350 - Intangibles-Goodwill and Other

350-10 - Overall

350-10-00 - 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

350-10-00-**1** The following table identifies the changes made to this Subtopic.

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
Business	Amended	Accounting Standards Update No. 2017-01	01/05/2017
Conduit Debt Security	Added	Maintenance Update 2014-20	09/29/2014
Contract	Added	Accounting Standards Update No. 2014-09	05/28/2014
Corporate Joint Venture	Added	Accounting Standards Update No. 2023-05	08/23/2023
Customer	Added	Accounting Standards Update No. 2014-09	05/28/2014
Goodwill	Amended	Accounting Standards Update No. 2023-05	08/23/2023
Goodwill	Amended	Accounting Standards Update No. 2010-07	01/28/2010
Hosting Arrangement	Added	Accounting Standards Update No. 2018-15	08/29/2018
Joint Venture	Added	Accounting Standards Update No. 2023-05	08/23/2023
Nonprofit Activity	Added	Accounting Standards Update No. 2014-09	05/28/2014
Nonpublic Entity (Def. 1)	Amended	Maintenance Update 2014-20	09/29/2014
Nonpublic Entity (Def. 3)	Amended	Maintenance Update 2014-20	09/29/2014
Nonpublic Entity	Added	Accounting Standards Update No. 2010-28	12/17/2010
Public Entity	Amended	Maintenance Update 2014-20	09/29/2014
Public Entity	Added	Accounting	12/17/2010

		Standards Update No. 2010-28	
Variable Interest Entity	Superseded	Accounting Standards Update No. 2025-03	05/12/2025
350-10-05-1	Amended	Accounting Standards Update No. 2023-05	08/23/2023
350-10-05-1	Amended	Accounting Standards Update No. 2017-04	01/26/2017
350-10-05-1	Amended	Accounting Standards Update No. 2010-07	01/28/2010
350-10-05-2	Superseded	Accounting Standards Update No. 2017-04	01/26/2017
350-10-05-3	Amended	Accounting Standards Update No. 2023-08	12/13/2023
350-10-05-3	Amended	Accounting Standards Update No. 2023-05	08/23/2023
350-10-05-3	Amended	Accounting Standards Update No. 2018-15	08/29/2018
350-10-05-3	Amended	Accounting Standards Update No. 2017-04	01/26/2017
350-10-05-3A	Amended	Accounting Standards Update No. 2023-05	08/23/2023
350-10-05-3A	Added	Accounting Standards Update No. 2017-04	01/26/2017
350-10-05-4 through 05-7	Superseded	Accounting Standards Update No. 2017-04	01/26/2017
350-10-05-5	Amended	Accounting Standards Update No. 2010-07	01/28/2010
350-10-15-3	Amended	Accounting Standards Update No. 2023-05	08/23/2023
350-10-15-3	Amended	Accounting Standards Update No. 2010-07	01/28/2010
350-10-40-1	Amended	Accounting Standards Update No. 2017-05	02/22/2017
350-10-40-1 through 40-4	Added	Accounting Standards Update No. 2014-09	05/28/2014
350-10-40-2	Amended	Accounting Standards Update No. 2017-05	02/22/2017
350-10-40-3	Amended	Accounting Standards Update No. 2023-08	12/13/2023

350-10-60-1	Added	Accounting Standards Update No. 2014-09	05/28/2014
350-10-65-1	Added	Accounting Standards Update No. 2010-07	01/28/2010
350-10-65-2	Added	Accounting Standards Update No. 2010-28	12/17/2010

350-10-**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

350-10-05-**1** The Intangibles-Goodwill and Other Topic provides guidance on financial accounting and reporting related to goodwill and other intangible assets, including the subsequent measurement of goodwill and intangible assets. It does not include guidance on the accounting at acquisition for goodwill and intangible assets acquired in a business combination or in an acquisition by a not-for-profit entity.

a. Subparagraph superseded by Accounting Standards Update No. 2017-04.

b. Subparagraph superseded by Accounting Standards Update No. 2017-04.

c. Subparagraph superseded by Accounting Standards Update No. 2017-04.

PENDING CONTENT

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

The Intangibles-Goodwill and Other Topic provides guidance on financial accounting and reporting related to goodwill and other intangible assets, including the subsequent measurement of goodwill and intangible assets. It does not include guidance on the accounting at acquisition for goodwill and intangible assets acquired in a business combination or in an acquisition by a not-for-profit entity. It also does not include guidance on the accounting upon formation for goodwill and intangible assets recognized by a joint venture.

a. Subparagraph superseded by Accounting Standards Update No. 2017-04.

b. Subparagraph superseded by Accounting Standards Update No. 2017-04.

c. Subparagraph superseded by Accounting Standards Update No. 2017-04.

350-10-05-**2** Paragraph superseded by Accounting Standards Update No. 2017-04.

350-10-05-**3** This Topic includes the following Subtopics:

a. Overall.

b. Goodwill-Subtopic 350-20 provides guidance on the measurement of goodwill after acquisition, derecognition of some or all of goodwill allocated to a reporting unit, other presentation matters, and disclosures.

c. General Intangibles Other Than Goodwill-Subtopic 350-30 provides guidance on the initial recognition and measurement of intangible assets other than goodwill that are either:

1. Acquired individually or with a group of assets in a transaction that is not a business combination or an acquisition by a not-for-profit entity
2. Internally generated.

d. Internal-Use Software-Subtopic 350-40 provides guidance on the accounting for the cost of computer software that is developed or obtained for internal use and hosting arrangements obtained for internal use.

e. Website Development Costs-Subtopic 350-50 provides guidance on whether to capitalize or expense costs incurred to develop a website.

PENDING CONTENT

Transition Date: P December 16, 2024; N December 16, 2024 **- Transition Guidance :** 350-60-65-1

This Topic includes the following Subtopics:

a. Overall.

b. Goodwill-Subtopic 350-20 provides guidance on the measurement of goodwill after acquisition, derecognition of some or all of goodwill allocated to a reporting unit, other presentation matters, and disclosures.

c. General Intangibles Other Than Goodwill-Subtopic 350-30 provides guidance on the initial recognition and measurement of intangible assets other than goodwill that are either:

1. Acquired individually or with a group of assets in a transaction that is not a business combination or an acquisition by a not-for-profit entity
2. Internally generated.

d. Internal-Use Software-Subtopic 350-40 provides guidance on the accounting for the cost of computer software that is developed or obtained for internal use and hosting arrangements obtained for internal use.

e. Website Development Costs-Subtopic 350-50 provides guidance on whether to capitalize or expense costs incurred to develop a website.

f. Crypto Assets-Subtopic 350-60 provides guidance on the subsequent measurement, presentation, and disclosure of crypto assets.

PENDING CONTENT

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

This Topic includes the following Subtopics:

a. Overall.

b. Goodwill-Subtopic 350-20 provides guidance on the measurement of goodwill after acquisition, derecognition of some or all of goodwill allocated to a reporting unit, other presentation matters, and disclosures.

c. General Intangibles Other Than Goodwill-Subtopic 350-30 provides guidance on the initial recognition and measurement of intangible assets other than goodwill that are either:

1. Acquired individually or with a group of assets in a transaction that is not a business combination, an acquisition by a not-for-profit entity, or a joint venture formation

2. Internally generated.

d. Internal-Use Software-Subtopic 350-40 provides guidance on the accounting for the cost of computer software that is developed or obtained for internal use and hosting arrangements obtained for internal use.

e. Website Development Costs-Subtopic 350-50 provides guidance on whether to capitalize or expense costs incurred to develop a website.

f. Crypto Assets-Subtopic 350-60 provides guidance on the subsequent measurement, presentation, and disclosure of crypto assets.

350-10-05-**3A** Guidance for the financial accounting and reporting at acquisition of goodwill and other intangible assets acquired in a business combination or acquired in an acquisition by a not-for-profit entity is provided in the following Subtopics:

a. Subtopic 805-20 provides acquisition guidance for intangible assets acquired in a business combination or in an acquisition by a not-for-profit entity.

b. Subtopic 805-30 provides guidance on recognition and initial measurement of goodwill acquired in a business combination.

c. Subtopic 958-805 provides guidance on recognition and initial measurement of goodwill acquired in an acquisition by a not-for-profit entity.

PENDING CONTENT

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

Guidance for the financial accounting and reporting at acquisition of goodwill and other intangible assets acquired in a business combination, acquired in an acquisition by a not-for-profit entity , or recognized by a joint venture upon formation is provided in the following Subtopics:

a. Subtopic 805-20 provides acquisition guidance for intangible assets acquired in a business combination or in an acquisition by a not-for-profit entity.

b. Subtopic 805-30 provides guidance on recognition and initial measurement of goodwill acquired in a business combination.

c. Subtopic 958-805 provides guidance on recognition and initial measurement of goodwill acquired in an acquisition by a not-for-profit entity.

d. Subtopic 805-60 provides guidance for a joint venture upon formation on recognition and initial measurement of goodwill and other intangible assets.

350-10-05-**4** Paragraph superseded by Accounting Standards Update No. 2017-04.

350-10-05-**5** Paragraph superseded by Accounting Standards Update No. 2017-04.

350-10-05-**6** Paragraph superseded by Accounting Standards Update No. 2017-04.

350-10-05-**7** Paragraph superseded by Accounting Standards Update No. 2017-04.

350-10-**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

350-10-15-**1** The Scope Section of the Overall Subtopic establishes the pervasive scope for all Subtopics of the Intangibles-Goodwill and Other Topic. Unless explicitly addressed within specific Subtopics, the following scope guidance applies to all Subtopics of the Intangibles-Goodwill and Other Topic.

Entities

350-10-15-**2** The guidance in the Intangibles-Goodwill and Other Topic applies to all entities, including business entities, mutual entities, and not-for-profit entities (NFPs).

Transactions

350-10-15-**3** The guidance in the Intangibles-Goodwill and Other Topic does not apply to the following transactions and activities:

a. The accounting at acquisition for goodwill acquired in a business combination (for guidance see Subtopic 805-30)

b. Subparagraph not used.

c. The accounting at acquisition for goodwill acquired in an acquisition by a not-for-profit entity (for guidance see Subtopic 958-805)

d. The accounting at acquisition for intangible assets (other than goodwill) acquired in a business combination or in an acquisition by a not-for-profit entity (for guidance see Subtopics 805-20 and 958-805).

PENDING CONTENT

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

The guidance in the Intangibles-Goodwill and Other Topic does not apply to the following transactions and activities:

a. The accounting at acquisition for goodwill acquired in a business combination (for guidance see Subtopic 805-30)

b. Subparagraph not used.

c. The accounting at acquisition for goodwill acquired in an acquisition by a not-for-profit entity (for guidance see Subtopic 958-805)

d. The accounting at acquisition for intangible assets (other than goodwill) acquired in a business combination or in an acquisition by a not-for-profit entity (for guidance see Subtopics 805-20 and 958-805)

e. The accounting upon formation for intangible assets and goodwill recognized by a joint venture (for guidance see Subtopic 805-60).

Other Considerations

350-10-15-**4** The guidance in the Intangibles-Goodwill and Other Topic does not change the accounting prescribed in the following locations in the Codification:

a. Research and development costs under Subtopic 730-10

b. Extractive activities under Topic 932

c. Entertainment and media, including records and music under Topic 928

d. Financial services industry under Topic 950

e. Entertainment and media, including broadcasters under Topic 920

f. Regulatory operations under paragraphs 980-350-35-1 through 35-2

g. Subparagraph not used.

h. Software under Topic 985

i. Income taxes under Topic 740

j. Transfers and servicing under Topic 860.

k. Subparagraph not used.

350-10-**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.

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.

Contract

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

Corporate Joint Venture

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

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.

Goodwill

An asset representing the future economic benefits arising from other assets acquired in a business combination or an acquisition by a not-for-profit entity that are not individually identified and separately recognized. For ease of reference, this term also includes the immediate charge recognized by not-for-profit entities in accordance with paragraph 958-805-25-29.

> **PENDING CONTENT**
>
> **Transition Date:** P January 1, 2025; N January 1, 2025 **- Transition Guidance :** 805-60-65-1
>
> An asset representing the future economic benefits arising from other assets acquired in a business combination, acquired in an acquisition by a not-for-profit entity, or recognized by a joint venture upon formation that are not individually identified and separately recognized. For ease of reference, this term also includes the immediate charge recognized by not-for-profit entities in accordance with paragraph 958-805-25-29.

Hosting Arrangement

In connection with accessing and using software products, an arrangement in which the customer of the software does not currently have possession of the software; rather, the customer accesses and uses the software on an as-needed basis.

Intangible Assets

Assets (not including financial assets) that lack physical substance. (The term intangible assets is used to refer to intangible assets other than goodwill.)

Joint Venture

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

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.

Mutual Entity

An entity other than an investor-owned entity that provides dividends, lower costs, or other economic benefits directly and proportionately to its owners, members, or participants. Mutual insurance entities, credit unions, and farm and rural electric cooperatives are examples of mutual entities.

Nonprofit Activity

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

Not-for-Profit Entity

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

a. Contributions of significant amounts of resources from resource providers who do not expect commensurate or proportionate pecuniary return

b. Operating purposes other than to provide goods or services at a profit

c. Absence of ownership interests like those of business entities.

Entities that clearly fall outside this definition include the following:

a. All investor-owned entities

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

Variable Interest Entity

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

350-10-**40 - Derecognition**

General Note: The Derecognition Section provides guidance on determining whether and when an entity should

> remove an item from the financial statements. For example, the entity would derecognize an asset because it no longer has rights to the asset or it would derecognize a liability because it no longer has any obligation.

