosure requirements in paragraph [820-10-50-2] do not apply to that investment. Disclosures required for an investment for which fair value is measured using net asset value per share (or its equivalent) as a practical expedient are described in paragraph 820-10-50-6A. Although the investment is not categorized within the fair value hierarchy, a reporting entity shall provide the amount measured using the net asset value per share (or its equivalent) practical expedient to permit reconciliation of the fair value of investments included in the fair value hierarchy to the line items presented in the statement of financial position in accordance with paragraph 820-10-50-2B.

a. Subparagraph superseded by Accounting Standards Update No. 2015-07.

b. Subparagraph superseded by Accounting Standards Update No. 2015-07.

c. Subparagraph superseded by Accounting Standards Update No. 2015-07.

Measuring Fair Value When the Volume or Level of Activity for an Asset or a Liability Has Significantly Decreased

820-10-35-**54C** The fair value of an asset or a liability might be affected when there has been a significant decrease in the volume or level of activity for that asset or liability in relation to normal market activity for the asset or liability (or similar assets or liabilities). To determine whether, on the basis of the evidence available, there has been a significant decrease in the volume or level of activity for the asset or liability, a reporting entity shall evaluate the significance and relevance of factors such as the following:

a. There are few recent transactions.

b. Price quotations are not developed using current information.

c. Price quotations vary substantially either over time or among market makers (for example, some brokered markets).

d. Indices that previously were highly correlated with the fair values of the asset or liability are demonstrably uncorrelated with recent indications of fair value for that asset or liability.

e. There is a significant increase in implied liquidity risk premiums, yields, or performance indicators (such as delinquency rates or loss severities) for observed transactions or quoted prices when compared with the reporting entity's estimate of expected cash flows, taking into account all available market data about credit and other nonperformance risk for the asset or liability.

f. There is a wide bid-ask spread or significant increase in the bid-ask spread.

g. There is a significant decline in the activity of, or there is an absence of, a market for new issues (that is, a primary market) for the asset or liability or similar assets or liabilities.

h. Little information is publicly available (for example, for transactions that take place in a principal-to-principal market).

820-10-35-**54D** If a reporting entity concludes that there has been a significant decrease in the volume or level of activity for the asset or liability in relation to normal market activity for the asset or liability (or similar assets or liabilities), further analysis of the transactions or quoted prices is needed. A decrease in the volume or level of activity on its own may not indicate that a transaction price or quoted price does not represent fair value or that a transaction in that market is not orderly. However, if a reporting entity determines that a transaction or quoted price does not represent fair value (for example, there may be transactions that are not orderly), an adjustment to the transactions or quoted prices will be necessary if the reporting entity uses those prices as a basis for measuring fair value and that adjustment may be significant to the fair value measurement in its entirety. Adjustments also may be necessary in other circumstances (for example, when a price for a similar asset requires significant adjustment to make it comparable to the asset being measured or when the price is stale).

820-10-35-**54E** This Topic does not prescribe a methodology for making significant adjustments to transactions or quoted prices. See paragraphs 820-10-35-24 through 35-27 and 820-10-55-3A through 55-3G for a discussion of the use of valuation techniques when measuring fair value. Regardless of the valuation technique used, a reporting entity shall include appropriate risk adjustments, including a risk premium reflecting the amount that market participants would demand as compensation for the uncertainty inherent in the cash flows of an asset or a liability (see paragraph 820-10-55-8). Otherwise, the measurement does not faithfully represent fair value. In some cases, determining the appropriate risk adjustment might be difficult. However, the degree of difficulty alone is not a sufficient basis on which to exclude a risk adjustment. The risk adjustment shall be reflective of an orderly transaction between market participants at the measurement date under current market conditions.

820-10-35-**54F** If there has been a significant decrease in the volume or level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate (for example, the use of a market approach and a present value technique). When weighting indications of fair value resulting from the use of multiple valuation techniques, a reporting entity shall consider the reasonableness of the range of fair value measurements. The objective is to determine the point within the range that is most representative of fair value under current market conditions. A wide range of fair value measurements may be an indication that further analysis is needed.

820-10-35-**54G** Even when there has been a significant decrease in the volume or level of activity for the asset or liability, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distress sale) between market participants at the measurement date under current market conditions.

820-10-35-**54H** Estimating the price at which market participants would be willing to enter into a transaction at the measurement date under current market conditions if there has been a significant decrease in the volume or level of activity for the asset or liability depends on the facts and circumstances at the measurement date and requires judgment. A reporting entity's intention to hold the asset or to settle or otherwise fulfill the liability is not relevant when measuring fair value because fair value is a market-based measurement, not an entity-specific measurement.

Identifying Transactions That Are Not Orderly

820-10-35-**54I** The determination of whether a transaction is orderly (or is not orderly) is more difficult if there has been a significant decrease in the volume or level of activity for the asset or liability in relation to normal market activity for the asset or liability (or similar assets or liabilities). In such circumstances, it is not appropriate to conclude that all transactions in that market are not orderly (that is, forced liquidations or distress sales). Circumstances that may indicate that a transaction is not orderly include the following:

a. There was not adequate 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 under current market conditions.

b. There was a usual and customary marketing period, but the seller marketed the asset or liability to a single market participant.

c. The seller is in or near bankruptcy or receivership (that is, the seller is distressed).

d. The seller was required to sell to meet regulatory or legal requirements (that is, the seller was forced).

e. The transaction price is an outlier when compared with other recent transactions for the same or a similar asset or liability.

A reporting entity shall evaluate the circumstances to determine whether, on the weight of the evidence available, the transaction is orderly.

820-10-35-**54J** A reporting entity shall consider all of the following when measuring fair value or estimating market risk premiums:

a. If the evidence indicates the transaction is not orderly, a reporting entity shall place little, if any, weight (compared with other indications of fair value) on that transaction price.

b. If the evidence indicates that a transaction is orderly, a reporting entity shall take into account that transaction price. The amount of weight placed on that transaction price when compared with other indications of fair value will depend on the facts and circumstances, such as the following:

    1. The volume of the transaction

    2. The comparability of the transaction to the asset or liability being measured

    3. The proximity of the transaction to the measurement date.

c. If a reporting entity does not have sufficient information to conclude whether a transaction is orderly, it shall take into account the transaction price. However, that transaction price may not represent fair value (that is, the transaction price is not necessarily the sole or primary basis for measuring fair value or estimating market risk premiums). When a reporting entity does not have sufficient information to conclude whether particular transactions are orderly, the reporting entity shall place less weight on those transactions when compared with other transactions that are known to be orderly.

A reporting entity need not undertake exhaustive efforts to determine whether a transaction is orderly, but it shall not ignore information that is reasonably available. When a reporting entity is a party to a transaction, it is presumed to have sufficient information to conclude whether the transaction is orderly.

Using Quoted Prices Provided by Third Parties

820-10-35-**54K** This Topic does not preclude the use of quoted prices provided by third parties, such as pricing services or brokers, if a reporting entity has determined that the quoted prices provided by those parties are developed in accordance with this Topic.

820-10-35-**54L** If there has been a significant decrease in the volume or level of activity for the asset or liability, a reporting entity shall evaluate whether the quoted prices provided by third parties are developed using current information that reflects orderly transactions or a valuation technique that reflects market participant assumptions (including assumptions about risk). In weighting a quoted price as an input to a fair value measurement, a reporting entity places less weight (when compared with other indications of fair value that reflect the results of transactions) on quotes that do not reflect the result of transactions.

820-10-35-**54M** Furthermore, the nature of a quote (for example, whether the quote is an indicative price or a binding offer) shall be taken into account when weighting the available evidence, with more weight given to quotes provided by third parties that represent binding offers.

820-10-35-**55** Paragraph superseded by Accounting Standards Update No. 2011-04.

820-10-35-**55A** Paragraph not used.

820-10-35-**55B** Paragraph not used.

820-10-35-**56** Paragraphs 820-10-35-56 through 35-58 superseded by Accounting Standards Update No. 2011-04.

Measuring the Fair Value of Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)

820-10-35-**59** A reporting entity is permitted, as a practical expedient, to estimate the fair value of an investment within the scope of paragraphs 820-10-15-4 through 15-5 using the net asset value per share (or its equivalent, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed) of the investment, if the net asset value per share of the investment (or its equivalent) is calculated in a manner consistent with the measurement principles of Topic 946 as of the reporting entity's measurement date.

820-10-35-**60** If the net asset value per share of the investment obtained from the investee is not as of the reporting entity's measurement date or is not calculated in a manner consistent with the measurement principles of Topic 946, the reporting entity shall consider whether an adjustment to the most recent net asset value per share is necessary. The objective of any adjustment is to estimate a net asset value per share for the investment that is calculated in a manner consistent with the measurement principles of Topic 946 as of the reporting entity's measurement date.

820-10-35-**61** A reporting entity shall decide on an investment-by-investment basis whether to apply the practical expedient in paragraph 820-10-35-59 and shall apply that practical expedient consistently to the fair value measurement of the reporting entity's entire position in a particular investment, unless it is probable at the measurement date that the reporting entity will sell a portion of an investment at an amount different from net asset value per share (or its equivalent) as described in the following paragraph. In those situations, the reporting entity shall account for the portion of the investment that is being sold in accordance with this Topic (that is, the reporting entity shall not apply the guidance in paragraph 820-10-35-59).

820-10-35-**62** A reporting entity is not permitted to estimate the fair value of an investment (or a portion of the investment) within the scope of paragraphs 820-10-15-4 through 15-5 using the net asset value per share of the investment (or its equivalent) as a practical expedient if, as of the reporting entity's measurement date, it is probable that the reporting entity will sell the investment for an amount different from the net asset value per share (or its equivalent). A sale is considered probable only if all of the following criteria have been met as of the reporting entity's measurement date:

a. Management, having the authority to approve the action, commits to a plan to sell the investment.

b. An active program to locate a buyer and other actions required to complete the plan to sell the investment have been initiated.

c. The investment is available for immediate sale subject only to terms that are usual and customary for sales of such investments (for example, a requirement to obtain approval of the sale from the investee or a buyer's due diligence procedures).

d. 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.

820-10-**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

820-10-50-**1** Paragraph superseded by Accounting Standards Update No. 2018-13.

820-10-50-**1A** Paragraph superseded by Accounting Standards Update No. 2018-13.

820-10-50-**1B** Paragraph superseded by Accounting Standards Update No. 2018-13.

820-10-50-**1C** The objective of the disclosure requirements in this Subtopic is to provide users of financial statements with information about assets and liabilities measured at fair value in the statement of financial position or disclosed in the notes to financial statements:

a. The valuation techniques and inputs that a reporting entity uses to arrive at its measures of fair value, including judgments and assumptions that the entity makes

b. The uncertainty in the fair value measurements as of the reporting date

c. How changes in fair value measurements affect an entity's performance and cash flows.

820-10-50-**1D** When complying with the disclosure requirements of this Subtopic, a reporting entity shall consider all of the following:

a. The level of detail necessary to satisfy the disclosure requirements

b. How much emphasis to place on each of the various requirements

c. How much aggregation or disaggregation to undertake

d. Whether users of financial statements need additional information to evaluate the quantitative information disclosed.

820-10-50-**1E** Paragraphs 820-10-55-99 through 55-107 illustrate disclosures about fair value measurements.

820-10-50-**2** A reporting entity shall disclose the following information for each class of assets and liabilities (see paragraph 820-10-50-2B for information on determining appropriate classes of assets and liabilities) measured at fair value (including measurements based on fair value within the scope of this Topic) in the statement of financial position after initial recognition. These disclosure requirements shall not apply to an investment within the scope of paragraphs 820-10-15-4 through 15-5 for which fair value is measured using net asset value per share (or its equivalent, for example, member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed) as a practical expedient, in accordance with paragraph 820-10-35-59.

a. For recurring fair value measurements, the fair value measurement at the end of the reporting period, and for nonrecurring fair value measurements, the fair value measurement at the relevant measurement date and the reasons for the measurement. Recurring fair value measurements of assets or liabilities are those that other Topics require or permit in the statement of financial position at the end of each reporting period. Nonrecurring fair value measurements of assets or liabilities are those that other Topics require or permit in the statement of financial position in particular circumstances (for example, when a reporting entity measures a long-lived asset or disposal group classified as held for sale at fair value less costs to sell in accordance with Topic 360 because the asset's fair value less costs to sell is lower than its carrying amount). For nonrecurring measurements estimated at a date during the reporting period other than the end of the reporting period, a reporting entity shall clearly indicate that the fair value information presented is not as of the period's end as well as the date or period that the measurement was taken.

b. For recurring and nonrecurring fair value measurements, the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2, or 3).