General

Transfer or Sale of Intangible Assets

350-10-40-**1** An entity shall account for the derecognition of a nonfinancial asset, including an in substance nonfinancial asset, within the scope of this Topic in accordance with Subtopic 610-20 on gains and losses from the derecognition of nonfinancial assets, unless a scope exception from Subtopic 610-20 applies. For example, the derecognition of a nonfinancial asset in a contract with a customer shall be accounted for in accordance with Topic 606 on revenue from contracts with customers.

350-10-40-**2** An entity shall account for the derecognition of a subsidiary or a group of assets that is either a business or nonprofit activity in accordance with the derecognition guidance in Subtopic 810-10.

350-10-40-**3** If an entity transfers a nonfinancial asset in accordance with paragraph 350-10-40-1, and the contract does not meet all of the criteria in paragraph 606-10-25-1, the entity shall not derecognize the nonfinancial asset and shall follow the guidance in paragraphs 606-10-25-6 through 25-8 to determine if and when the contract subsequently meets all of the criteria in paragraph 606-10-25-1. Until all of the criteria in paragraph 606-10-25-1 are met, the entity shall continue to do all of the following:

a. Report the nonfinancial asset in its financial statements

b. Recognize amortization expense as a period cost for those assets with a finite life

c. Apply the impairment guidance in Section 350-30-35.

> **PENDING CONTENT**
>
> **Transition Date:** P December 16, 2024; N December 16, 2024 **- Transition Guidance :** 350-60-65-1
>
> If an entity transfers a nonfinancial asset in accordance with paragraph 350-10-40-1, and the contract does not meet all of the criteria in paragraph 606-10-25-1, the entity shall not derecognize the nonfinancial asset and shall follow the guidance in paragraphs 606-10-25-6 through 25-8 to determine if and when the contract subsequently meets all of the criteria in paragraph 606-10-25-1. Until all of the criteria in paragraph 606-10-25-1 are met, the entity shall continue to do any of the following , as applicable:
>
> a. Report the nonfinancial asset in its financial statements
>
> b. Recognize amortization expense as a period cost for those assets with a finite life
>
> c. Apply the impairment guidance in Section 350-30-35
>
> d. For crypto assets accounted for in accordance with Subtopic 350-60, recognize gains and losses from remeasurement.

350-10-40-**4** Additionally, see the derecognition guidance in Section 350-20-40 regarding the disposal of all or a portion of a reporting unit.

350-10-**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

350-10-60-**1** For guidance on recognizing an impairment loss on barter credits, see paragraph 845-10-30-19.

350-10-**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

350-10-65-**1** Paragraph superseded on 06/20/2011 after the end of the transition period stated in FASB Statement No. 164, Not-for-Profit Entities: Mergers and Acquisitions.

350-10-65-**2** Paragraph superseded on 06/17/2013 after the end of the transition period stated in Accounting Standards Update No. 2010-28, Intangibles-Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts.

350-10-**S00 - Status**

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

General

350-10-S00-**1** No updates have been made to this subtopic.

350-10-**S35 - 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

Recognition and Measurement of an Impairment Loss

350-10-S35-**1** See paragraph 805-20-S99-3, SEC Staff Announcement: Use of Residual Method to Value Acquired Assets Other Than Goodwill, for SEC Staff views on the impairment testing of intangible assets.

350-10-**S45 - Other Presentation Matters**

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

General

Presentation of Intangible Assets

350-10-S45-**1** See paragraph 210-10-S99-1, Regulation S-X Rule 5-02, for presentation requirements for intangible assets.

350-**20 - Goodwill**

350-20-**00 - Status**

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

General

350-20-00-**1** The following table identifies the changes made to this Subtopic.

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
Business	Amended	Accounting Standards Update No. 2017-01	01/05/2017
Corporate Joint Venture	Added	Accounting Standards Update No. 2023-05	08/23/2023
Formation Date	Added	Accounting Standards Update No. 2023-05	08/23/2023
Goodwill	Amended	Accounting Standards Update No. 2023-05	08/23/2023
Goodwill	Amended	Accounting Standards Update No. 2010-07	01/28/2010
Joint Venture	Added	Accounting Standards Update No. 2023-05	08/23/2023
Nonprofit Activity	Added	Accounting Standards Update No. 2010-07	01/28/2010
Not-for-Profit Entity	Added	Accounting Standards Update No. 2014-02	01/16/2014
Private Company	Added	Accounting Standards Update No. 2014-02	01/16/2014
Public Business Entity	Amended	Maintenance Update 2017-06	04/07/2017
Public Business Entity	Amended	Maintenance Update 2016-11	06/27/2016
Public Business Entity	Added	Accounting Standards Update No. 2014-02	01/16/2014
Securities and Exchange Commission (SEC) Filer	Added	Accounting Standards Update No. 2017-04	01/26/2017
Variable Interest Entity	Superseded	Accounting Standards Update No. 2025-03	05/12/2025
350-20-05-1	Amended	Accounting Standards Update No. 2010-07	01/28/2010

350-20-05-2	Amended	Accounting Standards Update No. 2023-05	08/23/2023
350-20-05-2	Amended	Accounting Standards Update No. 2010-07	01/28/2010
350-20-05-3	Superseded	Accounting Standards Update No. 2017-04	01/26/2017
350-20-05-4	Amended	Accounting Standards Update No. 2021-03	03/30/2021
350-20-05-4 through 05-6	Added	Accounting Standards Update No. 2014-02	01/16/2014
350-20-05-4A	Amended	Accounting Standards Update No. 2023-05	08/23/2023
350-20-05-4A	Amended	Accounting Standards Update No. 2021-03	03/30/2021
350-20-05-4A	Added	Accounting Standards Update No. 2017-04	01/26/2017
350-20-05-4B	Added	Accounting Standards Update No. 2017-04	01/26/2017
350-20-05-5 through 05-6	Amended	Accounting Standards Update No. 2021-03	03/30/2021
350-20-05-5	Amended	Accounting Standards Update No. 2017-04	01/26/2017
350-20-05-5A	Added	Accounting Standards Update No. 2017-04	01/26/2017
350-20-15-2	Amended	Accounting Standards Update No. 2023-05	08/23/2023
350-20-15-2	Amended	Accounting Standards Update No. 2010-07	01/28/2010
350-20-15-2A	Superseded	Accounting Standards Update No. 2010-07	01/28/2010
350-20-15-3	Amended	Accounting Standards Update No. 2017-04	01/26/2017
350-20-15-3A through 15-5	Amended	Accounting Standards Update No. 2021-03	03/30/2021
350-20-15-3A	Amended	Accounting Standards Update No. 2019-06	05/30/2019
350-20-15-3A	Added	Accounting Standards Update No. 2016-03	03/07/2016
350-20-15-4	Amended	Accounting Standards Update	08/23/2023

		No. 2023-05	
350-20-15-4	Amended	Accounting Standards Update No. 2019-06	05/30/2019
350-20-15-4	Added	Accounting Standards Update No. 2014-02	01/16/2014
350-20-15-4A	Added	Accounting Standards Update No. 2021-03	03/30/2021
350-20-15-5	Added	Accounting Standards Update No. 2014-02	01/16/2014
350-20-15-6	Added	Accounting Standards Update No. 2021-03	03/30/2021
350-20-25-1	Amended	Accounting Standards Update No. 2023-05	08/23/2023
350-20-25-1	Amended	Accounting Standards Update No. 2010-07	01/28/2010
350-20-35-1 through 35-3	Amended	Accounting Standards Update No. 2017-04	01/26/2017
350-20-35-3	Amended	Accounting Standards Update No. 2011-08	09/15/2011
350-20-35-3A through 35-3G	Added	Accounting Standards Update No. 2011-08	09/15/2011
350-20-35-3B	Amended	Accounting Standards Update No. 2017-04	01/26/2017
350-20-35-3D through 35-4	Amended	Accounting Standards Update No. 2017-04	01/26/2017
350-20-35-6	Amended	Accounting Standards Update No. 2017-04	01/26/2017
350-20-35-6	Amended	Accounting Standards Update No. 2010-28	12/17/2010
350-20-35-7	Amended	Accounting Standards Update No. 2010-28	12/17/2010
350-20-35-8	Amended	Accounting Standards Update No. 2017-04	01/26/2017
350-20-35-8A through 35-11	Superseded	Accounting Standards Update No. 2017-04	01/26/2017
350-20-35-8A	Amended	Accounting Standards Update No. 2011-08	09/15/2011
350-20-35-8A	Added	Accounting Standards Update No. 2010-28	12/17/2010
350-20-35-8B	Added	Accounting	01/26/2017

		Standards Update No. 2017-04	
350-20-35-14 through 35-21	Superseded	Accounting Standards Update No. 2017-04	01/26/2017
350-20-35-14	Amended	Accounting Standards Update No. 2010-07	01/28/2010
350-20-35-25	Amended	Accounting Standards Update No. 2017-04	01/26/2017
350-20-35-25	Amended	Accounting Standards Update No. 2012-04	10/01/2012
350-20-35-26	Amended	Accounting Standards Update No. 2012-04	10/01/2012
350-20-35-29	Superseded	Accounting Standards Update No. 2011-08	09/15/2011
350-20-35-30	Amended	Accounting Standards Update No. 2017-04	01/26/2017
350-20-35-30	Amended	Accounting Standards Update No. 2011-08	09/15/2011
350-20-35-30	Amended	Accounting Standards Update No. 2010-28	12/17/2010
350-20-35-34	Amended	Accounting Standards Update No. 2010-07	01/28/2010
350-20-35-39A	Added	Accounting Standards Update No. 2017-04	01/26/2017
350-20-35-41	Amended	Accounting Standards Update No. 2023-05	08/23/2023
350-20-35-45	Amended	Accounting Standards Update No. 2012-04	10/01/2012
350-20-35-48	Amended	Accounting Standards Update No. 2011-08	09/15/2011
350-20-35-51	Amended	Accounting Standards Update No. 2012-04	10/01/2012
350-20-35-52 through 35-57	Superseded	Accounting Standards Update No. 2012-04	10/01/2012
350-20-35-57	Amended	Accounting Standards Update No. 2011-08	09/15/2011
350-20-35-57A	Amended	Accounting Standards Update No. 2017-04	01/26/2017
350-20-35-57A	Amended	Accounting Standards Update No. 2010-07	01/28/2010

350-20-35-60	Superseded	Accounting Standards Update No. 2014-02	01/16/2014
350-20-35-62	Amended	Accounting Standards Update No. 2021-03	03/30/2021
350-20-35-62 through 35-82	Added	Accounting Standards Update No. 2014-02	01/16/2014
350-20-35-63	Amended	Accounting Standards Update No. 2023-05	08/23/2023
350-20-35-63	Amended	Accounting Standards Update No. 2021-03	03/30/2021
350-20-35-63	Amended	Accounting Standards Update No. 2019-06	05/30/2019
350-20-35-65 through 35-67	Amended	Accounting Standards Update No. 2021-03	03/30/2021
350-20-35-73	Amended	Accounting Standards Update No. 2017-04	01/26/2017
350-20-35-79	Amended	Accounting Standards Update No. 2021-03	03/30/2021
350-20-35-81	Amended	Accounting Standards Update No. 2021-03	03/30/2021
350-20-35-83 through 35-86	Added	Accounting Standards Update No. 2021-03	03/30/2021
350-20-40-1 through 40-7	Added	Accounting Standards Update No. 2012-04	10/01/2012
350-20-40-2 through 40-7	Amended	Accounting Standards Update No. 2019-06	05/30/2019
350-20-40-7	Amended	Accounting Standards Update No. 2017-04	01/26/2017
350-20-40-8	Amended	Accounting Standards Update No. 2021-03	03/30/2021
350-20-40-8	Added	Accounting Standards Update No. 2014-02	01/16/2014
350-20-40-9	Amended	Accounting Standards Update No. 2019-06	05/30/2019
350-20-40-9	Added	Accounting Standards Update No. 2014-02	01/16/2014
350-20-45-3	Amended	Accounting Standards Update No. 2016-19	12/14/2016
350-20-45-4	Amended	Accounting Standards Update	03/30/2021

		No. 2021-03	
350-20-45-4 through 45-7	Added	Accounting Standards Update No. 2014-02	01/16/2014
350-20-45-6	Amended	Accounting Standards Update No. 2019-06	05/30/2019
350-20-50-1A	Added	Accounting Standards Update No. 2017-04	01/26/2017
350-20-50-2	Amended	Accounting Standards Update No. 2017-04	01/26/2017
350-20-50-2	Amended	Accounting Standards Update No. 2010-07	01/28/2010
350-20-50-3	Added	Accounting Standards Update No. 2011-08	09/15/2011
350-20-50-3A	Added	Accounting Standards Update No. 2021-03	03/30/2021
350-20-50-3B	Added	Accounting Standards Update No. 2021-03	03/30/2021
350-20-50-4	Amended	Accounting Standards Update No. 2023-05	08/23/2023
350-20-50-4	Amended	Accounting Standards Update No. 2021-03	03/30/2021
350-20-50-4	Amended	Accounting Standards Update No. 2019-06	05/30/2019
350-20-50-4 through 50-7	Added	Accounting Standards Update No. 2014-02	01/16/2014
350-20-50-6	Amended	Accounting Standards Update No. 2019-06	05/30/2019
350-20-50-7	Amended	Accounting Standards Update No. 2023-05	08/23/2023
350-20-50-7	Amended	Accounting Standards Update No. 2019-06	05/30/2019
350-20-55-3	Amended	Accounting Standards Update No. 2010-07	01/28/2010
350-20-55-7	Amended	Accounting Standards Update No. 2010-07	01/28/2010
350-20-55-10	Amended	Accounting Standards Update No. 2017-04	01/26/2017
350-20-55-12 through 55-17	Amended	Accounting Standards Update No. 2017-04	01/26/2017
350-20-55-13	Amended	Accounting	10/01/2012