   1. Subparagraph superseded by Accounting Standards Update No. 2011-04.

   2. Subparagraph superseded by Accounting Standards Update No. 2011-04.

   3. Subparagraph superseded by Accounting Standards Update No. 2011-04.

bb. Subparagraph superseded by Accounting Standards Update No. 2018-13.

1. Subparagraph superseded by Accounting Standards Update No. 2011-04.

2. Subparagraph superseded by Accounting Standards Update No. 2011-04.

3. Subparagraph superseded by Accounting Standards Update No. 2011-04.

b…The information shall include:

1. For recurring and nonrecurring fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation technique(s) and the inputs used in the fair value measurement. If there has been a change in either or both a valuation approach and a valuation technique (for example, changing from matrix pricing to the binomial model or the use of an additional valuation technique), the reporting entity shall disclose that change and the reason(s) for making it.

2. For recurring and nonrecurring fair value measurements categorized within Level 3 of the fair value hierarchy, a reporting entity shall provide quantitative information about the significant unobservable inputs used in the fair value measurement. A reporting entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the reporting entity when measuring fair value (for example, when a reporting entity uses prices from prior transactions or third-party pricing information without adjustment). However, when providing this disclosure, a reporting entity cannot ignore quantitative unobservable inputs that are significant to the fair value measurement and are reasonably available to the reporting entity. Employee benefit plans, other than those plans that are subject to the U.S. Securities and Exchange Commission's (SEC) filing requirements, are not required to provide this disclosure for investments held by an employee benefit plan in their plan sponsor's own nonpublic equity securities, including equity securities of their plan sponsor's nonpublic affiliated entities.

   i. In complying with (bbb)(2), a reporting entity shall provide the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. A reporting entity shall disclose how it calculated the weighted average (for example, weighted by relative fair value). For certain unobservable inputs, a reporting entity may disclose other quantitative information, such as the median or arithmetic average, in lieu of the weighted average, if such information would be a more reasonable and rational method to reflect the distribution of unobservable inputs used to develop the Level 3 fair value measurement. An entity does not need to disclose its reason for omitting the weighted average in these cases.

   i. A nonpublic entity is not required to provide the information described in (bbb)(2)(i), but is required to provide quantitative information about the significant unobservable inputs used in the fair value measurement in accordance with (bbb)(2).

c. For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following:

1. Total gains or losses for the period recognized in earnings (or changes in net assets), and the line item(s) in the statement of income (or activities) in which those gains or losses are recognized

1a. Total gains or losses for the period recognized in other comprehensive income, and the line item(s) in other comprehensive income in which those gains or losses are recognized

2. Purchases, sales, issues, and settlements (each of those types of changes disclosed separately)

3. The amounts of any transfers into or out of Level 3 of the fair value hierarchy and the reasons for those transfers. Transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3. See paragraph 820-10-50-2C for additional guidance.

   i. Subparagraph superseded by Accounting Standards Update No. 2011-04.

   i. Subparagraph superseded by Accounting Standards Update No. 2011-04.

   ii. Subparagraph superseded by Accounting Standards Update No. 2011-04.

d. For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the amount of the total gains or losses for the period in (c)(1) included in earnings (or changes in net assets) and in (c)(1a) included in other comprehensive income that is attributable to the change in unrealized gains or losses relating to those assets and liabilities held at the end of the reporting period, and the line item(s) in the statement(s) of comprehensive income (or activities) in which those unrealized gains or losses are recognized.

e. Subparagraph superseded by Accounting Standards Update No. 2011-04.

f. Subparagraph superseded by Accounting Standards Update No. 2018-13.

g. For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, a narrative description of the uncertainty of the fair value measurement from the use of significant unobservable inputs if those inputs reasonably could have been different at the reporting date. For example, how a change in those significant unobservable inputs to a different amount might result in a significantly higher or lower fair value measurement at the reporting date. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, a reporting entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement. To comply with that disclosure requirement, the narrative description of the uncertainty of the fair value measurement that would result from using unobservable inputs shall include the unobservable inputs disclosed when complying with paragraph 820-10-50-2(bbb).

h. For recurring and nonrecurring fair value measurements, if the highest and best use of a nonfinancial asset differs from its current use, a reporting entity shall disclose that fact and why the nonfinancial asset is being used in a manner that differs from its highest and best use.

820-10-50-**2A** Paragraph superseded by Accounting Standards Update No. 2011-04.

820-10-50-**2B** A reporting entity shall determine appropriate classes of assets and liabilities on the basis of the following:

a. The nature, characteristics, and risks of the asset or liability

b. The level of the fair value hierarchy within which the fair value measurement is categorized.

The number of classes may need to be greater for fair value measurements categorized within Level 3 of the fair value hierarchy because those measurements have a greater degree of uncertainty and subjectivity. Determining appropriate classes of assets and liabilities for which disclosures about fair value measurements should be provided requires judgment. A class of assets and liabilities will often require greater disaggregation than the line items presented in the statement of financial position. However, a reporting entity shall provide information sufficient to permit reconciliation to the line items presented in the statement of financial position. If another Topic specifies the class for an asset or a liability, a reporting entity may use that class in providing the disclosures required in this Topic if that class meets the requirements in this paragraph.

820-10-50-**2C** A reporting entity shall consistently follow its policy for determining when transfers between levels of the fair value hierarchy are deemed to have occurred. The policy about the timing of recognizing transfers shall be the same for transfers into the levels as for transfers out of the levels. Examples of policies for determining the timing of transfers include the following:

a. The date of the event or change in circumstances that caused the transfer

b. The beginning of the reporting period

c. The end of the reporting period.

820-10-50-**2D** If a reporting entity makes an accounting policy decision to use the exception in paragraph 820-10-35-18D, it shall disclose that fact.

820-10-50-**2E** For each class of assets and liabilities not measured at fair value in the statement of financial position but for which the fair value is disclosed, a reporting entity shall disclose the information required by paragraph 820-10-50-2(b) and (h). However, a reporting entity is not required to provide the quantitative disclosures about significant unobservable inputs used in fair value measurements categorized within Level 3 of the fair value hierarchy required by paragraph 820-10-50-2(bbb)(2). For such assets and liabilities, a reporting entity does not need to provide the other disclosures required by this Topic.

820-10-50-**2F** A nonpublic entity is not required to disclose the information required by paragraph 820-10-50-2(bbb)(2)(i), (d), and (g) and paragraph 820-10-50-2E unless required by another Topic.

820-10-50-**2G** In lieu of paragraph 820-10-50-2(c), a nonpublic entity shall disclose separately changes during the period attributable to the following:

a. Purchases and issues (each of those types of changes disclosed separately)

b. The amounts of any transfers into or out of Level 3 of the fair value hierarchy and the reasons for those transfers. Transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3. See paragraph 820-10-50-2C for additional guidance.

820-10-50-**2H** See paragraph 958-605-50-1A(d) through (e), which provides disclosures for a not-for-profit entity (NFP) that recognizes contributed nonfinancial assets within the scope of Subtopic 958-605. Paragraph 958-605-50-1A(d) requires that an NFP disclose a description of the valuation techniques and inputs used in fair value measurement of those assets in accordance with paragraph 820-10-50-2(bbb)(1) at initial recognition.

820-10-50-**3** For derivative assets and liabilities, the reporting entity shall present both of the following:

a. The fair value disclosures required by paragraph 820-10-50-2(a) through (b) on a gross basis (which is consistent with the requirement of paragraph 815-10-50-4B(a))

b. The reconciliation disclosure required by paragraph 820-10-50-2(c) through (d) on either a gross or a net basis.

820-10-50-**4** Paragraph superseded by Accounting Standards Update No. 2011-04.

Liability Issued with an Inseparable Third-Party Credit Enhancement

820-10-50-**4A** For a liability measured at fair value and issued with an inseparable third-party credit enhancement, an issuer shall disclose the existence of that credit enhancement.

820-10-50-**5** Paragraph superseded by Accounting Standards Update No. 2011-04.

820-10-50-**6** Paragraph superseded by Accounting Standards Update No. 2011-04.

Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)

820-10-50-**6A** For investments that are within the scope of paragraphs 820-10-15-4 through 15-5 and that are measured using the practical expedient in paragraph 820-10-35-59 on a recurring or nonrecurring basis during the period, a reporting entity shall disclose information that helps users of its financial statements to understand the nature and risks of the investments and whether the investments, if sold, are probable of being sold at amounts different from net asset value per share (or its equivalent, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed). A reporting entity shall disclose the following information for each class of investment:

a. The fair value measurement (as determined by applying paragraphs 820-10-35-59 through 35-62) of the investments in the class at the reporting date and a description of the significant investment strategies of the investee(s) in the class.

b. For each class of investment that includes investments that can never be redeemed with the investees, but the reporting entity receives distributions through the liquidation of the underlying assets of the investees, the period of time over which the underlying assets are expected to be liquidated by the investees if the investee has communicated the timing to the reporting entity or announced the timing publicly. If the timing is unknown, the reporting entity shall disclose that fact.

c. The amount of the reporting entity's unfunded commitments related to investments in the class.

d. A general description of the terms and conditions upon which the investor may redeem investments in the class (for example, quarterly redemption with 60 days' notice).

e. The circumstances in which an otherwise redeemable investment in the class (or a portion thereof) might not be redeemable (for example, investments subject to a lockup or gate). Also, for those otherwise redeemable investments that are restricted from redemption as of the reporting entity's measurement date, the reporting entity shall disclose when the restriction from redemption might lapse if the investee has communicated that timing to the reporting entity or announced the timing publicly. If the timing is unknown, the reporting entity shall disclose that fact and how long the restriction has been in effect.

f. Any other significant restriction on the ability to sell investments in the class at the measurement date.

g. Subparagraph superseded by Accounting Standards Update No. 2015-07.

h. If a group of investments would otherwise meet the criteria in paragraph 820-10-35-62 but the individual investments to be sold have not been identified (for example, if a reporting entity decides to sell 20 percent of its investments in private equity funds but the individual investments to be sold have not been identified), so the investments continue to qualify for the practical expedient in paragraph 820-10-35-59, the reporting entity shall disclose its plans to sell and any remaining actions required to complete the sale(s).

Equity Securities Subject to Contractual Sale Restrictions

820-10-50-**6B**

PENDING CONTENT

Transition Date: P December 16, 2023; N December 16, 2024 **- Transition Guidance :** 820-10-65-13

An entity shall disclose the following information for equity securities subject to contractual sale restrictions:

a. The fair value of equity securities subject to contractual sale restrictions

b. The nature and remaining duration of the restriction(s)

c. Circumstances that could cause a lapse in the restriction(s).

If an entity has multiple investments in equity securities subject to contractual sale restrictions, the entity shall consider the guidance in paragraph 820-10-50-1D when disclosing the information required in (a) through (c). Equity securities restricted from sale because they are pledged as collateral and included in other disclosures required by other Topics shall not be included in the information required in (a) through (c).

Changes in Valuation Techniques or Their Application

820-10-50-**7** As discussed in paragraph 250-10-50-5, the disclosures required by Topic 250 for a change in accounting estimate are not required for revisions resulting from a change in a valuation technique or its application.

Tabular Format Required

820-10-50-**8** A reporting entity shall present the quantitative disclosures required by this Topic in a tabular format.

820-10-50-**8A** Paragraph not used.

820-10-50-**9** Paragraph superseded by Accounting Standards Update No. 2011-04.

820-10-50-**10** Plan assets of a defined benefit pension or other postretirement plan that are accounted for in accordance with Topic 715 are not subject to the disclosure requirements in paragraphs 820-10-50-1C through 50-8. Instead, the disclosures required in paragraphs 715-20-50-1(d)(iv) and 715-20-50-5(c)(iv) shall apply for fair value measurements of plan assets of a defined benefit pension or other postretirement plan.

820-10-**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

The Fair Value Measurement Approach

820-10-55-**1** The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. A fair value measurement requires a reporting entity to determine all of the following:

a. The particular asset or liability that is the subject of the measurement (consistent with its unit of account)

b. For a nonfinancial asset, the valuation premise that is appropriate for the measurement (consistent with its highest and best use)

c. The principal (or most advantageous) market for the asset or liability

d. The valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorized.

820-10-55-**2** The judgments applied in different valuation situations may be different. This Section describes the judgments that might apply when a reporting entity measures fair value in different valuation situations.