		Standards Update No. 2012-04	
350-20-55-19 through 55-26	Amended	Accounting Standards Update No. 2017-04	01/26/2017
350-20-55-20	Amended	Accounting Standards Update No. 2012-04	10/01/2012
350-20-55-23A through 55-23D	Added	Accounting Standards Update No. 2017-04	01/26/2017
350-20-55-25	Added	Accounting Standards Update No. 2011-08	09/15/2011
350-20-55-26	Amended	Accounting Standards Update No. 2021-03	03/30/2021
350-20-55-26	Added	Accounting Standards Update No. 2014-02	01/16/2014
350-20-55-27 through 55-29	Added	Accounting Standards Update No. 2021-03	03/30/2021
350-20-65-1	Added	Accounting Standards Update No. 2011-08	09/15/2011
350-20-65-2	Amended	Accounting Standards Update No. 2021-03	03/30/2021
350-20-65-2	Amended	Accounting Standards Update No. 2019-06	05/30/2019
350-20-65-2	Amended	Accounting Standards Update No. 2016-03	03/07/2016
350-20-65-2	Added	Accounting Standards Update No. 2014-02	01/16/2014
350-20-65-3	Amended	Accounting Standards Update No. 2021-03	03/30/2021
350-20-65-3	Amended	Accounting Standards Update No. 2019-10	11/15/2019
350-20-65-3	Amended	Maintenance Update 2017-04	03/06/2017
350-20-65-3	Added	Accounting Standards Update No. 2017-04	01/26/2017
350-20-65-4	Added	Accounting Standards Update No. 2021-03	03/30/2021

350-20-**05 - Overview and Background**

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

Note on Subsection Accounting Alternative: Upon the effective date of Accounting Standards Update 2021-03, the title of the Subsection below, Accounting Alternative, will change to Accounting Alternatives.

General

350-20-05-**1** This Subtopic addresses financial accounting and reporting for goodwill subsequent to its acquisition and for the cost of internally developing goodwill.

350-20-05-**2** Subtopic 805-30 provides guidance on recognition and initial measurement of goodwill acquired in a business combination. Subtopic 958-805 provides guidance on recognition and initial measurement of goodwill acquired in an acquisition by a not-for-profit entity.

PENDING CONTENT

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

Subtopic 805-30 provides guidance on recognition and initial measurement of goodwill acquired in a business combination. Subtopic 958-805 provides guidance on recognition and initial measurement of goodwill acquired in an acquisition by a not-for-profit entity. Subtopic 805-60 provides guidance on the recognition and initial measurement of goodwill by a joint venture upon formation.

350-20-05-**3** Paragraph superseded by Accounting Standards Update No. 2017-04.

350-20-05-**4** The guidance in this Subtopic is presented in the following two Subsections:

a. General

b. Accounting Alternatives.

350-20-05-**4A** Costs of developing, maintaining, or restoring internally generated goodwill should not be capitalized. For entities that do not elect the accounting alternative for amortizing goodwill included in the guidance in the Subsections outlined in paragraph 350-20-05-5A, goodwill that is recognized under the business combination guidance in Topic 805 and Subtopic 958-805 should not be amortized. Instead, it should be tested for impairment at least annually in accordance with paragraphs 350-20-35-28 through 35-32. If the accounting alternative for a goodwill impairment triggering event evaluation is elected, a goodwill impairment triggering event shall be evaluated in accordance with paragraphs 350-20-35-83 through 35-86.

PENDING CONTENT

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

Costs of developing, maintaining, or restoring internally generated goodwill should not be capitalized. For entities that do not elect the accounting alternative for amortizing goodwill included in the guidance in the Subsections outlined in paragraph 350-20-05-5A, goodwill that is recognized under the business combination guidance in Topic 805 and Subtopic 958-805 and goodwill that is recognized under the joint venture formation guidance in Subtopic 805-60 should not be amortized. Instead, it should be tested for impairment at least annually in accordance with paragraphs 350-20-35-28 through 35-32. If the accounting alternative for a goodwill impairment triggering event evaluation is elected, a goodwill impairment triggering event shall be evaluated in accordance with paragraphs 350-20-35-83 through 35-86.

350-20-05-**4B** This Subtopic also includes guidance on the following:

a. How an entity should derecognize goodwill when it disposes of all or a portion of a reporting unit

b. How goodwill should be presented in the balance sheet

c. How impairment losses should be presented in the income statement

d. What disclosures about goodwill and related impairment considerations should be made in the notes to the financial statements.

Accounting Alternatives

350-20-05-**5** The Accounting Alternatives Subsections of this Subtopic provide guidance for the following:

a. An entity within the scope of paragraph 350-20-15-4 that elects the accounting alternative for amortizing goodwill. If elected, this accounting alternative allows an eligible entity to amortize goodwill and test that goodwill for impairment upon a triggering event.

b. An entity within the scope of paragraph 350-20-15-4A that elects the accounting alternative for a goodwill impairment triggering event evaluation. If elected, this accounting alternative allows an eligible entity to evaluate goodwill impairment triggering events only as of the end of each reporting period.

350-20-05-**5A** The accounting alternatives guidance can be found in the following paragraphs:

a. Scope and Scope Exceptions-paragraphs 350-20-15-4 through 15-6

b. Subsequent Measurement-paragraphs 350-20-35-62 through 35-86

c. Derecognition-paragraphs 350-20-40-8 through 40-9

d. Other Presentation Matters-paragraphs 350-20-45-4 through 45-7

e. Disclosure-paragraphs 350-20-50-3A through 50-7

f. Implementation Guidance and Illustrations-paragraphs 350-20-55-26 through 55-29.

350-20-05-**6** An entity should continue to follow the applicable requirements in Topic 350 for other accounting and reporting matters related to goodwill that are not addressed in the Accounting Alternatives Subsections of this Subtopic.

350-20-**15 - Scope and Scope Exceptions**

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

> **Note on Subsection Accounting Alternative:** Upon the effective date of Accounting Standards Update 2021-03, the title of the Subsection below, Accounting Alternative, will change to Accounting Alternatives.

General

Overall Guidance

350-20-15-**1** This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section 350-10-15, with specific transaction qualifications noted below.

Transactions

350-20-15-**2** The guidance in this Subtopic applies to the following transactions and activities:

a. Goodwill that an entity recognizes in accordance with Subtopic 805-30 or Subtopic 958-805 after it has been initially recognized and measured

b. The costs of internally developing goodwill and other unidentifiable intangible assets with indeterminate lives

c. Subparagraph not used.

d. Amounts recognized as goodwill in applying the equity method of accounting and to the excess reorganization value recognized by entities that adopt fresh-start reporting in accordance with Topic 852.

e. Subparagraph not used.

> **PENDING CONTENT**
>
> **Transition Date:** (P) January 1, 2025; (N) January 1, 2025 **- Transition Guidance :** 805-60-65-1
>
> The guidance in this Subtopic applies to the following transactions and activities:
>
> a. Goodwill that an entity recognizes in accordance with Subtopic 805-30, Subtopic 805-60, or Subtopic 958-805 after it has been initially recognized and measured
>
> b. The costs of internally developing goodwill and other unidentifiable intangible assets with indeterminate lives
>
> c. Subparagraph not used.
>
> d. Amounts recognized as goodwill in applying the equity method of accounting and to the excess reorganization value recognized by entities that adopt fresh-start reporting in accordance with Topic 852.
>
> e. Subparagraph not used.

350-20-15-**2A** Paragraph superseded by Accounting Standards Update No. 2010-07.

350-20-15-**3** Although goodwill is an intangible asset, the term intangible asset is used in this Subtopic to refer to an intangible asset other than goodwill.

350-20-15-**3A** Paragraphs 350-20-15-4 through 15-6, 350-20-35-62 through 35-86, 350-20-40-8 through 40-9, 350-20-45-4 through 45-7, 350-20-50-3A through 50-7, 350-20-55-26 through 55-29, and 323-10-35-13 provide guidance for an entity electing the accounting alternatives in this Subtopic. See paragraphs 350-20-65-2 and 350-20-65-4 for transition guidance for private companies and not-for-profit entities on applying the accounting alternatives in Subtopic 350-20.

Accounting Alternatives

350-20-15-**4** A private company or not-for-profit entity may make an accounting policy election to apply the accounting alternative for amortizing goodwill in this Subtopic to the following transactions or activities:

a. Goodwill that an entity recognizes in a business combination in accordance with Subtopic 805-30 or in an acquisition by a not-for-profit entity in accordance with Subtopic 958-805 after it has been initially recognized and measured

b. Amounts recognized as goodwill in applying the equity method of accounting in accordance with Topic 323 on investments-equity method and joint ventures, and to the excess reorganization value recognized by entities that adopt fresh-start reporting in accordance with Topic 852 on reorganizations.

PENDING CONTENT

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

A private company or not-for-profit entity may make an accounting policy election to apply the accounting alternative for amortizing goodwill in this Subtopic. The guidance in the Accounting Alternatives Subsections of this Subtopic applies to the following transactions or activities:

a... Goodwill that an entity recognizes in a business combination in accordance with Subtopic 805-30, in an acquisition by a not-for-profit entity in accordance with Subtopic 958-805 , or in a joint venture formation in accordance with Subtopic 805-60 after it has been initially recognized and measured

b... Amounts recognized as goodwill in applying the equity method of accounting in accordance with Topic 323 on investments-equity method and joint ventures, and to the excess reorganization value recognized by entities that adopt fresh-start reporting in accordance with Topic 852 on reorganizations.

350-20-15-**4A** A private company or not-for-profit entity may make an accounting policy election to apply the accounting alternative for a goodwill impairment triggering event evaluation to goodwill subsequently accounted for in accordance with Subtopic 350-20.

350-20-15-**5** An entity within the scope of paragraph 350-20-15-4 or paragraph 350-20-15-4A that elects the accounting alternative for amortizing goodwill or the accounting alternative for goodwill impairment triggering event evaluation shall apply all of the related subsequent measurement, derecognition, other presentation matters, and disclosure requirements upon election. An accounting alternative, once elected, shall be applied to existing goodwill and to all additions to goodwill recognized in future transactions within the scope of that accounting alternative.

350-20-15-**6** An entity that elects either of the accounting alternatives in this Subtopic is not required to elect or precluded from electing the other alternative.

350-20-**20** - Glossary

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

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.

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.

Corporate Joint Venture

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

Formation Date

> **PENDING CONTENT**
>
> **Transition Date:** P January 1, 2025; N January 1, 2025 **- Transition Guidance :** 805-60-65-1
>
> The formation date of a joint venture is the date on which an entity initially meets the definition of a joint venture, which is not necessarily the legal entity formation date. The formation date is the measurement date for the formation transaction. If multiple arrangements are accounted for as a single transaction that establishes the formation of a joint venture, the formation date is the measurement date for all arrangements that form part of the single formation transaction.

Goodwill

An asset representing the future economic benefits arising from other assets acquired in a business combination or an acquisition by a not-for-profit entity that are not individually identified and separately recognized. For ease of reference, this term also includes the immediate charge recognized by not-for-profit entities in accordance with paragraph 958-805-25-29.

> **PENDING CONTENT**
>
> **Transition Date:** P January 1, 2025; N January 1, 2025 **- Transition Guidance :** 805-60-65-1
>
> An asset representing the future economic benefits arising from other assets acquired in a business combination, acquired in an acquisition by a not-for-profit entity, or recognized by a joint venture upon formation that are not individually identified and separately recognized. For ease of reference, this term also includes the immediate charge recognized by not-for-profit entities in accordance with

> paragraph 958-805-25-29.

Intangible Assets

Assets (not including financial assets) that lack physical substance. (The term intangible assets is used to refer to intangible assets other than goodwill.)

Joint Venture

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

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.

Noncontrolling Interest

The portion of equity (net assets) in a subsidiary not attributable, directly or indirectly, to a parent. A noncontrolling interest is sometimes called a minority interest.

Nonprofit Activity

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

Not-for-Profit Entity

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

a. Contributions of significant amounts of resources from resource providers who do not expect commensurate or proportionate pecuniary return

b. Operating purposes other than to provide goods or services at a profit

c. Absence of ownership interests like those of business entities.

Entities that clearly fall outside this definition include the following:

a. All investor-owned entities

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

Operating Segment

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

Private Company

An entity other than a public business entity, a not-for-profit entity, or an employee benefit plan within the scope of Topics 960 through 965 on plan accounting.

Public Business Entity

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

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

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

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

d. It has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market.

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

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

Reporting Unit

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

Securities and Exchange Commission (SEC) Filer

An entity that is required to file or furnish its financial statements with either of the following:

a. The Securities and Exchange Commission (SEC)

b. With respect to an entity subject to Section 12(i) of the Securities Exchange Act of 1934, as amended, the appropriate agency under that Section.

Financial statements for other entities that are not otherwise SEC filers whose financial statements are included in a submission by another SEC filer are not included within this definition.

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.

Variable Interest Entity

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

350-20-**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

350-20-25-**1** See Subtopic 805-30 for guidance on recognition at acquisition of goodwill acquired in a business combination. See Subtopic 958-805 for guidance on recognition at acquisition of goodwill acquired in an acquisition by a not-for-profit entity.

> **PENDING CONTENT**
>
> **Transition Date:** P January 1, 2025; N January 1, 2025 **- Transition Guidance :** 805-60-65-1
>
> See Subtopic 805-30 for guidance on recognition at acquisition of goodwill acquired in a business combination. See Subtopic 958-805 for guidance on recognition at acquisition of goodwill acquired in an acquisition by a not-for-profit entity. See Subtopic 805-60 for guidance on recognition of goodwill by a joint venture upon formation.

350-20-25-**2** The excess reorganization value recognized by entities that adopt fresh-start reporting in accordance with Topic 852 shall be reported as goodwill and accounted for in the same manner as goodwill.

350-20-25-**3** Costs of internally developing, maintaining, or restoring intangible assets (including goodwill) that are not specifically identifiable, that have indeterminate lives, or that are inherent in a continuing business and related to an entity as a whole, shall be recognized as an expense when incurred.

350-20-**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.

> **Note on Subsection Accounting Alternative:** Upon the effective date of Accounting Standards Update 2021-03, the title of the Subsection below, Accounting Alternative, will change to Accounting Alternatives.

General

Overall Accounting for Goodwill

350-20-35-**1** Goodwill shall not be amortized. Instead, goodwill shall be tested at least annually for impairment at a level of reporting referred to as a reporting unit. (Paragraphs 350-20-35-33 through 35-46 provide guidance on determining reporting units.)

350-20-35-**2** Impairment of goodwill is the condition that exists when the carrying amount of a reporting unit that includes goodwill exceeds its fair value. A goodwill impairment loss is recognized for the amount that the carrying amount of a reporting unit, including goodwill, exceeds its fair value, limited to the total amount of goodwill allocated to that reporting unit. However, an entity shall consider the related income tax effect from any tax deductible goodwill, if applicable, in accordance with paragraph 350-20-35-8B when measuring the goodwill impairment loss.

350-20-35-**3** An entity may first assess qualitative factors, as described in paragraphs 350-20-35-3A through 35-3G, to determine whether it is necessary to perform the quantitative goodwill impairment test discussed in paragraphs 350-20-35-4 through 35-13. If determined to be necessary, the quantitative impairment test shall be used to identify goodwill impairment and measure the amount of a goodwill impairment loss to be recognized (if any).

Recognition and Measurement of an Impairment Loss

Qualitative Assessment

350-20-35-**3A** An entity may assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount, including goodwill.

350-20-35-**3B** An entity has an unconditional option to bypass the qualitative assessment described in the preceding paragraph for any reporting unit in any period and proceed directly to performing the quantitative goodwill impairment test. An entity may resume performing the qualitative assessment in any subsequent period.

350-20-35-**3C** In evaluating whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, an entity shall assess relevant events and circumstances. Examples of such events and circumstances include the following:

a. Macroeconomic conditions such as a deterioration in general economic conditions, limitations on accessing capital, fluctuations in foreign exchange rates, or other developments in equity and credit markets

b. Industry and market considerations such as a deterioration in the environment in which an entity operates, an increased competitive environment, a decline in market-dependent multiples or metrics (consider in both absolute terms and relative to peers), a change in the market for an entity's products or services, or a regulatory or political development

c. Cost factors such as increases in raw materials, labor, or other costs that have a negative effect on earnings and cash flows

d. Overall financial performance such as negative or declining cash flows or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods

e. Other relevant entity-specific events such as changes in management, key personnel, strategy, or customers; contemplation of bankruptcy; or litigation

f. Events affecting a reporting unit such as a change in the composition or carrying amount of its net assets, a more-likely-than-not expectation of selling or disposing of all, or a portion, of a reporting unit, the testing for recoverability of a significant asset group within a reporting unit, or recognition of a goodwill impairment loss in the financial statements of a subsidiary that is a component of a reporting unit

g. If applicable, a sustained decrease in share price (consider in both absolute terms and relative to peers).

350-20-35-**3D** If, after assessing the totality of events or circumstances such as those described in the preceding paragraph, an entity determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then the quantitative goodwill impairment test is unnecessary.

350-20-35-**3E** If, after assessing the totality of events or circumstances such as those described in paragraph 350-20-35-3C(a) through (g), an entity determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then the entity shall perform the quantitative goodwill impairment test.

350-20-35-**3F** The examples included in paragraph 350-20-35-3C(a) through (g) are not all-inclusive, and an entity shall consider other relevant events and circumstances that affect the fair value or carrying amount of a reporting unit in determining whether to perform the quantitative goodwill impairment test. An entity shall consider the extent to which each of the adverse events and circumstances identified could affect the comparison of a reporting unit's fair value with its carrying amount. An entity should place more weight on the events and circumstances that most affect a reporting unit's fair value or the carrying amount of its net assets. An entity also should consider positive and mitigating events and circumstances that may affect its determination of whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If an entity has a recent fair value calculation for a reporting unit, it also should include as a factor in its consideration the difference between the fair value and the carrying amount in reaching its conclusion about whether to perform the quantitative goodwill impairment test.

350-20-35-**3G** An entity shall evaluate, on the basis of the weight of evidence, the significance of all identified events and circumstances in the context of determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. None of the individual examples of events and circumstances included in paragraph 350-20-35-3C(a) through (g) are intended to represent standalone events or circumstances that necessarily require an entity to perform the quantitative goodwill impairment test. Also, the existence of positive and mitigating events and circumstances is not intended to represent a rebuttable presumption that an entity should not perform the quantitative goodwill impairment test.

Quantitative Impairment Test

350-20-35-**4** The quantitative goodwill impairment test, used to identify both the existence of impairment and the amount of impairment loss, compares the fair value of a reporting unit with its carrying amount, including goodwill.

350-20-35-**5** The guidance in paragraphs 350-20-35-22 through 35-24 shall be considered in determining the fair value of a reporting unit.

350-20-35-**6** If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired.

350-20-35-**7** In determining the carrying amount of a reporting unit, deferred income taxes shall be included in the carrying amount of the reporting unit, regardless of whether the fair value of the reporting unit will be determined assuming it would be bought or sold in a taxable or nontaxable transaction.

350-20-35-**8** If the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. Additionally, an entity shall consider the income tax effect from any tax deductible goodwill on the carrying amount of the reporting unit, if applicable, in accordance with paragraph 350-20-35-8B when measuring the goodwill impairment loss.

350-20-35-**8A** Paragraph superseded by Accounting Standards Update No. 2017-04.

350-20-35-**8B** If a reporting unit has tax deductible goodwill, recognizing a goodwill impairment loss may cause a change in deferred taxes that results in the carrying amount of the reporting unit immediately exceeding its fair value upon recognition of the loss. In those circumstances, the entity shall calculate the impairment loss and associated deferred tax effect in a manner similar to that used in a business combination in accordance with the guidance in paragraphs 805-740-55-9 through 55-13. The total loss recognized shall not exceed the total amount of goodwill allocated to the reporting unit. See Example 2A in paragraphs 350-20-55-23A through 55-23C for an illustration of the calculation.

350-20-35-**9** Paragraph superseded by Accounting Standards Update No. 2017-04.

350-20-35-**10** Paragraph superseded by Accounting Standards Update No. 2017-04.

350-20-35-**11** Paragraph superseded by Accounting Standards Update No. 2017-04.

350-20-35-**12** After a goodwill impairment loss is recognized, the adjusted carrying amount of goodwill shall be its new accounting basis.

350-20-35-**13** Subsequent reversal of a previously recognized goodwill impairment loss is prohibited once the measurement of that loss is recognized.

350-20-35-**14** Paragraph superseded by Accounting Standards Update No. 2017-04.

350-20-35-**15** Paragraph superseded by Accounting Standards Update No. 2017-04.

350-20-35-**16** Paragraph superseded by Accounting Standards Update No. 2017-04.

350-20-35-**17** Paragraph superseded by Accounting Standards Update No. 2017-04.

350-20-35-**18** Paragraph superseded by Accounting Standards Update No. 2017-04.

350-20-35-**19** Paragraph superseded by Accounting Standards Update No. 2017-04.

350-20-35-**20** Paragraph superseded by Accounting Standards Update No. 2017-04.

350-20-35-**21** Paragraph superseded by Accounting Standards Update No. 2017-04.

Determining the Fair Value of a Reporting Unit

350-20-35-**22** The fair value of a reporting unit refers to the price that would be received to sell the unit as a whole in an orderly transaction between market participants at the measurement date. Quoted market prices in active markets are the best evidence of fair value and shall be used as the basis for the measurement, if available. However, the market price of an individual equity security (and thus the market capitalization of a reporting unit with publicly traded equity securities) may not be representative of the fair value of the reporting unit as a whole.

350-20-35-**23** Substantial value may arise from the ability to take advantage of synergies and other benefits that flow from control over another entity. Consequently, measuring the fair value of a collection of assets and liabilities that operate together in a controlled entity is different from measuring the fair value of that entity's individual equity securities. An acquiring entity often is willing to pay more for equity securities that give it a controlling interest than an investor would pay for a number of equity securities representing less than a controlling interest. That control premium may cause the fair value of a reporting unit to exceed its market capitalization. The quoted market price of an individual equity security, therefore, need not be the sole measurement basis of the fair value of a reporting unit.

350-20-35-**24** In estimating the fair value of a reporting unit, a valuation technique based on multiples of earnings or revenue or a similar performance measure may be used if that technique is consistent with the objective of measuring fair value. Use of multiples of earnings or revenue in determining the fair value of a reporting unit may be appropriate, for example, when the fair value of an entity that has comparable operations and economic characteristics is observable and the relevant multiples of the comparable entity are known. Conversely, use of multiples would not be appropriate in situations in which the operations or activities of an entity for which the multiples are known are not of a comparable nature, scope, or size as the reporting unit for which fair value is being estimated.

Deferred Income Tax Considerations

350-20-35-**25** Before estimating the fair value of a reporting unit, an entity shall determine whether that estimation should be based on an assumption that the reporting unit could be bought or sold in a nontaxable transaction or a taxable transaction. Making that determination is a matter of judgment that depends on the relevant facts and circumstances and must be evaluated carefully on a case-by-case basis (see Example 1 [paragraphs 350-20-55-10 through 55-23]).

350-20-35-**26** In making that determination, an entity shall consider all of the following:

a. Whether the assumption is consistent with those that marketplace participants would incorporate into their estimates of fair value

b. The feasibility of the assumed structure

c. Whether the assumed structure results in the highest and best use and would provide maximum value to the seller for the reporting unit, including consideration of related tax implications.

350-20-35-**27** In determining the feasibility of a nontaxable transaction, an entity shall consider, among other factors, both of the following:

a. Whether the reporting unit could be sold in a nontaxable transaction

b. Whether there are any income tax laws and regulations or other corporate governance requirements that could limit an entity's ability to treat a sale of the unit as a nontaxable transaction.

When to Test Goodwill for Impairment

350-20-35-**28** Goodwill of a reporting unit shall be tested for impairment on an annual basis and between annual tests in certain circumstances (see paragraph 350-20-35-30). The annual goodwill impairment test may be performed any time during the fiscal year provided the test is performed at the same time every year. Different reporting units may be tested for impairment at different times.

350-20-35-**29** Paragraph superseded by Accounting Standards Update No. 2011-08.

350-20-35-**30** Goodwill of a reporting unit shall be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Paragraph 350-20-35-3C(a) through (g) includes examples of such events and circumstances. Paragraphs 350-20-35-3F through 35-3G describe the process for making these evaluations.

a. Subparagraph superseded by Accounting Standards Update No. 2011-08.

b. Subparagraph superseded by Accounting Standards Update No. 2011-08.

c. Subparagraph superseded by Accounting Standards Update No. 2011-08.

d. Subparagraph superseded by Accounting Standards Update No. 2011-08.

e. Subparagraph superseded by Accounting Standards Update No. 2011-08.

f. Subparagraph superseded by Accounting Standards Update No. 2011-08.

g. Subparagraph superseded by Accounting Standards Update No. 2011-08.

350-20-35-**31** If goodwill and another asset (or asset group) of a reporting unit are tested for impairment at the same time, the other asset (or asset group) shall be tested for impairment before goodwill. For example, if a significant asset group is to be tested for impairment under the Impairment or Disposal of Long-Lived Assets Subsections of Subtopic 360-10 (thus potentially requiring a goodwill impairment test), the impairment test for the significant asset group would be performed before the goodwill impairment test. If the asset group was impaired, the impairment loss would be recognized prior to goodwill being tested for impairment.

350-20-35-**32** This requirement applies to all assets that are tested for impairment, not just those included in the scope of the Impairment or Disposal of Long-Lived Assets Subsections of Subtopic 360-10.

Reporting Unit

350-20-35-**33** The provisions of Topic 280 shall be used to determine the reporting units of an entity.

350-20-35-**34** A component of an operating segment is a reporting unit if the component constitutes a business or a nonprofit activity for which discrete financial information is available and segment management, as that term is defined in paragraph 280-10-50-7, regularly reviews the operating results of that component. Subtopic 805-10 includes guidance on determining whether an asset group constitutes a business. Throughout the remainder of this Section, the term business also includes a nonprofit activity.

350-20-35-**35** However, two or more components of an operating segment shall be aggregated and deemed a single reporting unit if the components have similar economic characteristics. Paragraph 280-10-50-11 shall be considered in determining if the components of an operating segment have similar economic characteristics.

350-20-35-**36** An operating segment shall be deemed to be a reporting unit if all of its components are similar, if none of its components is a reporting unit, or if it comprises only a single component.