Valuation Premise for Nonfinancial Assets

820-10-55-**3** When measuring the fair value of a nonfinancial asset used in combination with other assets as a group (as installed or otherwise configured for use) or in combination with other assets and liabilities (for example, a business), the effect of the valuation premise depends on the circumstances. For example:

a. The fair value of the asset might be the same whether the asset is used on a standalone basis or in combination with other assets or with other assets and liabilities. That might be the case if the asset is a business that market participants would continue to operate. In that case, the transaction would involve valuing the business in its entirety. The use of the assets as a group in an ongoing business would generate synergies that would be available to market participants (that is, market participant synergies that, therefore, should affect the fair value of the asset on either a standalone basis or in combination with other assets or with other assets and liabilities).

b. An asset's use in combination with other assets or with other assets and liabilities might be incorporated into the fair value measurement through adjustments to the value of the asset used on a standalone basis. That might be the case if the asset is a machine and the fair value measurement is determined using an observed price for a similar machine (not installed or otherwise configured for use), adjusted for transportation and installation costs so that the fair value measurement reflects the current condition and location of the machine (installed and configured for use).

c. An asset's use in combination with other assets or with other assets and liabilities might be incorporated into the fair value measurement through the market participant assumptions used to measure the fair value of the asset. For example, if the asset is work-in-process inventory that is unique and market participants would convert the inventory into finished goods, the fair value of the inventory would assume that market participants have acquired or would acquire any specialized machinery necessary to convert the inventory into finished goods.

d. An asset's use in combination with other assets or with other assets and liabilities might be incorporated into the valuation technique used to measure the fair value of the asset. That might be the case when using the multiperiod excess earnings method to measure the fair value of an intangible asset because that valuation technique specifically takes into account the contribution of any complementary assets and the associated liabilities in the group in which such an intangible asset would be used.

e. In more limited situations, when a reporting entity uses an asset within a group of assets, the reporting entity might measure the asset at an amount that approximates its fair value when allocating the fair value of the asset group to the individual assets of the group. That might be the case if the valuation involves real property and the fair value of improved property (that is, an asset group) is allocated to its component assets (such as land and improvements).

Valuation Techniques

Market Approach

820-10-55-**3A** The market approach uses prices and other relevant information generated by market transactions involving identical or comparable (that is, similar) assets, liabilities, or a group of assets and liabilities, such as a business.

820-10-55-**3B** For example, valuation techniques consistent with the market approach often use market multiples derived from a set of comparables. Multiples might be in ranges with a different multiple for each comparable. The selection of the appropriate multiple within the range requires judgment, considering qualitative and quantitative factors specific to the measurement.

820-10-55-**3C** Valuation techniques consistent with the market approach include matrix pricing. Matrix pricing is a mathematical technique used principally to value some types of financial instruments, such as debt securities, without relying exclusively on quoted prices for the specific securities, but rather relying on the securities' relationship to other benchmark quoted securities.

Cost Approach

820-10-55-**3D** The cost approach reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

820-10-55-**3E** From the perspective of a market participant seller, the price that would be received for the asset is based on the cost to a market participant buyer to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence. That is because a market participant buyer would not pay more for an asset than the amount for which it could replace the service capacity of that asset. Obsolescence encompasses physical deterioration, functional (technological) obsolescence, and economic (external) obsolescence and is broader than depreciation for financial reporting purposes (an allocation of historical cost) or tax purposes (using specified service lives). In many cases, the current replacement cost method is used to measure the fair value of tangible assets that are used in combination with other assets or with other assets and liabilities.

Income Approach

820-10-55-**3F** The income approach converts future amounts (for example, cash flows or income and expenses) to a single current (that is, discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

820-10-55-**3G** Those valuation techniques include, for example, the following:

a. Present value techniques

b. Option-pricing models, such as the Black-Scholes-Merton formula or a binomial model (that is, a lattice model), that incorporate present value techniques and reflect both the time value and the intrinsic value of an option

c. The multiperiod excess earnings method, which is used to measure the fair value of some intangible assets.

Present Value Techniques

820-10-55-**4** Paragraphs 820-10-55-5 through 55-20 describe the use of present value techniques to measure fair value. Those paragraphs focus on a discount rate adjustment technique and an expected cash flow (expected present value) technique. Those paragraphs neither prescribe the use of a single specific present value technique nor limit the use of present value techniques to measure fair value to the techniques discussed. The present value technique used to measure fair value will depend on facts and circumstances specific to the asset or liability being measured (for example, whether prices for comparable assets or liabilities can be observed in the market) and the availability of sufficient data.

The Components of a Present Value Measurement

820-10-55-**5** Present value (that is, an application of the income approach) is a tool used to link future amounts (for example, cash flows or values) to a present amount using a discount rate. A fair value measurement of an asset or a liability using a present value technique captures all of the following elements from the perspective of market participants at the measurement date:

a. An estimate of future cash flows for the asset or liability being measured.

b. Expectations about possible variations in the amount and timing of the cash flows representing the uncertainty inherent in the cash flows.

c. The time value of money, represented by the rate on risk-free monetary assets that have maturity dates or durations that coincide with the period covered by the cash flows and pose neither uncertainty in timing nor risk of default to the holder (that is, a risk-free interest rate). For present value computations denominated in nominal U.S. dollars, the yield curve for U.S. Treasury securities determines the appropriate risk-free interest rate.

d. The price for bearing the uncertainty inherent in the cash flows (that is, a risk premium).

e. Other factors that market participants would take into account in the circumstances.

f. For a liability, the nonperformance risk relating to that liability, including the reporting entity's (that is, the obligor's) own credit risk.

General Principles

820-10-55-**6** Present value techniques differ in how they capture the elements in the preceding paragraph. However, all of the following general principles govern the application of any present value technique used to measure fair value:

a. Cash flows and discount rates should reflect assumptions that market participants would use when pricing the asset or liability.

b. Cash flows and discount rates should take into account only the factors attributable to the asset or liability being measured.

c. To avoid double counting or omitting the effects of risk factors, discount rates should reflect assumptions that are consistent with those inherent in the cash flows. For example, a discount rate that reflects the uncertainty in expectations about future defaults is appropriate if using contractual cash flows of a loan (that is, a discount rate adjustment technique). That same rate should not be used if using expected (that is, probability-weighted) cash flows (that is, an expected present value technique) because the expected cash flows already reflect assumptions about the uncertainty in future defaults; instead, a discount rate that is commensurate with the risk inherent in the expected cash flows should be used.

d. Assumptions about cash flows and discount rates should be internally consistent. For example, nominal cash flows, which include the effect of inflation, should be discounted at a rate that includes the effect of inflation. The nominal risk-free interest rate includes the effect of inflation. Real cash flows, which exclude the effect of inflation, should be discounted at a rate that excludes the effect of inflation. Similarly, after-tax cash flows should be discounted using an after-tax discount rate. Pretax cash flows should be discounted at a rate consistent with those cash flows.

e. Discount rates should be consistent with the underlying economic factors of the currency in which the cash flows are denominated.

Risk and Uncertainty

820-10-55-**7** A fair value measurement using present value techniques is made under conditions of uncertainty because the cash flows used are estimates rather than known amounts. In many cases, both the amount and timing of the cash flows are uncertain. Even contractually fixed amounts, such as the payments on a loan, are uncertain if there is risk of default.

820-10-55-**8** Market participants generally seek compensation (that is, a risk premium) for bearing the uncertainty inherent in the cash flows of an asset or a liability. A fair value measurement should include a risk premium reflecting the amount that market participants would demand as compensation for the uncertainty inherent in the cash flows. Otherwise, the measurement would not faithfully represent fair value. In some cases, determining the appropriate risk premium might be difficult. However, the degree of difficulty alone is not a sufficient reason to exclude a risk premium.

820-10-55-**9** Present value techniques differ in how they adjust for risk and in the type of cash flows they use. For example:

a. The discount rate adjustment technique (see paragraphs 820-10-55-10 through 55-12) uses a risk-adjusted discount rate and contractual, promised, or most likely cash flows.

b. Method 1 of the expected present value technique (see paragraph 820-10-55-15) uses risk-adjusted expected cash flows and a risk-free rate.

c. Method 2 of the expected present value technique (see paragraph 820-10-55-16) uses expected cash flows that are not risk adjusted and a discount rate adjusted to include the risk premium that market participants require. That rate is different from the rate used in the discount rate adjustment technique.

Discount Rate Adjustment Technique

820-10-55-**10** The discount rate adjustment technique uses a single set of cash flows from the range of possible estimated amounts, whether contractual or promised (as is the case for a bond) or most likely cash flows. In all cases, those cash flows are conditional upon the occurrence of specified events (for example, contractual or promised cash flows for a bond are conditional on the event of no default by the debtor). The discount rate used in the discount rate adjustment technique is derived from observed rates of return for comparable assets or liabilities that are traded in the market. Accordingly, the contractual, promised, or most likely cash flows are discounted at an observed or estimated market rate for such conditional cash flows (that is, a market rate of return).

820-10-55-**11** The discount rate adjustment technique requires an analysis of market data for comparable assets or liabilities. Comparability is established by considering the nature of the cash flows (for example, whether the cash flows are contractual or noncontractual and are likely to respond similarly to changes in economic conditions), as well as other factors (for example, credit standing, collateral, duration, restrictive covenants, and liquidity). Alternatively, if a single comparable asset or liability does not fairly reflect the risk inherent in the cash flows of the asset or liability being measured, it may be possible to derive a discount rate using data for several comparable assets or liabilities in conjunction with the risk-free yield curve (that is, using a build-up methodology). Paragraph 820-10-55-33 illustrates the build-up methodology.

820-10-55-**12** When the discount rate adjustment technique is applied to fixed receipts or payments, the adjustment for risk inherent in the cash flows of the asset or liability being measured is included in the discount rate. In some applications of the discount rate adjustment technique to cash flows that are not fixed receipts or payments, an adjustment to the cash flows may be necessary to achieve comparability with the observed asset or liability from which the discount rate is derived.

Expected Present Value Technique

820-10-55-**13** The expected present value technique uses as a starting point a set of cash flows that represents the probability-weighted average of all possible future cash flows (that is, the expected cash flows). The resulting estimate is identical to expected value, which, in statistical terms, is the weighted average of a discrete random variable's possible values with the respective probabilities as the weights. Because all possible cash flows are probability-weighted, the resulting expected cash flow is not conditional upon the occurrence of any specified event (unlike the cash flows used in the discount rate adjustment technique).

820-10-55-**14** In making an investment decision, risk-averse market participants would take into account the risk that the actual cash flows may differ from the expected cash flows. Portfolio theory distinguishes between two types of risk:

a. Unsystematic (diversifiable) risk

b. Systematic (nondiversifiable) risk.

820-10-55-**15** Method 1 of the expected present value technique adjusts the expected cash flows of an asset for systematic (that is, market) risk by subtracting a cash risk premium (that is, risk-adjusted expected cash flows). Those risk-adjusted expected cash flows represent a certainty equivalent cash flow, which is discounted at a risk-free interest rate. A certainty equivalent cash flow refers to an expected cash flow (as defined), adjusted for risk so that a market participant is indifferent to trading a certain cash flow for an expected cash flow. For example, if a market participant was willing to trade an expected cash flow of $1,200 for a certain cash flow of $1,000, the $1,000 is the certainty equivalent of the $1,200 (that is, the $200 would represent the cash risk premium). In that case, the market participant would be indifferent as to the asset held.

820-10-55-**16** In contrast, Method 2 of the expected present value technique adjusts for systematic (that is, market) risk by applying a risk premium to the risk-free interest rate. Accordingly, the expected cash flows are discounted at a rate that corresponds to an expected rate associated with probability-weighted cash flows (that is, an expected rate of return). Models used for pricing risky assets, such as the capital asset pricing model, can be used to estimate the expected rate of return. Because the discount rate used in the discount rate adjustment technique is a rate of return relating to conditional cash flows, it is likely to be higher than the discount rate used in Method 2 of the expected present value technique, which is an expected rate of return relating to expected or probability-weighted cash flows.

820-10-55-**17** To illustrate Methods 1 and 2, assume that an asset has expected cash flows of $780 in 1 year determined on the basis of the possible cash flows and probabilities shown below. The applicable risk-free interest rate for cash flows with a 1-year horizon is 5 percent, and the systematic risk premium for an asset with the same risk profile is 3 percent.

Possible Cash Flows	Probability	Probability-Weighted Cash Flows
$ 500	15%	$ 75
$ 800	60%	$ 480
$ 900	25%	$ 225
Expected cash flows		$ 780

820-10-55-**18** In this simple illustration, the expected cash flows ($780) represent the probability-weighted average of the 3 possible outcomes. In more realistic situations, there could be many possible outcomes. However, to apply the expected present value technique, it is not always necessary to take into account distributions of all possible cash flows using complex models and techniques. Rather, it might be possible to develop a limited number of discrete scenarios and probabilities that capture the array of possible cash flows. For example, a reporting entity might use realized cash flows for some relevant past period, adjusted for changes in circumstances occurring subsequently (for example, changes in external factors, including economic or market conditions, industry trends, and competition as well as changes in internal factors affecting the reporting entity more specifically), taking into account the assumptions of market participants.