350-20-35-**37** Reporting units will vary depending on the level at which performance of the segment is reviewed, how many businesses the operating segment includes, and the similarity of those businesses. In other words, a reporting unit could be the same as an operating segment, which could be the same as a reportable segment, which could be the same as the entity as a whole (entity level).

350-20-35-**38** An entity that is not required to report segment information in accordance with Topic 280 is nonetheless required to test goodwill for impairment at the reporting unit level. That entity shall use the guidance in paragraphs 280-10-50-1 through 50-9 to determine its operating segments for purposes of determining its reporting units.

Assigning Acquired Assets and Assumed Liabilities to a Reporting Unit

350-20-35-**39** For the purpose of testing goodwill for impairment, acquired assets and assumed liabilities shall be assigned to a reporting unit as of the acquisition date if both of the following criteria are met:

a. The asset will be employed in or the liability relates to the operations of a reporting unit.

b. The asset or liability will be considered in determining the fair value of the reporting unit.

Assets or liabilities that an entity considers part of its corporate assets or liabilities shall also be assigned to a reporting unit if both of the preceding criteria are met. Examples of corporate items that may meet those criteria and therefore would be assigned to a reporting unit are environmental liabilities that relate to an existing operating facility of the reporting unit and a pension obligation that would be included in the determination of the fair value of the reporting unit. This provision applies to assets acquired and liabilities assumed in a business combination and to those acquired or assumed individually or with a group of other assets.

350-20-35-**39A** Foreign currency translation adjustments should not be allocated to a reporting unit from an entity's accumulated other comprehensive income. The reporting unit's carrying amount should include only the currently translated balances of the assets and liabilities assigned to the reporting unit.

350-20-35-**40** Some assets or liabilities may be employed in or relate to the operations of multiple reporting units. The methodology used to determine the amount of those assets or liabilities to assign to a reporting unit shall be reasonable and supportable and shall be applied in a consistent manner. For example, assets and liabilities not directly related to a specific reporting unit, but from which the reporting unit benefits, could be assigned according to the benefit received by the different reporting units (or based on the relative fair values of the different reporting units). In the case of pension items, for example, a pro rata assignment based on payroll expense might be used. A reasonable allocation method may be very general. For use in making those assignments, the basis for and method of determining the fair value of the acquiree and other related factors (such as the underlying reasons for the acquisition and management's expectations related to dilution, synergies, and other financial measurements) shall be documented at the acquisition date.

Assigning Goodwill to Reporting Units

350-20-35-**41** For the purpose of testing goodwill for impairment, all goodwill acquired in a business combination shall be assigned to one or more reporting units as of the acquisition date. Goodwill shall be assigned to reporting units of the acquiring entity that are expected to benefit from the synergies of the combination even though other assets or liabilities of the acquired entity may not be assigned to that reporting unit. The total amount of acquired goodwill may be divided among a number of reporting units. The methodology used to determine the amount of goodwill to assign to a reporting unit shall be reasonable and supportable and shall be applied in a consistent manner. In addition, that methodology shall be consistent with the objectives of the process of assigning goodwill to reporting units described in paragraphs 350-20-35-42 through 35-43.

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> For the purpose of testing goodwill for impairment, all goodwill acquired in a business combination or recognized by a joint venture upon formation shall be assigned to one or more reporting units as of the acquisition date or the joint venture formation date . Goodwill shall be assigned to reporting units of the acquiring entity that are expected to benefit from the synergies of the combination even though other assets or liabilities of the acquired entity may not be assigned to that reporting unit. The total amount of acquired goodwill may be divided among a number of reporting units. The methodology used to determine the amount of goodwill to assign to a reporting unit shall be reasonable and supportable and shall be applied in a consistent manner. In addition, that methodology shall be consistent with the objectives of the process of assigning goodwill to reporting units described in paragraphs 350-20-35-42 through 35-43.

350-20-35-**42** In concept, the amount of goodwill assigned to a reporting unit would be determined in a manner similar to how the amount of goodwill recognized in a business combination is determined. That is:

a. An entity would determine the fair value of the acquired business (or portion thereof) to be included in a reporting unit-the fair value of the individual assets acquired and liabilities assumed that are assigned to the reporting unit. Subtopic 805-20 provides guidance on assigning the fair value of the acquiree to the assets acquired and liabilities assumed in a business combination.

b. Any excess of the fair value of the acquired business (or portion thereof) over the fair value of the individual assets acquired and liabilities assumed that are assigned to the reporting unit is the amount of goodwill assigned to that reporting unit.

c. Subparagraph not used.

350-20-35-**43** If goodwill is to be assigned to a reporting unit that has not been assigned any of the assets acquired or liabilities assumed in that acquisition, the amount of goodwill to be assigned to that unit might be determined by applying a with-and-without computation. That is, the difference between the fair value of that reporting unit before the acquisition and its fair value after the acquisition represents the amount of goodwill to be assigned to that reporting unit.

350-20-35-**44** This Subtopic does not require that goodwill and all other related assets and liabilities assigned to reporting units for purposes of testing goodwill for impairment be reflected in the entity's reported segments. However, even though an asset may not be included in reported segment assets, the asset (or liability) shall be allocated to a reporting unit for purposes of testing for impairment if it meets the criteria in paragraph 350-20-35-39.

Reorganization of Reporting Structure

350-20-35-**45** When an entity reorganizes its reporting structure in a manner that changes the composition of one or more of its reporting units, the guidance in paragraphs 350-20-35-39 through 35-40 shall be used to reassign assets and liabilities to the reporting units affected. However, goodwill shall be reassigned to the reporting units affected using a relative fair value allocation approach similar to that used when a portion of a reporting unit is to be disposed of (see paragraphs 350-20-40-1 through 40-7).

350-20-35-**46** For example, if existing reporting unit A is to be integrated with reporting units B, C, and D, goodwill in reporting unit A would be assigned to units B, C, and D based on the relative fair values of the three portions of reporting unit A prior to those portions being integrated with reporting units B, C, and D.

Goodwill Impairment Testing by a Subsidiary

350-20-35-**47** Subsidiary goodwill might arise from any of the following:

a. Acquisitions that a subsidiary made prior to its being acquired by the parent

b. Acquisitions that a subsidiary made subsequent to its being acquired by the parent

c. Goodwill arising from the business combination in which a subsidiary was acquired that the parent pushed down to the subsidiary's financial statements.

350-20-35-**48** All goodwill recognized by a public or nonpublic subsidiary (subsidiary goodwill) in its separate financial statements that are prepared in accordance with generally accepted accounting principles (GAAP) shall be accounted for in accordance with this Subtopic. Subsidiary goodwill shall be tested for impairment at the subsidiary level using the subsidiary's reporting units. If a goodwill impairment loss is recognized at the subsidiary level, goodwill of the reporting unit or units (at the higher consolidated level) in which the subsidiary's reporting unit with impaired goodwill resides must be tested for impairment if the event that gave rise to the loss at the subsidiary level would more likely than not reduce the fair value of the reporting unit (at the higher consolidated level) below its carrying amount (see paragraph 350-20-35-3C(f)). Only if goodwill of that higher-level reporting unit is impaired would a goodwill impairment loss be recognized at the consolidated level.

350-20-35-**49** If testing at the consolidated level leads to an impairment loss, that loss shall be recognized at that level separately from the subsidiary's loss.

350-20-35-**50** Paragraph not used.

Disposal of All or a Portion of a Reporting Unit

350-20-35-**51** See paragraphs 350-20-40-1 through 40-7 for guidance on disposal of all or a portion of a reporting unit.

350-20-35-**52** Paragraphs 350-20-35-52 through 35-57 superseded by Accounting Standards Update No. 2012-04.

Goodwill Impairment Testing and Disposal of All or a Portion of a Reporting Unit When the Reporting Unit Is Less Than Wholly Owned

350-20-35-**57A** If a reporting unit is less than wholly owned, the fair value of the reporting unit as a whole shall be determined in accordance with paragraphs 350-20-35-22 through 35-24, including any portion attributed to the noncontrolling interest. Any impairment loss measured in the goodwill impairment test shall be attributed to the parent and the noncontrolling interest on a rational basis. If the reporting unit includes only goodwill attributable to the parent, the goodwill impairment loss would be attributed entirely to the parent. However, if the reporting unit includes goodwill attributable to both the parent and the noncontrolling interest, the goodwill impairment loss shall be attributed to both the parent and the noncontrolling interest.

350-20-35-**57B** If all or a portion of a less-than-wholly-owned reporting unit is disposed of, the gain or loss on disposal shall be attributed to the parent and the noncontrolling interest.

Equity Method Investments

350-20-35-**58** The portion of the difference between the cost of an investment and the amount of underlying equity in net assets of an equity method investee that is recognized as goodwill in accordance with paragraph 323-10-35-13 (equity method goodwill) shall not be amortized.

350-20-35-**59** However, equity method goodwill shall not be reviewed for impairment in accordance with this Subtopic. Equity method investments shall continue to be reviewed for impairment in accordance with paragraph 323-10-35-32.

350-20-35-**60** Paragraph superseded by Accounting Standards Update No. 2014-02.

Deferred Income Taxes

350-20-35-**61** Paragraph 805-740-25-3 through 25-4 states that deferred income taxes are not recognized for any portion of goodwill for which amortization is not deductible for income tax purposes. For guidance on recognition of deferred income taxes related to goodwill when amortization of goodwill is deductible for tax purposes, see paragraphs 805-740-25-6 through 25-9.

Accounting Alternatives

Accounting Alternative for Amortizing Goodwill

350-20-35-**62** The following guidance for goodwill applies to entities within the scope of paragraph 350-20-15-4 that elect the accounting alternative for amortizing goodwill.

Amortization of Goodwill

350-20-35-**63** Goodwill relating to each business combination, acquisition by a not-for-profit entity, or reorganization event resulting in fresh-start reporting (amortizable unit of goodwill) shall be amortized on a straight-line basis over 10 years, or less than 10 years if the entity demonstrates that another useful life is more appropriate.

> **PENDING CONTENT**
>
> **Transition Date:** P January 1, 2025; N January 1, 2025 **- Transition Guidance :** 805-60-65-1
>
> Goodwill relating to each business combination, acquisition by a not-for-profit entity, joint venture formation, or reorganization event resulting in fresh-start reporting (amortizable unit of goodwill) shall be amortized on a straight-line basis over 10 years, or less than 10 years if the entity demonstrates that another useful life is more appropriate.

350-20-35-**64** An entity may revise the remaining useful life of goodwill upon the occurrence of events and changes in circumstances that warrant a revision to the remaining period of amortization.

However, the cumulative amortization period for any amortizable unit of goodwill cannot exceed 10 years. If the estimate of the remaining useful life of goodwill is revised, the remaining carrying amount of goodwill shall be amortized prospectively on a straight-line basis over that revised remaining useful life.

Recognition and Measurement of a Goodwill Impairment Loss

350-20-35-**65** Upon adoption of this accounting alternative, an entity shall make an accounting policy election to test goodwill for impairment at the entity level or the reporting unit level. An entity that elects to perform its impairment tests at the reporting unit level shall refer to paragraphs 350-20-35-33 through 35-38 and paragraphs 350-20-55-1 through 55-9 to determine the reporting units of an entity.

When to Test Goodwill for Impairment

350-20-35-**66** Goodwill of an entity (or a reporting unit) shall be tested for impairment if an event occurs or circumstances change that indicate that the fair value of the entity (or the reporting unit) may be below its carrying amount (a triggering event). Paragraph 350-20-35-3C(a) through (g) includes examples of those events or circumstances. Those examples are not all-inclusive, and an entity shall consider other relevant events and circumstances that affect the fair value or carrying amount of the entity (or of a reporting unit) in determining whether to perform the goodwill impairment test. For those entities that have elected the accounting alternative for a goodwill impairment triggering event evaluation in paragraph 350-20-35-84, a goodwill triggering event evaluation shall be performed only as of the end of each reporting period. If an entity determines that there are no triggering events, then further testing is unnecessary.

The Goodwill Impairment Test

350-20-35-**67** Upon the occurrence of a triggering event, an entity may assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of the entity (or the reporting unit) is less than its carrying amount, including goodwill. Paragraph 350-20-35-3C(a) through (g) includes examples of those qualitative factors.

350-20-35-**68** Because the examples included in paragraph 350-20-35-3C(a) through (g) are not all-inclusive, an entity shall consider other relevant events and circumstances that affect the fair value or carrying amount of the entity (or of the reporting unit) in determining whether to perform the quantitative goodwill impairment test. An entity shall consider the extent to which each of the adverse events and circumstances identified could affect the comparison of its fair value with its carrying amount (or of the reporting unit's fair value with the reporting unit's carrying amount). An entity should place more weight on the events and circumstances that most affect its fair value or the carrying amount of its net assets (or the reporting unit's fair value or the carrying amount of the reporting unit's net assets). An entity also should consider positive and mitigating events and circumstances that may affect its determination of whether it is more likely than not that its fair value is less than its carrying amount (or the fair value of the reporting unit is less than the carrying amount of the reporting unit). If an entity has a recent fair value calculation (or recent fair value calculation for the reporting unit), it also should include that calculation as a factor in its consideration of the difference between the fair value and the carrying amount in reaching its conclusion about whether to perform the quantitative goodwill impairment test.

350-20-35-**69** An entity shall evaluate, on the basis of the weight of evidence, the significance of all identified events and circumstances in the context of determining whether it is more likely than not that the fair value of the entity (or the reporting unit) is less than its carrying amount. None of the individual examples of events and circumstances included in paragraph 350-20-35-3C(a) through (g) are intended to represent standalone events or circumstances that necessarily require an entity to perform the quantitative goodwill impairment test. Also, the existence of positive and mitigating events and circumstances is not intended to represent a rebuttable presumption that an entity should not perform the quantitative goodwill impairment test.

350-20-35-**70** An entity has an unconditional option to bypass the qualitative assessment described in paragraphs 350-20-35-67 through 35-69 and proceed directly to a quantitative calculation by comparing the entity's (or the reporting unit's) fair value with its carrying amount (see paragraphs 350-20-35-72 through 35-78). An entity may resume performing the qualitative assessment upon the occurrence of any subsequent triggering events.

350-20-35-**71** If, after assessing the totality of events or circumstances such as those described in paragraph 350-20-35-3C(a) through (g), an entity determines that it is not more likely than not that the fair value of the entity (or the reporting unit) is less than its carrying amount, further testing is unnecessary.

350-20-35-**72** If, after assessing the totality of events or circumstances such as those described in paragraph 350-20-35-3C(a) through (g), an entity determines that it is more likely than not that the fair value of the entity (or the reporting unit) is less than its carrying amount or if the entity elected to bypass the qualitative assessment in paragraphs 350-20-35-67 through 35-69, the entity shall determine the fair value of the entity (or the reporting unit) and compare the fair value of the entity (or the reporting unit) with its carrying amount, including goodwill. A goodwill impairment loss shall be recognized if the carrying amount of the entity (or the reporting unit) exceeds its fair value.

350-20-35-**73** A goodwill impairment loss, if any, shall be measured as the amount by which the carrying amount of an entity (or a reporting unit) including goodwill exceeds its fair value, limited to the total amount of goodwill of the entity (or allocated to the reporting unit). Additionally, an entity shall consider the income tax effect from any tax deductible goodwill on the carrying amount of the entity (or the reporting unit), if applicable, in accordance with paragraph 350-20-35-8B when measuring the goodwill impairment loss. See Example 2A in paragraph 350-20-55-23A for an illustration.

350-20-35-**74** The guidance in paragraphs 350-20-35-22 through 35-27 shall be considered in determining the fair value of the entity (or the reporting unit).

350-20-35-**75** The guidance in paragraphs 350-20-35-39 through 35-44 shall be considered in assigning acquired assets (including goodwill) and assumed liabilities to the reporting unit when determining the carrying amount of a reporting unit.

350-20-35-**76** For an entity subject to the requirements of Topic 740 on income taxes, when determining the carrying amount of an entity (or a reporting unit), deferred income taxes shall be included in the carrying amount of an entity (or the reporting unit), regardless of whether the fair value of the entity (or the reporting unit) will be determined assuming it would be bought or sold in a taxable or nontaxable transaction.

350-20-35-**77** The goodwill impairment loss, if any, shall be allocated to individual amortizable units of goodwill of the entity (or the reporting unit) on a pro rata basis using their relative carrying amounts or using another reasonable and rational basis.

350-20-35-**78** After a goodwill impairment loss is recognized, the adjusted carrying amount of goodwill shall be its new accounting basis, which shall be amortized over the remaining useful life of goodwill. Subsequent reversal of a previously recognized goodwill impairment loss is prohibited.

Interaction of the Impairment Tests for Goodwill and Other Assets (or Asset Groups)

350-20-35-**79** If goodwill and another asset (or asset group) of the entity (or the reporting unit) are tested for impairment at the same time, the other asset (or asset group) shall be tested for impairment before goodwill. For example, if a significant asset group is to be tested for impairment under the Impairment or Disposal of Long-Lived Assets Subsections of Subtopic 360-10 on property, plant, and equipment (thus potentially requiring a goodwill impairment test), the impairment test for the significant asset group would be performed before the goodwill impairment test. If the asset group is impaired, the impairment loss would be recognized prior to goodwill being tested for impairment.

350-20-35-**80** The requirement in the preceding paragraph applies to all assets that are tested for impairment, not just those included in the scope of the Impairment or Disposal of Long-Lived Assets Subsections of Subtopic 360-10.

Equity Method Investments

350-20-35-**81** The portion of the difference between the cost of an investment and the amount of underlying equity in net assets of an equity method investee that is recognized as goodwill in accordance with paragraph 323-10-35-13 (equity method goodwill) shall be amortized on a straight-line basis over 10 years, or less than 10 years if the entity demonstrates that another useful life is more appropriate.

350-20-35-**82** However, equity method goodwill shall not be reviewed for impairment in accordance with this Subtopic. Equity method investments shall continue to be reviewed for impairment in accordance with paragraph 323-10-35-32.

Accounting Alternative for a Goodwill Impairment Triggering Event Evaluation

350-20-35-**83** The following guidance for goodwill applies to entities within the scope of paragraph 350-20-15-4A that elect the accounting alternative for a goodwill impairment triggering event evaluation.

350-20-35-**84** An entity may elect to perform its goodwill impairment triggering event evaluation only as of the end of each reporting period, whether the reporting period is an interim or annual period. That is, the entity would not evaluate goodwill impairment triggering events and measure any related impairment during the reporting period. An entity electing the accounting alternative shall assess whether events or circumstances have occurred that would require an entity to test goodwill for impairment as follows:

a. For an entity that has elected the accounting alternative for amortizing goodwill, the entity's evaluation of a triggering event, as described in paragraph 350-20-35-66, shall be performed only as of each reporting date.

b. For an entity that has not elected the accounting alternative for amortizing goodwill:

    1. If the entity performs its annual goodwill impairment test as of the end of the reporting period, the entity shall not evaluate its goodwill for impairment during the reporting period as described in paragraph 350-20-35-30.

    2. If the entity performs its annual goodwill impairment test on a date other than the end of the reporting period (in accordance with paragraph 350-20-35-28), the entity's evaluation of impairment between annual goodwill impairment tests (as described in paragraph 350-20-35-30) shall be performed only as of the end of a reporting period.

350-20-35-**85** An entity electing this accounting alternative shall apply it only to goodwill evaluated in accordance with this Subtopic. This accounting alternative does not change the following:

a. The requirement to assess other assets for impairment (for example, long-lived assets and indefinite-lived intangibles) under existing guidance. If the impairment test related to other assets would have resulted in a goodwill impairment triggering event, an entity electing this accounting alternative should consider the results of an impairment test related to other assets in connection with its goodwill impairment test only as of its annual goodwill impairment testing date and the reporting date, whether that date is an interim or annual reporting date, as applicable.

b. The requirements to test the remaining goodwill for impairment if only a portion of goodwill is allocated to a business or nonprofit activity to be disposed of in accordance with paragraph 350-20-40-7.

350-20-35-**86** An entity shall not apply this guidance retroactively to interim periods for which annual financial statements have already been issued.

350-20-**40 - Derecognition**

> **General Note:** The Derecognition Section provides guidance on determining whether and when an entity should remove an item from the financial statements. For example, the entity would derecognize an asset because it no longer has rights to the asset or it would derecognize a liability because it no longer has any obligation.

> **Note on Subsection Accounting Alternative:** Upon the effective date of Accounting Standards Update 2021-03, the title of the Subsection below, Accounting Alternative, will change to Accounting Alternatives.

General

Disposal of All or a Portion of a Reporting Unit

350-20-40-**1** When a reporting unit is to be disposed of in its entirety, goodwill of that reporting unit shall be included in the carrying amount of the reporting unit in determining the gain or loss on disposal.

350-20-40-**2** When a portion of a reporting unit that constitutes a business (see Section 805-10-55) or nonprofit activity is to be disposed of, goodwill associated with that business or nonprofit activity shall be included in the carrying amount of the business or nonprofit activity in determining the gain or loss on disposal.

350-20-40-**3** The amount of goodwill to be included in that carrying amount shall be based on the relative fair values of the business or nonprofit activity to be disposed of and the portion of the reporting unit that will be retained. For example, if a reporting unit with a fair value of $400 is selling a business or nonprofit activity for $100 and the fair value of the reporting unit excluding the business or nonprofit activity being sold is $300, 25 percent of the goodwill residing in the reporting unit would be included in the carrying amount of the business or nonprofit activity to be sold.

350-20-40-**4** However, if the business or nonprofit activity to be disposed of was never integrated into the reporting unit after its acquisition and thus the benefits of the acquired goodwill were never realized by the rest of the reporting unit, the current carrying amount of that acquired goodwill shall be included in the carrying amount of the business or nonprofit activity to be disposed of.

350-20-40-**5** That situation might occur when the acquired business or nonprofit activity is operated as a standalone entity or when the business or nonprofit activity is to be disposed of shortly after it is acquired.

350-20-40-**6** Situations in which the acquired business or nonprofit activity is operated as a standalone entity are expected to be infrequent because some amount of integration generally occurs after an acquisition.

350-20-40-**7** When only a portion of goodwill is allocated to a business or nonprofit activity to be disposed of, the goodwill remaining in the portion of the reporting unit to be retained shall be tested for impairment in accordance with paragraphs 350-20-35-3A through 35-13 using its adjusted carrying amount.

Accounting Alternatives

350-20-40-**8** The following guidance for goodwill applies to entities within the scope of paragraph 350-20-15-4 that elect the accounting alternative for amortizing goodwill.

Disposal of a Portion of an Entity (or a Reporting Unit)

350-20-40-**9** When a portion of an entity (or a reporting unit) that constitutes a business or nonprofit activity is to be disposed of, goodwill associated with that business or nonprofit activity shall be included in the carrying amount of the business or nonprofit activity in determining the gain or loss on disposal. An entity shall use a reasonable and rational approach to determine the amount of goodwill associated with the business or nonprofit activity to be disposed of.

350-20-**45 - Other Presentation Matters**

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

Note on Subsection Accounting Alternative: Upon the effective date of Accounting Standards Update 2021-03, the title of the Subsection below, Accounting Alternative, will change to Accounting Alternatives.

General

350-20-45-**1** The aggregate amount of goodwill shall be presented as a separate line item in the statement of financial position.

350-20-45-**2** The aggregate amount of goodwill impairment losses shall be presented as a separate line item in the income statement before the subtotal income from continuing operations (or similar caption) unless a goodwill impairment loss is associated with a discontinued operation.

350-20-45-**3** A goodwill impairment loss associated with a discontinued operation shall be included (on a net-of-tax basis) within the results of discontinued operations. For guidance on reporting discontinued operations, see Subtopic 205-20.

Accounting Alternatives

350-20-45-**4** The following guidance for goodwill applies to entities within the scope of paragraph 350-20-15-4 that elect the accounting alternative for amortizing goodwill.

350-20-45-**5** The aggregate amount of goodwill net of accumulated amortization and impairment shall be presented as a separate line item in the statement of financial position.

350-20-45-**6** The amortization and aggregate amount of impairment of goodwill shall be presented in income statement or statement of activities line items within continuing operations (or similar caption) unless the amortization or a goodwill impairment loss is associated with a discontinued operation.

350-20-45-**7** The amortization and impairment of goodwill associated with a discontinued operation shall be included (on a net-of-tax basis) within the results of discontinued operations.

350-20-**50 - Disclosure**

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

Note on Subsection Accounting Alternative: Upon the effective date of Accounting Standards Update 2021-03, the title of the Subsection below, Accounting Alternative, will change to Accounting Alternatives.

General

Information for Each Period for Which a Statement of Financial Position Is Presented

350-20-50-**1** The changes in the carrying amount of goodwill during the period shall be disclosed, showing separately (see Example 3 [paragraph 350-20-55-24]):

a. The gross amount and accumulated impairment losses at the beginning of the period

b. Additional goodwill recognized during the period, except goodwill included in a disposal group that, on acquisition, meets the criteria to be classified as held for sale in accordance with paragraph 360-10-45-9

c. Adjustments resulting from the subsequent recognition of deferred tax assets during the period in accordance with paragraphs 805-740-25-2 through 25-4 and 805-740-45-2

d. Goodwill included in a disposal group classified as held for sale in accordance with paragraph 360-10-45-9 and goodwill derecognized during the period without having previously been reported in a disposal group classified as held for sale

e. Impairment losses recognized during the period in accordance with this Subtopic

f. Net exchange differences arising during the period in accordance with Topic 830

g. Any other changes in the carrying amounts during the period

h. The gross amount and accumulated impairment losses at the end of the period.

Entities that report segment information in accordance with Topic 280 shall provide the above information about goodwill in total and for each reportable segment and shall disclose any significant changes in the allocation of goodwill by reportable segment. If any portion of goodwill has not yet been allocated to a reporting unit at the date the financial statements are issued, that unallocated amount and the reasons for not allocating that amount shall be disclosed.

350-20-50-**1A** Entities that have one or more reporting units with zero or negative carrying amounts of net assets shall disclose those reporting units with allocated goodwill and the amount of goodwill allocated to each and in which reportable segment the reporting unit is included.

Goodwill Impairment Loss

350-20-50-**2** For each goodwill impairment loss recognized, all of the following information shall be disclosed in the notes to the financial statements that include the period in which the impairment loss is recognized:

a. A description of the facts and circumstances leading to the impairment

b. The amount of the impairment loss and the method of determining the fair value of the associated reporting unit (whether based on quoted market prices, prices of comparable businesses or nonprofit activities, a present value or other valuation technique, or a combination thereof)

c. Subparagraph superseded by Accounting Standards Update No. 2017-04.

350-20-50-**3** 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) are not required for fair value measurements related to the financial accounting and reporting for goodwill after its initial recognition in a business combination.