820-10-55-**19** In theory, the present value (that is, the fair value) of the asset's cash flows is the same whether determined using Method 1 or Method 2, as follows:

a. Using Method 1, the expected cash flows are adjusted for systematic (that is, market) risk. In the absence of market data directly indicating the amount of the risk adjustment, such adjustment could be derived from an asset pricing model using the concept of certainty equivalents. For example, the risk adjustment (that is, the cash risk premium of $22) could be determined using the systematic risk premium of 3 percent ($780 - [$780 × (1.05/1.08)]), which results in risk-adjusted expected cash flows of $758 ($780 - $22). The $758 is the certainty equivalent of $780 and is discounted at the risk-free interest rate (5 percent). The present value (that is, the fair value) of the asset is $722 ($758/1.05).

b. Using Method 2, the expected cash flows are not adjusted for systematic (that is, market) risk. Rather, the adjustment for that risk is included in the discount rate. Thus, the expected cash flows are discounted at an expected rate of return of 8 percent (that is, the 5 percent risk-free interest rate plus the 3 percent systematic risk premium). The present value (that is, the fair value) of the asset is $722 ($780/1.08).

820-10-55-**20** When using an expected present value technique to measure fair value, either Method 1 or Method 2 could be used. The selection of Method 1 or Method 2 will depend on facts and circumstances specific to the asset or liability being measured, the extent to which sufficient data are available, and the judgments applied.

Fair Value Hierarchy

Level 2 Inputs

820-10-55-**21** Examples of Level 2 inputs for particular assets and liabilities include the following:

a. Receive-fixed, pay-variable interest rate swap based on the London Interbank Offered Rate (LIBOR) swap rate. A Level 2 input would be the LIBOR swap rate if that rate is observable at commonly quoted intervals for substantially the full term of the swap.

b. Receive-fixed, pay-variable interest rate swap based on a yield curve denominated in a foreign currency. A Level 2 input would be the swap rate based on a yield curve denominated in a foreign currency that is observable at commonly quoted intervals for substantially the full term of the swap. That would be the case if the term of the swap is 10 years and that rate is observable at commonly quoted intervals for 9 years, provided that any reasonable extrapolation of the yield curve for Year 10 would not be significant to the fair value measurement of the swap in its entirety.

c. Receive-fixed, pay-variable interest rate swap based on a specific bank's prime rate. A Level 2 input would be the bank's prime rate derived through extrapolation if the extrapolated values are corroborated by observable market data, for example, by correlation with an interest rate that is observable over substantially the full term of the swap.

d. Three-year option on exchange-traded shares. A Level 2 input would be the implied volatility for the shares derived through extrapolation to Year 3 if both of the following conditions exist:

   1. Prices for one-year and two-year options on the shares are observable.

   2. The extrapolated implied volatility of a three-year option is corroborated by observable market data for substantially the full term of the option.

   In that case, the implied volatility could be derived by extrapolating from the implied volatility of the one-year and two-year options on the shares and corroborated by the implied volatility for three-year options on comparable entities' shares, provided that correlation with the one-year and two-year implied volatilities is established.

e. Licensing arrangement. For a licensing arrangement that is acquired in a business combination and was recently negotiated with an unrelated party by the acquired entity (the party to the licensing arrangement), a Level 2 input would be the royalty rate in the contract with the unrelated party at inception of the arrangement.

f. Finished goods inventory at a retail outlet. For finished goods inventory that is acquired in a business combination, a Level 2 input would be either a price to customers in a retail market or a price to retailers in a wholesale market, adjusted for differences between the condition and location of the inventory item and the comparable (that is, similar) inventory items so that the fair value measurement reflects the price that would be received in a transaction to sell the inventory to another retailer that would complete the requisite selling efforts. Conceptually, the fair value measurement will be the same, whether adjustments are made to a retail price (downward) or to a wholesale price (upward). Generally, the price that requires the least amount of subjective adjustments should be used for the fair value measurement.

g. Building held and used. A Level 2 input would be the price per square foot for the building (a valuation multiple) derived from observable market data, for example, multiples derived from prices in observed transactions involving comparable (that is, similar) buildings in similar locations.

h. Reporting unit. A Level 2 input would be a valuation multiple (for example, a multiple of earnings or revenue or a similar performance measure) derived from observable market data, for example, multiples derived from prices in observed transactions involving comparable (that is, similar) businesses, taking into account operational, market, financial, and nonfinancial factors.

Level 3 Inputs

820-10-55-**22** Examples of Level 3 inputs for particular assets and liabilities include the following:

a. Long-dated currency swap. A Level 3 input would be an interest rate in a specified currency that is not observable and cannot be corroborated by observable market data at commonly quoted intervals or otherwise for substantially the full term of the currency swap. The interest rates in a currency swap are the swap rates calculated from the respective countries' yield curves.

b. Three-year option on exchange-traded shares. A Level 3 input would be historical volatility, that is, the volatility for the shares derived from the shares' historical prices. Historical volatility typically does not represent current market participants' expectations about future volatility, even if it is the only information available to price an option.

c. Interest rate swap. A Level 3 input would be an adjustment to a mid-market consensus (nonbinding) price for the swap developed using data that are not directly observable and cannot otherwise be corroborated by observable market data.

d. Asset retirement obligation at initial recognition. A Level 3 input would be a current estimate using the reporting entity's own data about the future cash outflows to be paid to fulfill the obligation (including market participants' expectations about the costs of fulfilling the obligation and the compensation that a market participant would require for taking on the asset retirement obligation) if there is no reasonably available information that indicates that market participants would use different assumptions. That Level 3 input would be used in a present value technique together with other inputs, for example, a current risk-free interest rate or a credit-adjusted risk-free rate if the effect of the reporting entity's credit standing on the fair value of the liability is reflected in the discount rate rather than in the estimate of future cash outflows.

e. Reporting unit. A Level 3 input would be a financial forecast (for example, of cash flows or earnings) developed using the reporting entity's own data if there is no reasonably available information that indicates that market participants would use different assumptions.

820-10-55-**22A** Paragraphs 820-10-55-22A through 55-23 superseded by Accounting Standards Update No. 2011-04.

820-10-55-**23A** Paragraph not used.

820-10-55-**23B** Paragraph not used.

820-10-55-**23C** Paragraph superseded by Accounting Standards Update No. 2011-04.

820-10-55-**23D** Paragraph superseded by Accounting Standards Update No. 2011-04.

Illustrations

820-10-55-**24** The following Examples portray hypothetical situations illustrating the judgments that might apply when a reporting entity measures assets and liabilities at fair value in different valuation situations. Although some aspects of the examples may be present in actual fact patterns, all relevant facts and circumstances of a particular fact pattern would need to be evaluated when applying this Topic.

Example 1: Highest and Best Use and Valuation Premise

820-10-55-**25** Cases A through C illustrate the application of the highest-and-best-use and valuation premise concepts for nonfinancial assets.

a. Subparagraph superseded by Accounting Standards Update No. 2011-04.

b. Subparagraph superseded by Accounting Standards Update No. 2011-04.

c. Subparagraph superseded by Accounting Standards Update No. 2011-04.

Case A: Asset Group

820-10-55-**26** A reporting entity acquires assets and assumes liabilities in a business combination. One of the groups of assets acquired comprises Assets A, B, and C. Asset C is billing software integral to the business developed by the acquired entity for its own use in conjunction with Assets A and B (that is, the related assets). The reporting entity measures the fair value of each of the assets individually, consistent with the specified unit of account for the assets. The reporting entity determines that the highest and best use of the assets is their current use and that each asset would provide maximum value to market participants principally through its use in combination with other assets or with other assets and liabilities (that is, its complementary assets and the associated liabilities). There is no evidence to suggest that the current use of the assets is not their highest and best use.

820-10-55-**27** In this situation, the reporting entity would sell the assets in the market in which it initially acquired the assets (that is, the entry and exit markets from the perspective of the reporting entity are the same). Market participant buyers with whom the reporting entity would enter into a transaction in that market have characteristics that are generally representative of both strategic buyers (such as competitors) and financial buyers (such as private equity or venture capital firms that do not have complementary investments) and include those buyers that initially bid for the assets. Although market participant buyers might be broadly classified as strategic or financial buyers, in many cases there will be differences among the market participant buyers within each of those groups, reflecting, for example, different uses for an asset and different operating strategies.

820-10-55-**28** As discussed below, differences between the indicated fair values of the individual assets relate principally to the use of the assets by those market participants within different asset groups:

a. Strategic buyer asset group. The reporting entity determines that strategic buyers have related assets that would enhance the value of the group within which the assets would be used (that is, market participant synergies). Those assets include a substitute asset for Asset C (the billing software), which would be used for only a limited transition period and could not be sold on its own at the end of that period. Because strategic buyers have substitute assets, Asset C would not be used for its full remaining economic life. The indicated fair values of Assets A, B, and C within the strategic buyer asset group (reflecting the synergies resulting from the use of the assets within that group) are $360, $260, and $30, respectively. The indicated fair value of the assets as a group within the strategic buyer asset group is $650.

b. Financial buyer asset group. The reporting entity determines that financial buyers do not have related or substitute assets that would enhance the value of the group within which the assets would be used. Because financial buyers do not have substitute assets, Asset C (that is, the billing software) would be used for its full remaining economic life. The indicated fair values of Assets A, B, and C within the financial buyer asset group are $300, $200, and $100, respectively. The indicated fair value of the assets as a group within the financial buyer asset group is $600.

820-10-55-**29** The fair values of Assets A, B, and C would be determined on the basis of the use of the assets as a group within the strategic buyer group ($360, $260, and $30). Although the use of the assets within the strategic buyer group does not maximize the fair value of each of the assets individually, it maximizes the fair value of the assets as a group ($650).

Case B: Land

820-10-55-**30** A reporting entity acquires land in a business combination. The land is currently developed for industrial use as a site for a factory. The current use of land is presumed to be its highest and best use unless market or other factors suggest a different use. Nearby sites have recently been developed for residential use as sites for high-rise apartment buildings. On the basis of that development and recent zoning and other changes to facilitate that development, the reporting entity determines that the land currently used as a site for a factory could be developed as a site for residential use (that is, for high-rise apartment buildings) because market participants would take into account the potential to develop the site for residential use when pricing the land.

820-10-55-**31** The highest and best use of the land would be determined by comparing both of the following:

a. The value of the land as currently developed for industrial use (that is, the land would be used in combination with other assets, such as the factory, or with other assets and liabilities)

b. The value of the land as a vacant site for residential use, taking into account the costs of demolishing the factory and other costs (including the uncertainty about whether the reporting entity would be able to convert the asset to the alternative use) necessary to convert the land to a vacant site (that is, the land is to be used by market participants on a standalone basis).

The highest and best use of the land would be determined on the basis of the higher of those values. In situations involving real estate appraisal, the determination of highest and best use might take into account factors relating to the factory operations, including its assets and liabilities.

Case C: In-Process Research and Development Project

820-10-55-**32** A reporting entity acquires an in-process research and development project in a business combination. The reporting entity does not intend to complete the project. If completed, the project would compete with one of its own projects (to provide the next generation of the reporting entity's commercialized technology). Instead, the reporting entity intends to hold (that is, lock up) the project to prevent its competitors from obtaining access to the technology. In doing this, the project is expected to provide defensive value, principally by improving the prospects for the reporting entity's own competing technology. To measure the fair value of the project at initial recognition, the highest and best use of the project would be determined on the basis of its use by market participants. For example:

a. The highest and best use of the in-process research and development project would be to continue development if market participants would continue to develop the project and that use would maximize the value of the group of assets or of assets and liabilities in which the project would be used (that is, the asset would be used in combination with other assets or with other assets and liabilities). That might be the case if market participants do not have similar technology, either in development or commercialized. The fair value of the project would be measured on the basis of the price that would be received in a current transaction to sell the project, assuming that the in-process research and development would be used with its complementary assets and the associated liabilities and that those assets and liabilities would be available to market participants.

b. The highest and best use of the in-process research and development project would be to cease development if, for competitive reasons, market participants would lock up the project and that use would maximize the value of the group of assets or of assets and liabilities in which the project would be used. That might be the case if market participants have technology in a more advanced stage of development that would compete with the project if completed and the project would be expected to improve the prospects for their own competing technology if locked up. The fair value of the project would be measured on the basis of the price that would be received in a current transaction to sell the project, assuming that the in-process research and development would be used (that is, locked up) with its complementary assets and the associated liabilities and that those assets and liabilities would be available to market participants.

c. The highest and best use of the in-process research and development project would be to cease development if market participants would discontinue its development. That might be the case if the project is not expected to provide a market rate of return if completed and would not otherwise provide defensive value if locked up. The fair value of the project would be measured on the basis of the price that would be received in a current transaction to sell the project on its own (which might be zero).