Accounting Alternatives

350-20-50-**3A** The information in paragraphs 350-20-50-4 through 50-7 shall be disclosed in the notes to financial statements for any entity within the scope of paragraph 350-20-15-4 that elects the accounting alternative for amortizing goodwill.

350-20-50-**3B** An entity within the scope of paragraph 350-20-15-4A that elects the accounting alternative for a goodwill impairment triggering event evaluation shall disclose its use of the alternative as a significant accounting policy in accordance with paragraph 235-10-50-1.

Disclosures about Additions to Goodwill

350-20-50-**4** The following information shall be disclosed in the notes to financial statements for any additions to goodwill in each period for which a statement of financial position is presented:

a. The amount assigned to goodwill in total and by major business combination, by major acquisition by a not-for-profit entity, or by reorganization event resulting in fresh-start reporting

b. The weighted-average amortization period in total and the amortization period by major business combination, by major acquisition by a not-for-profit entity, or by reorganization event resulting in fresh-start reporting.

PENDING CONTENT

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

The following information shall be disclosed in the notes to financial statements for any additions to goodwill in each period for which a statement of financial position is presented:

a. The amount assigned to goodwill in total and by major business combination, by major acquisition by a not-for-profit entity, by joint venture formation, or by reorganization event resulting in fresh-start reporting

b. The weighted-average amortization period in total and the amortization period by major business combination, by major acquisition by a not-for-profit entity, by joint venture formation, or by reorganization event resulting in fresh-start reporting.

Information for Each Period for Which a Statement of Financial Position Is Presented

350-20-50-**5** The following information shall be disclosed in the financial statements or the notes to financial statements for each period for which a statement of financial position is presented:

a. The gross carrying amounts of goodwill, accumulated amortization, and accumulated impairment loss

b. The aggregate amortization expense for the period

c. Goodwill included in a disposal group classified as held for sale in accordance with paragraph 360-10-45-9 and goodwill derecognized during the period without having previously been reported in a disposal group classified as held for sale.

Goodwill Impairment Loss

350-20-50-**6** For each goodwill impairment loss recognized, the following information shall be disclosed in the notes to financial statements that include the period in which the impairment loss is recognized:

a. A description of the facts and circumstances leading to the impairment

b. The amount of the impairment loss and the method of determining the fair value of the entity or the reporting unit (whether based on prices of comparable businesses or nonprofit activities, a present value or other valuation technique, or a combination of those methods)

c. The caption in the income statement or statement of activities in which the impairment loss is included

d. The method of allocating the impairment loss to the individual amortizable units of goodwill.

350-20-50-**7** 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) are not required for fair value measurements related to the financial accounting and reporting for goodwill after its initial recognition in a business combination or an acquisition by not-for-profit entity.

> **PENDING CONTENT**
>
> **Transition Date:** (P) January 1, 2025; (N) January 1, 2025 **- Transition Guidance :** 805-60-65-1
>
> 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) are not required for fair value measurements related to the financial accounting and reporting for goodwill after its initial recognition in a business combination, an acquisition by not-for-profit entity , or a joint venture formation.

350-20-**55 - Implementation Guidance and Illustrations**

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

> **Note on Subsection Accounting Alternative:** Upon the effective date of Accounting Standards Update 2021-03, the title of the Subsection below, Accounting Alternative, will change to Accounting Alternatives.

General

Implementation Guidance

350-20-55-**1** Determining whether a component of an operating segment is a reporting unit is a matter of judgment based on an entity's individual facts and circumstances. Although paragraphs 350-20-35-33 through 35-35 includes a number of characteristics that must be present for a component of an operating segment to be a reporting unit, no single factor or characteristic is determinative. How an entity manages its operations and how an acquired entity is integrated with the acquiring entity are key to determining the reporting units of the entity.

350-20-55-**2** The characteristics identified in paragraphs 350-20-35-33 through 35-35 that must be present for a component to be a reporting unit are discussed in the following implementation guidance.

The Component Constitutes a Business or a Nonprofit Activity

350-20-55-**3** The determination of whether a component constitutes a business or a nonprofit activity requires judgment based on specific facts and circumstances. The guidance in Section 805-10-55 should be considered in determining whether a group of assets constitutes a business or a nonprofit activity.

Discrete Financial Information

350-20-55-**4** The term discrete financial information should be applied in the same manner that it is applied in determining operating segments in accordance with paragraph 280-10-50-1. That guidance indicates that it is not necessary that assets be allocated for a component to be considered an operating segment (that is, no balance sheet is required). Thus, discrete financial information can constitute as little as operating information. Therefore, in order to test goodwill for impairment in accordance with this Subtopic, an entity may be required to assign assets and liabilities to reporting units (consistent with the guidance in paragraphs 350-20-35-39 through 35-40).

Reviewed by Segment Management

350-20-55-**5** Segment management, as defined in paragraphs 280-10-50-7 through 50-8, is either a level below or the same level as the chief operating decision maker. According to Topic 280, a segment manager is directly accountable to and maintains regular contact with the chief operating decision maker to discuss operating activities, financial results, forecasts, or plans for the segment. The approach used in this Subtopic to determine reporting units is similar to the one used to determine operating segments; however, this Subtopic focuses on how operating segments are managed rather than how the entity as a whole is managed; that is, reporting units should reflect the way an entity manages its operations.

Similar Economic Characteristics

350-20-55-**6** Evaluating whether two components have similar economic characteristics is a matter of judgment that depends on specific facts and circumstances. That assessment should be more qualitative than quantitative.

350-20-55-**7** In determining whether the components of an operating segment have similar economic characteristics, all of the factors in paragraph 280-10-50-11 should be considered. However, every factor need not be met in order for two components to be considered economically similar. In addition, the determination of whether two components are economically similar need not be limited to consideration of the factors described in that paragraph. In determining whether components should be combined into one reporting unit based on their economic similarities, factors that should be considered in addition to those in that paragraph include but are not limited to, the following:

a. The manner in which an entity operates its business or nonprofit activity and the nature of those operations

b. Whether goodwill is recoverable from the separate operations of each component business (or nonprofit activity) or from two or more component businesses (or nonprofit activities) working in concert (which might be the case if the components are economically interdependent)

c. The extent to which the component businesses (or nonprofit activities) share assets and other resources, as might be evidenced by extensive transfer pricing mechanisms

d. Whether the components support and benefit from common research and development projects.

The fact that a component extensively shares assets and other resources with other components of the operating segment may be an indication that the component either is not a business or nonprofit activity or it may be economically similar to those other components.

350-20-55-**8** Components that share similar economic characteristics but relate to different operating segments may not be combined into a single reporting unit. For example, an entity might have organized its operating segments on a geographic basis. If its three operating segments (Americas, Europe, and Asia) each have two components (A and B) that are dissimilar to each other but similar to the corresponding components in the other operating segments, the entity would not be permitted to combine component A from each of the operating segments to make reporting unit A.

Operating Segments that May Be Economically Dissimilar that Are Aggregated into a Reportable Segment

350-20-55-**9** If two operating segments have been aggregated into a reportable segment by applying the aggregation criteria in paragraph 280-10-50-11, it would be possible for one or more of those components to be economically dissimilar from the other components and thus be a reporting unit for purposes of testing goodwill for impairment. That situation might occur if an entity's operating segments are based on geographic areas. The following points need to be considered in addressing this circumstance:

a. The determination of reporting units under this Subtopic begins with the definition of an operating segment in paragraph 280-10-50-1 and considers disaggregating that operating segment into economically dissimilar components for the purpose of testing goodwill for impairment. The determination of reportable segments under Topic 280 also begins with an operating segment, but considers whether certain economically similar operating segments should be aggregated into a single operating segment or into a reportable segment.

b. The level at which operating performance is reviewed differs between this Subtopic and Topic 280. It is the chief operating decision maker who reviews operating segments and the segment manager who reviews reporting units (components of operating segments). Therefore, a component of an operating segment would not be considered an operating segment for purposes of that Topic unless the chief operating decision maker regularly reviews its operating performance; however, that same component might be a reporting unit under this Subtopic if a segment manager regularly reviews its operating performance (and if other reporting unit criteria are met).

Illustrations

Example 1: Impairment Test When either a Taxable or Nontaxable Transaction Is Feasible

Case A-Effect of a Nontaxable Transaction on the Impairment Test of Goodwill

350-20-55-**10** This Example illustrates the effect of a nontaxable transaction on the impairment test of goodwill. The Example may not necessarily be indicative of actual income tax liabilities that would arise in the sale of a reporting unit or the relationship of those liabilities in a taxable versus nontaxable structure.

350-20-55-**11** Entity A is performing a goodwill impairment test relative to Reporting Unit at December 31, 20X2. Reporting Unit has the following assets and liabilities:

a. Net assets (excluding goodwill and deferred income taxes) of $60 with a tax basis of $35

b. Goodwill of $40

c. Net deferred tax liabilities of $10.

350-20-55-**12** Entity A believes that it is feasible to sell Reporting Unit in either a nontaxable or a taxable transaction. Entity A could sell Reporting Unit for $80 in a nontaxable transaction or $90 in a taxable transaction. If Reporting Unit were sold in a nontaxable transaction, Entity A would have a current tax payable resulting from the sale of $10. Assuming a tax rate of 40 percent, if Reporting Unit were sold in a taxable transaction, Entity A would have a current tax payable resulting from the sale of $22 ([$90 - 35] × 40%).

350-20-55-**13** In the quantitative impairment test in paragraphs 350-20-35-4 through 35-8, Entity A concludes that market participants would act in their economic best interest by selling Reporting Unit in a nontaxable transaction based on the following evaluation of its expected after-tax proceeds.

	Nontaxable	Taxable
Gross proceeds (fair value)	$ 80	$ 90
Less: taxes arising from transaction	(10)	(22)
Value to Entity A	$ 70	$ 68

350-20-55-**14** In the quantitative impairment test, Entity A would determine the carrying amount of Reporting Unit as follows.

Net assets	$60
Goodwill	40
Deferred taxes	(10)
Carrying value	$90

350-20-55-**15** The goodwill allocated to Reporting Unit is determined to be impaired because Reporting Unit's carrying value ($90) exceeds its fair value ($80 assuming a nontaxable transaction).

350-20-55-**16** Reporting Unit must recognize the full goodwill impairment loss of $10 (determined as the excess of the carrying amount of Reporting Unit of $90 compared with its fair value of $80) because the $10 impairment loss does not exceed the $40 carrying amount of the goodwill allocated to Reporting Unit.

Example 2: Impairment Test When Either a Taxable or Nontaxable Transaction Is Feasible

Case B-Effect of a Taxable Transaction on the Impairment Test of Goodwill

350-20-55-**17** This Example illustrates the effect of a taxable transaction on the impairment test of goodwill. The Example may not necessarily be indicative of actual income tax liabilities that would arise in the sale of a reporting unit or the relationship of those liabilities in a taxable versus nontaxable structure.

350-20-55-**18** Entity A is performing a goodwill impairment test relative to Reporting Unit at December 31, 20X2. Reporting Unit has the following assets and liabilities:

a. Net assets (excluding goodwill and deferred income taxes) of $60 with a tax basis of $35

b. Goodwill of $40

c. Net deferred tax liabilities of $10.

350-20-55-**19** Entity A believes that it is feasible to sell Reporting Unit in either a nontaxable or a taxable transaction. Entity A could sell Reporting Unit for $65 in a nontaxable transaction or $80 in a taxable transaction. If Reporting Unit were sold in a nontaxable transaction, Entity A would have a current tax payable resulting from the sale of $4. Assuming a tax rate of 40 percent, if Reporting Unit were sold in a taxable transaction, Entity A would have a current tax payable resulting from the sale of $18 ([$80 - 35] × 40%).

350-20-55-**20** In the quantitative impairment test in paragraphs 350-20-35-4 through 35-8, Entity A concludes that market participants would act in their economic best interest by selling Reporting Unit in a taxable transaction. This conclusion was based on the following.

	Nontaxable Transaction	Taxable Transaction
Gross proceeds (fair value)	$ 65	$ 80
Less: taxes arising from transaction	(4)	(18)
Value to Entity A	$ 61	$ 62

350-20-55-**21** Deferred taxes related to the net assets of Reporting Unit should be included in the carrying value of Reporting Unit. Accordingly, in the quantitative impairment test Entity A would determine the carrying amount of Reporting Unit as follows.

Net assets	$ 60
Goodwill	40
Deferred income taxes	(10)
Carrying value	$ 90

350-20-55-**22** The goodwill allocated to Reporting Unit is determined to be impaired because Reporting Unit's carrying amount ($90) exceeds its fair value ($80).

350-20-55-**23** Reporting Unit must recognize the full goodwill impairment loss of $10 (determined as the excess of the carrying amount of Reporting Unit of $90 compared with its fair value of $80) because the $10 impairment loss does not exceed the $40 carrying amount of the goodwill allocated to Reporting Unit.

Example 2A: Impairment Test When Goodwill Is Tax Deductible

350-20-55-**23A** Goodwill is deductible for tax purposes for some business combinations in certain jurisdictions. In those jurisdictions, a deferred tax asset or deferred tax liability is recorded upon acquisition on the basis of the difference between the book basis and the tax basis of goodwill. When goodwill of a reporting unit is tax deductible, the impairment of goodwill creates a cycle of impairment because the decrease in the book value of goodwill increases the deferred tax asset (or decreases the deferred tax liability) such that the carrying amount of the reporting unit increases. However, there is no corresponding increase in the fair value of the reporting unit and this could trigger another impairment test.