Example 2: Discount Rate Adjustment Technique-The Build-Up Methodology

820-10-55-**33** To illustrate a build-up methodology (as discussed in paragraph 820-10-55-11), assume that Asset A is a contractual right to receive $800 in 1 year (that is, there is no timing uncertainty). There is an established market for comparable assets, and information about those assets, including price information, is available. Of those comparable assets:

a. Asset B is a contractual right to receive $1,200 in 1 year and has a market price of $1,083. Thus, the implied annual rate of return (that is, a 1-year market rate of return) is 10.8 percent [($1,200/$1,083) - 1].

b. Asset C is a contractual right to receive $700 in 2 years and has a market price of $566. Thus, the implied annual rate of return (that is, a 2-year market rate of return) is 11.2 percent [($700/$566)^0.5 - 1].

c. All three assets are comparable with respect to risk (that is, dispersion of possible payoffs and credit).

820-10-55-**34** On the basis of the timing of the contractual payments to be received for Asset A relative to the timing for Asset B and Asset C (that is, one year for Asset B versus two years for Asset C), Asset B is deemed more comparable to Asset A. Using the contractual payment to be received for Asset A ($800) and the 1-year market rate derived from Asset B (10.8 percent), the fair value of Asset A is $722 ($800/1.108). Alternatively, in the absence of available market information for Asset B, the one-year market rate could be derived from Asset C using the build-up methodology. In that case, the 2-year market rate indicated by Asset C (11.2 percent) would be adjusted to a 1-year market rate using the term structure of the risk-free yield curve. Additional information and analysis might be required to determine whether the risk premiums for one-year and two-year assets are the same. If it is determined that the risk premiums for one-year and two-year assets are not the same, the two-year market rate of return would be further adjusted for that effect.

Example 3: Use of Multiple Valuation Approaches

820-10-55-**35** This Topic notes that a single valuation approach will be appropriate in some cases. In other cases, multiple valuation approaches will be appropriate. Cases A and B illustrate the use of multiple valuation approaches.

a. Subparagraph superseded by Accounting Standards Update No. 2011-04.

b. Subparagraph superseded by Accounting Standards Update No. 2011-04.

Case A: Machine Held and Used

820-10-55-**36** A reporting entity acquires a machine in a business combination. The machine will be held and used in its operations. The machine was originally purchased by the acquired entity from an outside vendor and, before the business combination, was customized by the acquired entity for use in its operations. However, the customization of the machine was not extensive. The acquiring entity determines that the asset would provide maximum value to market participants through its use in combination with other assets or with other assets and liabilities (as installed or otherwise configured for use). There is no evidence to suggest that the current use of the machine is not its highest and best use. Therefore, the highest and best use of the machine is its current use in combination with other assets or with other assets and liabilities.

820-10-55-**37** The reporting entity determines that sufficient data are available to apply the cost approach and, because the customization of the machine was not extensive, the market approach. The income approach is not used because the machine does not have a separately identifiable income stream from which to develop reliable estimates of future cash flows. Furthermore, information about short-term and intermediate-term lease rates for similar used machinery that otherwise could be used to project an income stream (that is, lease payments over remaining service lives) is not available. The market and cost approaches are applied as follows:

a. The market approach is applied using quoted prices for similar machines adjusted for differences between the machine (as customized) and the similar machines. The measurement reflects the price that would be received for the machine in its current condition (used) and location (installed and configured for use). The fair value indicated by that approach ranges from $40,000 to $48,000.

b. The cost approach is applied by estimating the amount that would be required currently to construct a substitute (customized) machine of comparable utility. The estimate takes into account the condition of the machine and the environment in which it operates, including physical wear and tear (that is, physical deterioration), improvements in technology (that is, functional obsolescence), conditions external to the condition of the machine such as a decline in the market demand for similar machines (that is, economic obsolescence), and installation costs. The fair value indicated by that approach ranges from $40,000 to $52,000.

820-10-55-**38** The reporting entity determines that the higher end of the range indicated by the market approach is most representative of fair value and, therefore, ascribes more weight to the results of the market approach. That determination is made on the basis of the relative subjectivity of the inputs, taking into account the degree of comparability between the machine and the similar machines. In particular:

a. The inputs used in the market approach (quoted prices for similar machines) require fewer and less subjective adjustments than the inputs used in the cost approach.

b. The range indicated by the market approach overlaps with, but is narrower than, the range indicated by the cost approach.

c. There are no known unexplained differences (between the machine and the similar machines) within that range.

Accordingly, the reporting entity determines that the fair value of the machine is $48,000.

820-10-55-**38A** If customization of the machine was extensive or if there were not sufficient data available to apply the market approach (for example, because market data reflect transactions for machines used on a standalone basis, such as, a scrap value for specialized assets, rather than machines used in combination with other assets or with other assets and liabilities), the reporting entity would apply the cost approach. When an asset is used in combination with other assets or with other assets and liabilities, the cost approach assumes the sale of the machine to a market participant buyer with the complementary assets and the associated liabilities. The price received for the sale of the machine (that is, an exit price) would not be more than either of the following:

a. The cost that a market participant buyer would incur to acquire or construct a substitute machine of comparable utility

b. The economic benefit that a market participant buyer would derive from the use of the machine.

Case B: Software Asset

820-10-55-**39** A reporting entity acquires a group of assets. The asset group includes an income-producing software asset internally developed for licensing to customers and its complementary assets (including a related database with which the software asset is used) and the associated liabilities. To allocate the cost of the group to the individual assets acquired, the reporting entity measures the fair value of the software asset. The reporting entity determines that the software asset would provide maximum value to market participants through its use in combination with other assets or with other assets and liabilities (that is, its complementary assets and the associated liabilities). There is no evidence to suggest that the current use of the software asset is not its highest and best use. Therefore, the highest and best use of the software asset is its current use. (In this case, the licensing of the software asset, in and of itself, does not indicate that the fair value of the asset would be maximized through its use by market participants on a standalone basis.)

820-10-55-**40** The reporting entity determines that, in addition to the income approach, sufficient data might be available to apply the cost approach but not the market approach. Information about market transactions for comparable software assets is not available. The income and cost approaches are applied as follows:

a. The income approach is applied using a present value technique. The cash flows used in that technique reflect the income stream expected to result from the software asset (license fees from customers) over its economic life. The fair value indicated by that approach is $15 million.

b. The cost approach is applied by estimating the amount that currently would be required to construct a substitute software asset of comparable utility (that is, taking into account functional and economic obsolescence). The fair value indicated by that approach is $10 million.

820-10-55-**41** Through its application of the cost approach, the reporting entity determines that market participants would not be able to construct a substitute software asset of comparable utility. Some characteristics of the software asset are unique, having been developed using proprietary information, and cannot be readily replicated. The reporting entity determines that the fair value of the software asset is $15 million, as indicated by the income approach.

Example 4: Level 1 Principal (or Most Advantageous) Market

820-10-55-**42** Example 4 illustrates the use of Level 1 inputs to measure the fair value of an asset that trades in different active markets at different prices.

820-10-55-**43** An asset is sold in two different active markets at different prices. A reporting entity enters into transactions in both markets and can access the price in those markets for the asset at the measurement date. In Market A, the price that would be received is $26, transaction costs in that market are $3, and the costs to transport the asset to that market are $2 (that is, the net amount that would be received is $21). In Market B, the price that would be received is $25, transaction costs in that market are $1, and the costs to transport the asset to that market are $2 (that is, the net amount that would be received in Market B is $22).

820-10-55-**44** If Market A is the principal market for the asset (that is, the market with the greatest volume and level of activity for the asset), the fair value of the asset would be measured using the price that would be received in that market, after taking into account transportation costs ($24).

820-10-55-**45** If neither market is the principal market for the asset, the fair value of the asset would be measured using the price in the most advantageous market. The most advantageous market is the market that maximizes the amount that would be received to sell the asset after taking into account transaction costs and transportation costs (that is, the net amount that would be received in the respective markets).

820-10-55-**45A** Because the reporting entity would maximize the net amount that would be received for the asset in Market B ($22), the fair value of the asset would be measured using the price in that market ($25), less transportation costs ($2), resulting in a fair value measurement of $23. Although transaction costs are taken into account when determining which market is the most advantageous market, the price used to measure the fair value of the asset is not adjusted for those costs (although it is adjusted for transportation costs).

Example 5: Transaction Prices and Fair Value at Initial Recognition-Interest Rate Swap at Initial Recognition

820-10-55-**46** This Topic (see paragraphs 820-10-30-3 through 30-3A) clarifies that in many cases the transaction price, that is, the price paid (received) for a particular asset (liability), will represent the fair value of that asset (liability) at initial recognition, but not presumptively. This Example illustrates when the price in a transaction involving a derivative instrument might (and might not) equal the fair value of the instrument at initial recognition.

820-10-55-**47** Entity A (a retail counterparty) enters into an interest rate swap in a retail market with Entity B (a dealer) for no initial consideration (that is, the transaction price is zero). Entity A can access only the retail market. Entity B can access both the retail market (that is, with retail counterparties) and the dealer market (that is, with dealer counterparties).

820-10-55-**48** From the perspective of Entity A, the retail market in which it initially entered into the swap is the principal market for the swap. If Entity A were to transfer its rights and obligations under the swap, it would do so with a dealer counterparty in that retail market. In that case, the transaction price (zero) would represent the fair value of the swap to Entity A at initial recognition, that is, the price that Entity A would receive to sell or pay to transfer the swap in a transaction with a dealer counterparty in the retail market (that is, an exit price). That price would not be adjusted for any incremental (transaction) costs that would be charged by that dealer counterparty.

820-10-55-**49** From the perspective of Entity B, the dealer market (not the retail market) is the principal market for the swap. If Entity B were to transfer its rights and obligations under the swap, it would do so with a dealer in that market. Because the market in which Entity B initially entered into the swap is different from the principal market for the swap, the transaction price (zero) would not necessarily represent the fair value of the swap to Entity B at initial recognition.

820-10-55-**50** Paragraph superseded by Accounting Standards Update No. 2011-04.

Example 6: Restricted Assets

820-10-55-**51** The effect on a fair value measurement arising from a restriction on the sale or use of an asset by a reporting entity will differ depending on whether the restriction would be taken into account by market participants when pricing the asset. Cases A and B illustrate the effect of restrictions when measuring the fair value of an asset.

a. Subparagraph superseded by Accounting Standards Update No. 2011-04.

b. Subparagraph superseded by Accounting Standards Update No. 2011-04.

PENDING CONTENT

Transition Date: P December 16, 2023; N December 16, 2024 **- Transition Guidance :** 820-10-65-13

The effect on a fair value measurement arising from a restriction on the sale or use of an asset by a reporting entity will differ depending on whether the restriction would be taken into account by market participants when pricing the asset. When the restriction is included within the unit of account of the asset, the restriction is a characteristic of the asset and should be considered in measuring the fair value of the asset. Cases A and B illustrate the effect of restrictions when measuring the fair value of an asset.

a. Subparagraph superseded by Accounting Standards Update No. 2011-04.

b. Subparagraph superseded by Accounting Standards Update No. 2011-04.

Case A: Restriction on the Sale of an Equity Instrument

Restriction Taken into Account

820-10-55-**52** A reporting entity holds an equity instrument (a financial asset) for which sale is legally or contractually restricted for a specified period. (For example, such a restriction could limit sale to qualifying investors, as may be the case in accordance with Rule 144 or similar rules of the Securities and Exchange Commission [SEC].) The restriction is a characteristic of the instrument and, therefore, would be transferred to market participants. In that case, the fair value of the instrument would be measured on the basis of the quoted price for an otherwise identical unrestricted equity instrument of the same issuer that trades in a public market, adjusted to reflect the effect of the restriction. The adjustment would reflect the amount market participants would demand because of the risk relating to the inability to access a public market for the instrument for the specified period. The adjustment will vary depending on all of the following:

a. The nature and duration of the restriction

b. The extent to which buyers are limited by the restriction (for example, there might be a large number of qualifying investors)

c. Qualitative and quantitative factors specific to both the instrument and the issuer.

PENDING CONTENT

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Editor's Note: The content of paragraph 820-10-55-52 will change upon transition, together with a change in the heading noted below.

> > > **Case A: Restriction on the Sale of an Equity Security**

Company X issues Class A shares through a sale on a national securities exchange or an over-the-counter market as well as through a private placement transaction. Because the Class A shares issued through the private placement are not registered and are legally restricted from being sold on a national securities exchange or an over-the-counter market until the shares are registered or the conditions necessary for an exemption from registration have been satisfied, a market participant would sell the private placement Class A shares in a different market than the market used for registered Class A shares on the measurement date. Because that restriction would be included within the unit of account of the equity security, a market participant would consider the inability to resell the security on a national securities exchange or an over-the-counter market when pricing the equity security; therefore, the reporting entity that holds the Class A shares acquired through a private placement transaction would consider that restriction a characteristic of the asset. In that case, the reporting entity should measure the fair value of the equity security on the basis of the market price of the similar unrestricted equity security adjusted to reflect the effect of the restriction. The adjustment will vary depending on all of the following:

a. The nature and remaining duration of the restriction

b. The extent to which buyers are limited by the restriction (for example, there might be a large number of qualifying investors)

c. Qualitative and quantitative factors specific to both the instrument and the issuer.

Restriction Not Taken into Account

820-10-55-**52A**

PENDING CONTENT

Transition Date: P December 16, 2023; N December 16, 2024 **- Transition Guidance :** 820-10-65-13

A reporting entity holds Class A shares of Company X that are eligible for sale on a national securities exchange or an over-the-counter market. Separately, the reporting entity enters into a contractual arrangement in which it agrees that it will not sell the Class A shares for a certain time period. That arrangement may be referred to as a lock-up agreement or a market standoff agreement or may be the result of a provision within a separate agreement between certain shareholders (that is, separate from the legal documents that establish the rights and obligations of all holders of a particular class of stock). In that instance, the restriction is not included in the unit of account and therefore is not a characteristic of the asset. The equity security subject to the contractual sale restriction is identical to an equity security that is not subject to a contractual sale restriction. Therefore, consistent with the guidance in paragraphs 820-10-35-6B and 820-10-35-36B, the fair value of the equity security subject to the contractual sale restriction should be measured on the basis of the market price of the same equity security without the contractual sale restriction and should not be adjusted to reflect the reporting entity's inability to sell the equity security on the measurement date.

820-10-55-**53** As discussed in paragraph 820-10-15-5, this Topic applies for equity securities with restrictions that expire within one year that are measured at fair value in accordance with Subtopics 320-10 and 958-320.

Case B: Restrictions on the Use of an Asset

820-10-55-**54** A donor contributes land in an otherwise developed residential area to a not-for-profit neighborhood association. The land is currently used as a playground. The donor specifies that the land must continue to be used by the association as a playground in perpetuity; however, the association is not restricted from selling the land. Upon review of relevant documentation (for example, legal and other), the association determines that the fiduciary responsibility to meet the donor's restriction would not be transferred to market participants if the association sold the asset, that is, the donor restriction on the use of the land is specific to the association. Without the restriction on the use of the land by the association, the land could be used as a site for residential development. In addition, the land is subject to an easement (that is, a legal right that enables a utility to run power lines across the land). Following is an analysis of the effect on the fair value measurement of the land arising from the restriction and the easement:

a. Donor restriction on use of land. Because in this situation the donor restriction on the use of the land is specific to the association, the restriction would not be transferred to market participants. Therefore, the fair value of the land would be the higher of its fair value used as a playground (that is, the fair value of the asset would be maximized through its use by market participants in combination with other assets or with other assets and liabilities) and its fair value as a site for residential development (that is, the fair value of the asset would be maximized through its use by market participants on a standalone basis), regardless of the restriction on the use of the land by the association.

b. Easement for utility lines. Because the easement for utility lines is specific to (that is, a characteristic of) the land, it would be transferred to market participants with the land. Therefore, the fair value measurement of the land would take into account the effect of the easement, regardless of whether the highest and best use is as a playground or as a site for residential development.

820-10-55-**55** The donor restriction, which is legally binding on the association, would be indicated through classification of the associated net assets and disclosure of the nature of the restriction in accordance with paragraphs 958-210-45-8 through 45-9, 958-210-50-1, and 958-210-50-3.

Example 7: Measuring Liabilities

820-10-55-**55A** A fair value measurement of a liability assumes that the liability, whether it is a financial liability or a nonfinancial liability, is transferred to a market participant at the measurement date (that is, the liability would remain outstanding and the market participant transferee would be required to fulfill the obligation; it would not be settled with the counterparty or otherwise extinguished on the measurement date).

820-10-55-**56** The fair value of a liability reflects the effect of nonperformance risk. Nonperformance risk relating to a liability includes, but may not be limited to, the reporting entity's own credit risk. A reporting entity takes into account the effect of its credit risk (credit standing) on the fair value of the liability in all periods in which the liability is measured at fair value because those that hold the reporting entity's obligations as assets would take into account the effect of the reporting entity's credit standing when estimating the prices they would be willing to pay. Cases A-E illustrate the measurement of liabilities and the effect of nonperformance risk (including a reporting entity's own credit risk) on a fair value measurement.

a. Subparagraph superseded by Accounting Standards Update No. 2011-04.

b. Subparagraph superseded by Accounting Standards Update No. 2011-04.

Case A: Liabilities and Credit Risk-General

820-10-55-**57** This Case has the following assumptions:

a. Entity X and Entity Y each enter into a contractual obligation to pay cash ($500) to Entity Z in 5 years.

b. Entity X has a AA credit rating and can borrow at 6 percent, and Entity Y has a BBB credit rating and can borrow at 12 percent.

c. Subparagraph superseded by Accounting Standards Update No. 2011-04.

d. Subparagraph superseded by Accounting Standards Update No. 2011-04.

820-10-55-**57A** Entity X will receive about $374 in exchange for its promise (the present value of $500 in 5 years at 6 percent). Entity Y will receive about $284 in exchange for its promise (the present value of $500 in 5 years at 12 percent). The fair value of the liability to each entity (that is, the proceeds) incorporates that reporting entity's credit standing.

Case B: Structured Note

820-10-55-**58** Paragraph superseded by Accounting Standards Update No. 2011-04.

820-10-55-**59** On January 1, 20X7, Entity A, an investment bank with a AA credit rating, issues a five-year fixed rate note to Entity B. The contractual principal amount to be paid by Entity A at maturity is linked to the Standard and Poor's S&P 500 index. No credit enhancements are issued in conjunction with or otherwise related to the contract (that is, no collateral is posted and there is no third-party guarantee). Entity A elects to account for the entire note at fair value in accordance with paragraph 815-15-25-4. The fair value of the note (that is, the obligation of Entity A) during 20X7 is measured using an expected present value technique. Changes in fair value are as follows:

a. Fair value at January 1, 20X7. The expected cash flows used in the expected present value technique are discounted at the risk-free rate using the treasury yield curve at January 1, 20X7, plus the current market observable AA corporate bond spread to treasuries, if nonperformance risk is not already reflected in the cash flows, adjusted (either up or down) for Entity A's specific credit risk (that is, resulting in a credit-adjusted risk-free rate). Therefore, the fair value of Entity A's obligation at initial recognition takes into account nonperformance risk, including that reporting entity's credit risk, which presumably is reflected in the proceeds.

b. Fair value at March 31, 20X7. During March 20X7, the credit spread for AA corporate bonds widens, with no changes to the specific credit risk of Entity A. The expected cash flows used in the expected present value technique are discounted at the risk-free rate using the treasury yield curve at March 31, 20X7, plus the current market observable AA corporate bond spread to treasuries if nonperformance risk is not already reflected in the cash flows, adjusted for Entity A's specific credit risk (that is, resulting in a credit-adjusted risk-free rate). Entity A's specific credit risk is unchanged from initial recognition. Therefore, the fair value of Entity A's obligation changes as a result of changes in credit spreads generally. Changes in credit spreads reflect current market participant assumptions about changes in nonperformance risk generally, changes in liquidity risk, and the compensation required for assuming those risks.

c. Fair value at June 30, 20X7. As of June 30, 20X7, there have been no changes to the AA corporate bond spreads. However, on the basis of structured note issues corroborated with other qualitative information, Entity A determines that its own specific creditworthiness has strengthened within the AA credit spread. The expected cash flows used in the expected present value technique are discounted at the risk-free rate using the treasury yield curve at June 30, 20X7, plus the current market observable AA corporate bond spread to treasuries (unchanged from March 31, 20X7), if nonperformance risk is not already reflected in the cash flows, adjusted for Entity A's specific credit risk (that is, resulting in a credit-adjusted risk-free rate). Therefore, the fair value of the obligation of Entity A changes as a result of the change in its own specific credit risk within the AA corporate bond spread.

820-10-55-**59A** Paragraphs 820-10-55-59A through 55-59I superseded by Accounting Standards Update No. 2011-04.

820-10-55-**59J** Paragraph not used.

820-10-55-**59K** Paragraph not used.

820-10-55-**59L** Paragraph not used.

820-10-55-**59M** Paragraph not used.

820-10-55-**60** Paragraphs 820-10-55-60 through 55-76 superseded by Accounting Standards Update No. 2011-04.

Case C: Asset Retirement Obligation

820-10-55-**77** On January 1, 20X1, Entity A assumes an asset retirement obligation in a business combination. The reporting entity is legally required to dismantle and remove an offshore oil platform at the end of its useful life, which is estimated to be 10 years.

820-10-55-**78** On the basis of paragraph 410-20-30-1, Entity A uses the expected present value technique to measure the fair value of the asset retirement obligation.

820-10-55-**79** If Entity A was contractually allowed to transfer its asset retirement obligation to a market participant, Entity A concludes that a market participant would use all of the following inputs, probability-weighted as appropriate, when estimating the price it would expect to receive:

a. Labor costs

b. Allocation of overhead costs

c. The compensation that a market participant would require for undertaking the activity and for assuming the risk associated with the obligation to dismantle and remove the asset. Such compensation includes both of the following:

   1. Profit on labor and overhead costs

   2. The risk that the actual cash outflows might differ from those expected, excluding inflation.

d. Effect of inflation on estimated costs and profits

e. Time value of money, represented by the risk-free rate

f. Nonperformance risk relating to the risk that Entity A will not fulfill the obligation, including Entity A's own credit risk.

820-10-55-**80** The significant assumptions used by Entity A to measure fair value are as follows:

a. Labor costs are developed on the basis of current marketplace wages, adjusted for expectations of future wage increases, required to hire contractors to dismantle and remove offshore oil platforms. Entity A assigns probability assessments to a range of cash flow estimates as follows.

Cash Flow Estimate	Probability Assessment	Expected Cash Flows
$ 100,000	25%	$ 25,000
$ 125,000	50%	62,500
$ 175,000	25%	43,750
		$ 131,250

The probability assessments are developed on the basis of Entity A's experience with fulfilling obligations of this type and its knowledge of the market.

b. Entity A estimates allocated overhead and equipment operating costs using the rate it applies to labor costs (80 percent of expected labor costs). This is consistent with the cost structure of market participants.

c. Entity A estimates the compensation that a market participant would require for undertaking the activity and for assuming the risk associated with the obligation to dismantle and remove the asset as follows:

   1. A third-party contractor typically adds a markup on labor and allocated internal costs to provide a profit margin on the job. The profit margin used (20 percent) represents Entity A's understanding of the operating profit that contractors in the industry generally earn to dismantle and remove offshore oil platforms. Entity A concludes that this rate is consistent with the rate that a market participant would require as compensation for undertaking the activity.

   2. A contractor would typically require compensation for the risk that the actual cash outflows might differ from those expected because of the uncertainty inherent in locking in today's price for a project that will not occur for 10 years. Entity A estimates the amount of that premium to be 5 percent of the expected cash flows, including the effect of inflation.

d. Entity A assumes a rate of inflation of 4 percent over the 10-year period on the basis of available market data.

e. The risk-free rate of interest for a 10-year maturity on January 1, 20X1, is 5 percent. Entity A adjusts that rate by 3.5 percent to reflect its risk of nonperformance (that is, the risk that it will not fulfill the obligation), including its credit risk. Therefore, the discount rate used to compute the present value of the cash flows is 8.5 percent.

820-10-55-**81** Entity A concludes that its assumptions would be used by market participants. In addition, Entity A does not adjust its fair value measurement for the existence of a restriction preventing it from transferring the liability. As illustrated in the following table, Entity A measures the fair value of its liability for the asset retirement obligation as $194,879.

	Expected Cash Flows 1/1/X1	
Expected labor costs	$	131,250
Allocated overhead and equipment costs (.80 x $131,250)	$	105,000
Contractor's profit markup [.20 x ($131,250 + $105,000)]	$	47,250
Expected cash flows before inflation adjustment	$	283,500
Inflation factor (4% for 10 years)		1.4802
Expected cash flows adjusted for inflation	$	419,637
Market risk premium (.05 x $419,637)	$	20,982
Expected cash flows adjusted for market risk	$	440,619
Expected present value using discount rate of 8.5% for 10 years	$	194,879

Case D: Debt Obligation-Quoted Price

820-10-55-**82** On January 1, 20X1, Entity B issues at par a $2 million BBB-rated exchange-traded 5-year fixed-rate debt instrument with an annual 10 percent coupon. Entity B has elected to account for this instrument using the fair value option.

820-10-55-**83** On December 31, 20X1, the instrument is trading as an asset in an active market at $929 per $1,000 of par value after payment of accrued interest. Entity B uses the quoted price of the asset in an active market as its initial input into the fair value measurement of its liability ($929 × [$2 million ÷ $1,000] = $1,858,000).

820-10-55-**84** In determining whether the quoted price of the asset in an active market represents the fair value of the liability, Entity B evaluates whether the quoted price of the asset includes the effect of factors not applicable to the fair value measurement of a liability, for example, whether the quoted price of the asset includes the effect of a third-party credit enhancement that would be separately accounted for from the perspective of the issuer. Entity B determines that no adjustments are required to the quoted price of the asset. Accordingly, Entity B concludes that the fair value of its debt instrument at December 31, 20X1, is $1,858,000. Entity B categorizes and discloses the fair value measurement of its debt instrument within Level 1 of the fair value hierarchy.

Case E: Debt Obligation-Present Value Technique

820-10-55-**85** On January 1, 20X1, Entity C issues at par in a private placement a $2 million BBB-rated 5-year fixed-rate debt instrument with an annual 10 percent coupon. Entity C has elected to account for this instrument using the fair value option.

820-10-55-**86** At December 31, 20X1, Entity C still carries a BBB credit rating. Market conditions, including available interest rates, credit spreads for a BBB-quality credit rating and liquidity, remain unchanged from the date the debt instrument was issued. However, Entity C's credit spread has deteriorated by 50 basis points because of a change in its risk of nonperformance. After taking into account all market conditions, Entity C concludes that if it was to issue the instrument at the measurement date, the instrument would bear a rate of interest of 10.5 percent or Entity C would receive less than par in proceeds from the issue of the instrument.

820-10-55-**87** For the purpose of this example, the fair value of Entity C's liability is calculated using a present value technique. Entity C concludes that a market participant would use all of the following inputs (consistent with paragraph 820-10-55-5) when estimating the price the market participant would expect to receive to assume Entity C's obligation:

a. The terms of the debt instrument, including all of the following:

   1. Coupon rate of 10 percent

   2. Principal amount of $2 million

   3. Term of 4 years.

b. The market rate of interest of 10.5 percent (which includes a change of 50 basis points in the risk of nonperformance from the date of issue).

820-10-55-**88** On the basis of its present value technique, Entity C concludes that the fair value of its liability at December 31, 20X1, is $1,968,641.

820-10-55-**89** Entity C does not include any additional input into its present value technique for risk or profit that a market participant might require for compensation for assuming the liability. Because Entity C's obligation is a financial liability, Entity C concludes that the interest rate already captures the risk or profit that a market participant would require as compensation for assuming the liability. Furthermore, Entity C does not adjust its present value technique for the existence of a restriction preventing it from transferring the liability.

Example 8: Measuring Fair Value When the Volume or Level of Activity for an Asset or a Liability Has Significantly Decreased

820-10-55-**90** This Example illustrates the use of judgment when measuring the fair value of a financial asset when there has been a significant decrease in the volume or level of activity for the asset when compared with normal market activity for the asset (or similar assets). (See paragraphs 820-10-35-54C through 35-54H.) This Example has all of the following assumptions:

a. Entity A invests in a junior AAA-rated tranche of a residential mortgage-backed security on January 1, 20X8 (the issue date of the security).

b. The junior tranche is the third most senior of a total of seven tranches.

c. The underlying collateral for the residential mortgage-backed security is unguaranteed nonconforming residential mortgage loans that were issued in the second half of 20X6.

d. At March 31, 20X9 (the measurement date), the junior tranche is now A-rated. This tranche of the residential mortgage-backed security was previously traded through a brokered market. However, trading volume in that market was infrequent, with only a few transactions taking place per month from January 1, 20X8, to June 30, 20X8, and little, if any, trading activity during the nine months before March 31, 20X9.

PENDING CONTENT

Transition Date: P December 16, 2023; N December 16, 2024 **- Transition Guidance :** 820-10-65-13

This Example illustrates the use of judgment when measuring the fair value of a financial asset when there has been a significant decrease in the volume or level of activity for the asset when compared with normal market activity for the asset (or similar assets). (See paragraphs 820-10-35-54C through 35-54H.) This Example has all of the following assumptions:

a... Entity A invests in a junior AAA-rated tranche of a residential mortgage-backed security on January 1, 20X8 (the issue date of the security).

b... The junior tranche is the third most senior of a total of seven tranches.

c... The underlying collateral for the residential mortgage-backed security is unguaranteed nonconforming residential mortgage loans that were issued in the second half of 20X6.

d... At March 31, 20X9 (the measurement date), the junior tranche is now A-rated. This tranche of the residential mortgage-backed security was previously traded through a brokered market. However, trading volume in that market was infrequent, with only a few transactions taking place per month from January 1, 20X8, to June 30, 20X8, and little, if any, trading activity during the nine months before March 31, 20X9.

820-10-55-**91** Entity A takes into account the factors in paragraph 820-10-35-54C to determine whether there has been a significant decrease in the volume or level of activity for the junior tranche of the residential mortgage-backed security in which it has invested. After evaluating the significance and relevance of the factors, Entity A concludes that the volume and level of activity of the junior tranche of the residential mortgage-backed security have significantly decreased. Entity A supported its judgment primarily on the basis that there was little, if any, trading activity for an extended period before the measurement date.

820-10-55-**92** Because there is little, if any, trading activity to support a valuation technique using a market approach, Entity A decides to use an income approach using the discount rate adjustment technique described beginning in paragraph 820-10-55-10 to measure the fair value of the residential mortgage-backed security at the measurement date. (See also paragraphs 820-10-35-36 through 35-36A.) Entity A uses the contractual cash flows from the residential mortgage-backed security. The discount rate adjustment technique described beginning in paragraph 820-10-55-10 would not be appropriate when determining whether there has been a credit loss and/or a change in yield in accordance with paragraph 325-40-35-4 when that technique uses contractual cash flows rather than most likely cash flows.

820-10-55-**93** Entity A then estimates a discount rate (that is, a market rate of return) to discount those contractual cash flows. The market rate of return is estimated using both of the following:

a. The risk-free rate of interest

b. Estimated adjustments for differences between the available market data and the junior tranche of the residential mortgage-backed security in which Entity A has invested. Those adjustments reflect available market data about expected nonperformance and other risks (for example, default risk, collateral value risk, and liquidity risk) that market participants would take into account when pricing the asset in an orderly transaction at the measurement date under current market conditions.

820-10-55-**94** Entity A took into account the following information when estimating the adjustments in the preceding paragraph:

a. The credit spread for the junior tranche of the residential mortgage-backed security at the issue date as implied by the original transaction price

b. The change in credit spread implied by any observed transactions from the issue date to the measurement date for comparable residential mortgage-backed securities or on the basis of relevant indices

c. The characteristics of the junior tranche of the residential mortgage-backed security compared with comparable residential mortgage-backed securities or indices, including all of the following:

1. The quality of the underlying assets, that is, information about all of the following:

i. Delinquency rates

i. Foreclosure rates

ii. Loss experience

iv. Prepayment rates.

2. The seniority or subordination of the residential mortgage-backed security tranche held

3. Other relevant factors.

d. Relevant reports issued by analysts and rating agencies

e. Quoted prices from third parties such as brokers or pricing services.

820-10-55-**95** Entity A estimates that one indication of the market rate of return that market participants would use when pricing the junior tranche of the residential mortgage-backed security is 12 percent (1,200 basis points). This market rate of return was estimated as follows:

a. Begin with 300 basis points for the relevant risk-free rate of interest at March 31, 20X9.

b. Add 250 basis points for the credit spread over the risk-free rate when the junior tranche was issued in January 20X8.

c. Add 700 basis points for the estimated change in the credit spread over the risk-free rate of the junior tranche between January 1, 20X8, and March 31, 20X9. This estimate was developed on the basis of the change in the most comparable index available for that time period.

d. Subtract 50 basis points (net) to adjust for differences between the index used to estimate the change in credit spreads and the junior tranche. The referenced index consists of subprime mortgage loans, whereas Entity A's residential mortgage-backed security consists of similar mortgage loans with a more favorable credit profile (making it more attractive to market participants). However, the index does not reflect an appropriate liquidity risk premium for the junior tranche under current market conditions. Thus, the 50 basis point adjustment is the net of two adjustments.

    1. The first adjustment is a 350 basis point subtraction, which was estimated by comparing the implied yield from the most recent transactions for the residential mortgage-backed security in June 20X8 with the implied yield in the index price on those same dates. There was no information available that indicated that the relationship between Entity A's security and the index has changed.

    2. The second adjustment is a 300 basis point addition, which is Entity A's best estimate of the additional liquidity risk inherent in its security (a cash position) when compared with the index (a synthetic position). This estimate was derived after taking into account liquidity risk premiums implied in recent cash transactions for a range of similar securities.

820-10-55-**96** As an additional indication of the market rate of return, Entity A also takes into account 2 recent indicative quotes (that is, nonbinding quotes) provided by reputable brokers for the junior tranche of the residential mortgage-backed security that imply yields of 15 to 17 percent. Entity A is unable to evaluate the valuation technique(s) or inputs used to develop the quotes. However, Entity A is able to confirm that the quotes do not reflect the results of transactions.

820-10-55-**97** Because Entity A has multiple indications of the market rate of return that market participants would take into account when measuring fair value, it evaluates and weights the respective indications of the rate of return, considering the reasonableness of the range indicated by the results.

820-10-55-**98** Entity A concludes that 13 percent is the point within the range of indications that is most representative of fair value under current market conditions. Entity A places more weight on the 12 percent indication (that is, its own estimate of the market rate of return) for the following reasons:

a. Entity A concluded that its own estimate appropriately incorporated the risks (for example, default risk, collateral value risk, and liquidity risk) that market participants would use when pricing the asset in an orderly transaction under current market conditions.

b. The broker quotes were nonbinding and did not reflect the results of transactions, and Entity A was unable to evaluate the valuation technique(s) or inputs used to develop the quotes.

Example 9: Fair Value Disclosures

820-10-55-**99** The disclosures required by paragraphs 820-10-50-1D, 820-10-50-2(a) through (b), (bbb) through (d), and (g), 820-10-50-6A, and 820-10-50-8 are illustrated by the following Cases:

a. Assets measured at fair value (Case A)

b. Reconciliation of fair value measurements categorized within Level 3 of the fair value hierarchy (Case B)

c. Information about fair value measurements categorized within Level 3 of the fair value hierarchy (Case C)

d. Fair value measurements of investments that are measured at net asset value per share (or its equivalent) as a practical expedient (Case D).

Case A: Disclosure-Assets Measured at Fair Value

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

($ in millions)

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

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

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

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

(d) At 11/30/X9, in accordance with Subtopic 350-20, goodwill with a carrying amount of $65 million was written down to its implied fair value of $30 million, resulting in an impairment charge of $35 million, which was included in earnings for the period.

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

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

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

Case B: Disclosure-Reconciliation of Fair Value Measurements Categorized within Level 3 of the Fair Value Hierarchy

820-10-55-**101** For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, this Topic requires a reconciliation from the opening balances to the closing balances for each class of assets and liabilities, except for derivative assets and liabilities, which may be presented net. A reporting entity might disclose the following for assets to comply with paragraph 820-10-50-2(c) through (d).

($ in millions)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)								
	Available-for-Sale Debt Securities			Hedge Fund Investments	Other Investments			Derivatives	
	Residential Mortgage-Backed Securities	Commercial Mortgage-Backed Securities	Collateralized Debt Obligations	High-Yield Debt Securities	Private Equity Fund	Direct Venture Capital: Healthcare	Direct Venture Capital: Energy	Credit Contracts	Total
Opening balance	$ 105	$ 39	$ 25	$ 145	$ 20	$ 49	$ 28	$ 30	$ 441
Transfers into Level 3	60 [(a)] [(b)]								60
Transfers out of Level 3	(5) [(b)] [(c)]								(5)
Total gains or losses for the period									
Included in earnings (or changes in net assets)	(8)			7	5	3	1	5	13
Included in other comprehensive income	(15)	(5)	(7)					(5)	(32)
Purchases, issues, sales, and settlements									
Purchases		16	17			5	3	18	59
Issues									
Sales	(12)			(62)		(4)			(78)
Settlements								(10)	(10)
Closing balance	$ 125	$ 50	$ 35	$ 90	$ 25	$ 53	$ 32	$ 38	$ 448
Change in unrealized gains or losses for the period included in earnings (or changes in net assets) for assets held at the end of the reporting period				$ (5)	$ 5	$ 3	$ 1	$ 2	$ 6
Change in unrealized gains or losses for the period included in other comprehensive income for assets held at the end of the reporting period	$ (10)	$ (5)	$ (7)						$ (24)

(a) Transferred from Level 2 to Level 3 because of a lack of observable market data, resulting from a decrease in market activity for the securities.

(b) Footnote superseded by Accounting Standards Update No. 2018-13.

(c) Transferred from Level 3 to Level 2 because observable market data became available for the securities.

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

820-10-55-**102** Gains and losses included in earnings (or changes in net assets) for the period (above) are presented in trading revenues and in other revenues as follows.

	Trading Revenues	Other Revenues
Total gains or losses for the period included in earnings (or changes in net assets)	$ 5	$ 8
Change in unrealized gains or losses for the period included in earnings (or changes in net assets) for assets held at the end of the reporting period	$ 2	$ 4

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

Case C: Disclosure-Information about Fair Value Measurements Categorized within Level 3 of the Fair Value Hierarchy

Valuation Techniques and Inputs

820-10-55-**103** For fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy, this Topic requires a reporting entity to disclose a description of the valuation technique(s) and the inputs used in the fair value measurement. For fair value measurements categorized within Level 3 of the fair value hierarchy, information about the significant unobservable inputs used must be quantitative. A reporting entity might disclose the following for assets to comply with the requirement to disclose the significant unobservable inputs used in the fair value measurement in accordance with paragraph 820-10-50-2(bbb).

Quantitative Information about Level 3 Fair Value Measurements

($ in millions)	Fair Value at 12/31/X9	Valuation Technique(s)	Unobservable Input	Range (Weighted Average)[e]
Residential mortgage-backed securities	125	Discounted cash flow	Constant prepayment rate	3.5% – 5.5% (4.5%)
			Probability of default	5% – 50% (10%)
			Loss severity	40% – 100% (60%)
Commercial mortgage-backed securities	50	Discounted cash flow	Constant prepayment rate	3.0% – 5.0% (4.1%)
			Probability of default	2% – 25% (5%)
			Loss severity	10% – 50% (20%)
Collateralized debt obligations	35	Consensus pricing	Offered quotes	20 – 45 (30)
			Comparability adjustments (%)	-10% – +15% (+5%)
Direct venture capital investments: healthcare	53	Discounted cash flow	Weighted average cost of capital	7% – 16% (12.1%)
			Long-term revenue growth rate	2% – 5% (4.2%)
			Long-term pretax operating margin	3% – 20% (10.3%)
			Discount for lack of marketability [a]	5% – 20% (17%)
			Control premium [a]	10% – 30% (20%)
		Market comparable companies	EBITDA multiple [b]	10 – 13 (11.3)
			Revenue multiple [b]	1.5 – 2.0 (1.7)
			Discount for lack of marketability [a]	5% – 20% (17%)
			Control premium [a]	10% – 30% (20%)
Direct venture capital investments: energy	32	Discounted cash flow	Weighted average cost of capital	8% – 12% (11.1%)
			Long-term revenue growth rate	3% – 5.5% (4.2%)
			Long-term pretax operating margin	7.5% – 13% (9.2%)
			Discount for lack of marketability [a]	5% – 20% (10%)
			Control premium [a]	10% – 20% (12%)
		Market comparable companies	EBITDA multiple [b]	6.5 – 12 (9.5)
			Revenue multiple [b]	1.0 – 3.0 (2.0)
			Discount for lack of marketability [a]	5% – 20% (10%)
			Control premium [a]	10% – 20% (12%)
Credit contracts	38	Option model	Annualized volatility of credit [c]	10% – 20% (13%)
			Counterparty credit risk [d]	0.5% – 3.5% (2.2%)
			Own credit risk [d]	0.3% – 2.0% (0.7%)

(a) Represents amounts used when the reporting entity has determined that market participants would take into account these premiums and discounts when pricing the investments.
(b) Represents amounts used when the reporting entity has determined that market participants would use such multiples when pricing the investments.
(c) Represents the range of the volatility curves used in the valuation analysis that the reporting entity has determined market participants would use when pricing the contracts.
(d) Represents the range of the credit default swap spread curves used in the valuation analysis that the reporting entity has determined market participants would use when pricing the contracts.
(e) Unobservable inputs were weighted by the relative fair value of the instruments. For credit contracts, the average represents the arithmetic average of the inputs and is not weighted by the relative fair value or notional amount.

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

820-10-55-**104** In addition, a reporting entity should provide additional information that will help users of its financial statements to evaluate the quantitative information disclosed. A reporting entity might disclose some or all of the following to comply with paragraph 820-10-50-1D:

a. The nature of the item being measured at fair value, including the characteristics of the item being measured that are taken into account in the determination of relevant inputs. For example, for residential mortgage-backed securities, a reporting entity might disclose the following:
    1. The types of underlying loans (for example, prime loans or subprime loans)
    2. Collateral
    3. Guarantees or other credit enhancements
    4. Seniority level of the tranches of securities
    5. The year of issue
    6. The weighted-average coupon rate of the underlying loans and the securities
    7. The weighted-average maturity of the underlying loans and the securities
    8. The geographical concentration of the underlying loans
    9. Information about the credit ratings of the securities.
b. How third-party information such as broker quotes, pricing services, net asset values, and relevant market data was taken into account when measuring fair value.

820-10-55-**105** Paragraph superseded by Accounting Standards Update No. 2018-13.

Information about Uncertainty of Fair Value Measurements

820-10-55-**106** For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, this Topic requires a reporting entity to provide a narrative description of the uncertainty of the fair value measurement at the reporting date from the use of significant unobservable inputs, if those inputs reasonably could have been different at the reporting date, and a description of any interrelationships among the unobservable inputs used in the fair value measurement, which might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement. A reporting entity might disclose the following about its residential mortgage-backed securities to comply with paragraph 820-10-50-2(g).

> The significant unobservable inputs used in the fair value measurement of the reporting entity's residential mortgage-backed securities are prepayment rates, probability of default, and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would have resulted in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the probability of default would have been accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

Case D: Disclosure-Fair Value Measurements of Investments That Are Measured at Net Asset Value per Share (or Its Equivalent) as a Practical

Expedient

820-10-55-**107** For investments that are within the scope of paragraphs 820-10-15-4 through 15-5 and that are measured at fair value using net asset value per share as a practical expedient, this Topic requires a reporting entity to disclose information that helps users to understand the nature, characteristics, and risks of the investments by class and whether the investments, if sold, are probable of being sold at amounts different from net asset value per share (or its equivalent, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed) (see paragraph 820-10-50-6A). That information may be presented as follows. (The classes presented below are provided as examples only and are not intended to be treated as a template. The classes disclosed should be tailored to the nature, characteristics, and risks of the reporting entity's investments.)

	Fair Value (in millions)	Unfunded Commitments	Redemption Frequency (If Currrently Eligible)	Redemption Notice Period
Equity long/short hedge funds [(a)]	$ 55		quarterly	30–60 days
Event driven hedge funds [(b)]	45		quarterly, annually	30–60 days
Global opportunities hedge funds [(c)]	35		quarterly	30–45 days
Multi-strategy hedge funds [(d)]	40		quarterly	30–60 days
Real estate funds [(e)]	47	$ 20		
Total	$ 222	$ 20		

a. This class includes investments in hedge funds that invest both long and short primarily in U.S. common stocks. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. Investments representing approximately 22 percent of the value of the investments in this class cannot be redeemed because the investments include restrictions that do not allow for redemption in the first 12 to 18 months after acquisition. The remaining restriction period for these investments ranged from three to seven months at December 31, 20X3.

b. This class includes investments in hedge funds that invest in approximately 60 percent equities and 40 percent bonds to profit from economic, political, and government driven events. A majority of the investments are targeted at economic policy decisions. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

c. This class includes investments in hedge funds that hold approximately 80 percent of the funds' investments in non-U.S. common stocks in the healthcare, energy, information technology, utilities, and telecommunications sectors and approximately 20 percent of the funds' investments in diversified currencies. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. For one investment, valued at $8.75 million, a gate has been imposed by the hedge fund manager and no redemptions are currently permitted. This redemption restriction has been in place for six months and the time at which the redemption restriction might lapse is unknown.

d. This class invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The hedge funds' composite portfolio for this class includes investments in approximately 50 percent U.S. common stocks, 30 percent global real estate projects, and 20 percent arbitrage investments. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. Investments representing approximately 15 percent of the value of the investments in this class cannot be redeemed because the investments include restrictions that do not allow for redemption in the first year after acquisition. The remaining restriction period for these investments ranged from four to six months at December 31, 20X3.

e. This class includes several real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this class have been estimated using the net asset value of the Company's ownership interest in partners' capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. Twenty percent of the total investment in this class is planned to be sold within the next three years. However, the individual investments that will be sold have not yet been determined. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been estimated using the net asset value of the Company's ownership interest in partners' capital. Once it has been determined which investments will be sold and whether those investments will be sold individually or in a group, the investments will be sold in an auction process. The investee fund's management must approve of the buyer before the sale of the investments can be completed.

f. Footnote superseded by Accounting Standards Update No. 2015-07.

820-10-**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

Financial Instruments

820-10-60-**1** For guidance on fair value disclosures about financial instruments, see Section 825-10-50.

820-10-**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

820-10-65-**1** Paragraph superseded on 05/20/2010 after the end of the transition period stated in FASB Staff Position FAS 157-2, Effective Date of FASB Statement No. 157.

820-10-65-**2** Paragraph not used.

820-10-65-**3** Paragraph superseded on 07/01/2010 after the end of the transition period stated in EITF Issue No. 08-5, "Issuer's Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement."

820-10-65-**4** Paragraph superseded on 04/13/2010 after the end of the transition period stated in FASB Staff Position FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly.

820-10-65-**5** Paragraph superseded on 04/13/2010 after the end of the transition period stated in Accounting Standards Update No. 2009-05, Fair Value Measurements and Disclosures (Topic 820): Measuring Liabilities at Fair Value.

820-10-65-**6** Paragraph superseded on 07/01/2010 after the end of the transition period stated in Accounting Standards Update No. 2009-12, Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent).

820-10-65-**7** Paragraph superseded on 06/18/2012 after the end of the transition period stated in Accounting Standards Update No. 2010-06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements.

820-10-65-**8** Paragraph superseded on 06/17/2013 after the end of the transition period stated in Accounting Standards Update No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.

820-10-65-**9** Paragraph superseded by Accounting Standards Update No. 2018-09.

820-10-65-**10** Paragraph superseded on 06/20/2018 after the end of the transition period stated in Accounting Standards Update No. 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent).

820-10-65-**11** Paragraph superseded on 06/20/2018 after the end of the transition period stated in Accounting Standards Update No. 2016-19, Technical Corrections and Improvements.

820-10-65-**12** Paragraph superseded on 08/19/2021 after the end of the transition period stated in Accounting Standards Update No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement.

Transition Related to Accounting Standards Update No. 2022-03, Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions

820-10-65-**13** Accounting Standards Update 2022-03 2026-6-15
The following represents the transition and effective date information related to Accounting Standards Update No. 2022-03, Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions:

a. For public business entities, the pending content that links to this paragraph shall be effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2023. Early adoption is permitted.

b. For all other entities, the pending content that links to this paragraph shall be effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2024. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance.

c. An entity shall apply the pending content that links to this paragraph to equity securities within the scope of the pending content that links to this paragraph as follows:

   1. For entities that meet the definition of an investment company in accordance with the guidance in paragraphs 946-10-15-4 through 15-9946-10-15-5946-10-15-6946-10-15-7946-10-15-8946-10-15-9, on a prospective basis to an equity security in which the contractual restriction that prohibits the sale of the equity security is executed or modified on or after the date at which the investment company first applies the pending content that links to this paragraph. An investment company that holds an equity security that is subject to a contractual sale restriction executed before the date at which the investment company first applies the pending content that links to this paragraph shall continue to account for that equity security using the accounting policy applied before the adoption of the pending content that links to this paragraph until the contractual sale restriction expires or is modified. An entity shall account for a modification to a contractual sale restriction in accordance with (c)(2) on the date of modification. Any adjustments as a result of applying the pending content that links to this paragraph shall be recognized as an adjustment to current-period earnings on the date the contractual sale restriction is modified.

   2. For all other entities, on a prospective basis to all equity securities. Any adjustments as a result of applying the pending content that links to this paragraph shall be recognized as an adjustment to current-period earnings on the date at which an entity first applies the pending content that links to this paragraph.

d. An entity that adopts the pending content that links to this paragraph in accordance with (c)(1) shall disclose the following in each period that the entity continues to apply a discount to equity securities subject to contractual sale restrictions executed before adopting the pending content that links to this paragraph:

   1. The fair value of equity securities subject to a contractual sale restriction on the statement of financial position to which the entity continues to apply a discount.

   2. The nature and remaining duration of the contractual sale restriction.

3. The circumstances that could cause a lapse in the restriction.

   The equity securities included in (d)(1) through (3) shall be excluded from the amounts disclosed as required by paragraph 820-10-50-6B.

e. An entity that adopts the pending content that links to this paragraph in accordance with (c)(2) shall disclose the amount recognized as an adjustment to earnings in the period that the entity first applies the pending content that links to this paragraph.