350-20-55-**23B** This Example illustrates the use of a simultaneous equation when tax deductible goodwill is present to account for the increase in the carrying amount from the deferred tax benefit.

Beta Entity has goodwill from an acquisition in Reporting Unit X. All of the goodwill allocated to Reporting Unit X is tax deductible. On October 1, 20X6 (the date of the annual impairment test for the reporting unit), Reporting Unit X had a book value of goodwill of $400, which is all tax deductible, deferred tax assets of $200 relating to the tax-deductible goodwill, and book value of other net assets of $400. Reporting Unit X is subject to a 40 percent income tax rate. Beta Entity estimated the fair value of Reporting Unit X at $900.

	Carrying Amount	Fair Value	Preliminary Impairment	Preliminary Deferred Tax Adjustment	Carrying Amount after Preliminary Impairment
Goodwill	$ 400	$ -	$ (100)	$ -	$ 300
Deferred taxes	200	-	-	40	240
Other net assets	400	-	-	-	400
Total	$ 1,000	$ 900	$ (100)	$ 40	$ 940

350-20-55-**23C** In the Example above, the carrying amount of Reporting Unit X immediately after the impairment charge exceeds its fair value by the amount of the increase in the deferred tax asset calculated as 40 percent of the impairment charge. To address the circular nature of the carrying amount exceeding the fair value, instead of continuing to calculate impairment on the excess of carrying amount over fair value until those amounts are equal, Beta Entity would apply the simultaneous equation demonstrated in paragraphs 805-740-55-9 through 55-13 to Reporting Unit X, as follows.

Simultaneous equation: [tax rate/(1 – tax rate)] × (preliminary temporary difference) = deferred tax asset

Equation for this example: 40%/(1 – 40%) × 100 = 67

	Carrying Amount	Fair Value	Preliminary Impairment	Adjustment for Equation	Carrying Amount after Impairment
Goodwill	$ 400	$ -	$ (100)	$ (67)	$ 233
Deferred taxes	200	-	-	67	267
Other net assets	400	-	-	-	400
Total	$ 1,000	$ 900	$ (100)	$ 0	$ 900

350-20-55-**23D** The company would report a $167 goodwill impairment charge partially offset by a $67 deferred tax benefit recognized in the income tax line. If the impairment charge calculated using the equation exceeds the total goodwill allocated to a reporting unit, the total impairment charge would be limited to the goodwill amount.

Example 3: Illustration of Disclosures

350-20-55-**24** In accordance with paragraphs 350-20-50-1 through 50-2, the following disclosures would be made by Theta Entity in its December 31, 20X3 financial statements relating to goodwill.

Theta Entity has three reporting units with goodwill-Software, Electronics, and Communications-and two reportable segments -Technology and Communications. The

Electronics reporting unit has a negative carrying amount.

Note C: Goodwill

The changes in the carrying amount of goodwill for the year ended December 31, 20X3, are as follows.

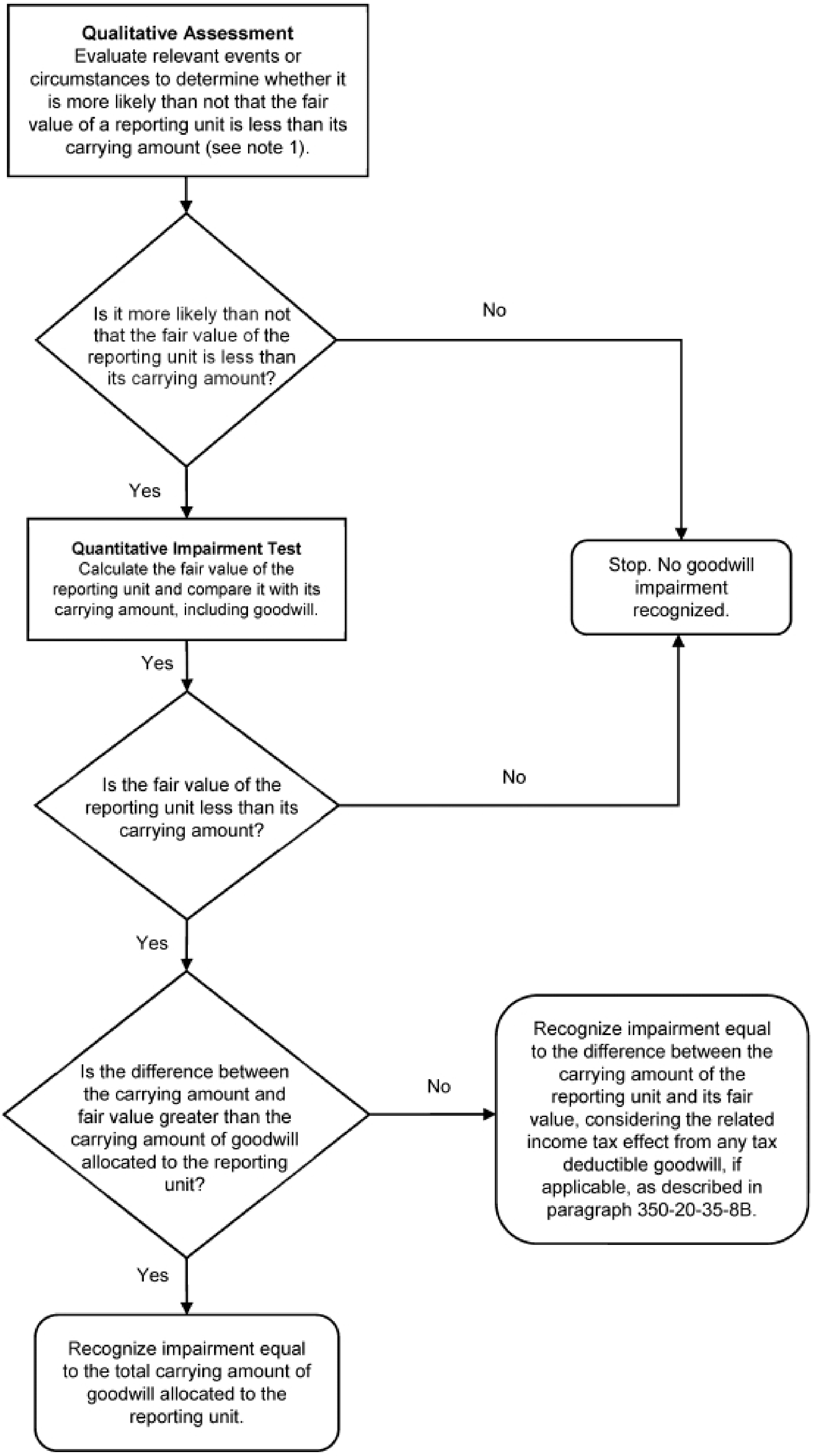
($000s)	Technology Segment	Communications Segment	Total
Balance as of January 1, 20X3			
Goodwill	$ 1,413	$ 1,104	$ 2,517
Accumulated impairment losses	-	(200)	(200)
	1,413	904	2,317
Goodwill acquired during year	189	115	304
Impairment losses	-	(46)	(46)
Goodwill written off related to sale of business unit	(484)	-	(484)
Balance as of December 31, 20X3			
Goodwill	1,118	1,219	2,337
Accumulated impairment losses	-	(246)	(246)
	$ 1,118	$ 973	$ 2,091

The Communications segment is tested for impairment in the third quarter, after the annual forecasting process. Due to an increase in competition in the Texas and Louisiana cable industry, operating profits and cash flows were lower than expected in the fourth quarter of 20X2 and the first and second quarters of 20X3. Based on that trend, the earnings forecast for the next five years was revised. In September 20X3, a goodwill impairment loss of $46 was recognized in the Communications reporting unit. The fair value of that reporting unit was estimated using the expected present value of future cash flows.

The Electronics reporting unit to which $498 of goodwill is allocated had a negative carrying amount on December 31, 20X3, and 20X2. This reporting unit is part of the Technology segment.

Example 4: Goodwill Impairment Test

350-20-55-**25** The flowchart in this Example illustrates the optional qualitative assessment and the quantitative goodwill impairment test described in paragraphs 350-20-35-3A through 35-13.



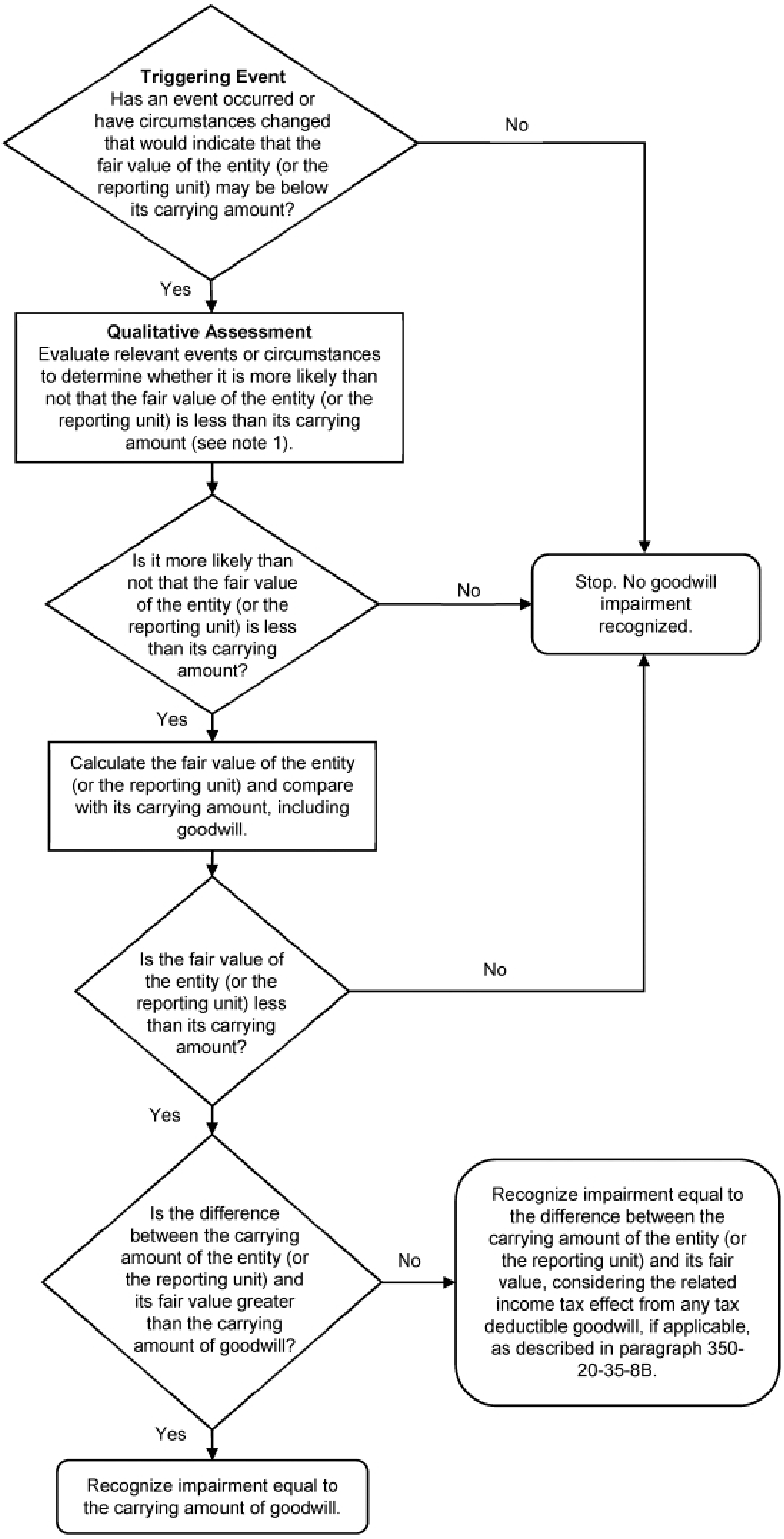
Note:

1. An entity has the unconditional option to skip the qualitative assessment and proceed directly to calculating the fair value of the reporting unit and comparing that value with its carrying amount, including goodwill.

Accounting Alternatives

Implementation Guidance

350-20-55-**26** The following flowchart provides an overview of the accounting alternative for amortizing goodwill for entities within the scope of paragraph 350-20-15-4.



Note 1:

An entity has the unconditional option to skip the qualitative assessment and proceed directly to calculating the fair value of the entity (or the reporting unit) and comparing that value with its carrying amount, including goodwill.

Illustrations

Example 1: Illustration of the Accounting Alternative for a Goodwill Impairment Triggering Event Evaluation

350-20-55-**27** This Example illustrates the effect of the accounting alternative for a goodwill impairment triggering event evaluation on the impairment conclusion for an entity within the scope of paragraph 350-20-15-4A. This Example is not indicative of every outcome that may occur because facts and circumstances surrounding triggering events are unique to each entity.

350-20-55-**28** Entity A adopted the accounting alternative for a goodwill impairment triggering event evaluation and performs a goodwill impairment triggering event evaluation only as of the end of each reporting period. Entity A also adopted the accounting alternative for amortizing goodwill in accordance with paragraph 350-20-05-5 and elected to perform an impairment test for goodwill at the entity level upon the occurrence of a triggering event only. During the second quarter, Entity A lost a significant customer. However, Entity A was able to replace that customer late in the third quarter of the same year, and the entity's operations returned to previously forecasted levels by the annual reporting date.

350-20-55-**29** If Entity A reports only annually, then it would evaluate the facts and circumstances as of the annual reporting date and may conclude that no triggering event exists; therefore, no further goodwill impairment testing would be necessary. Alternatively, if Entity A reports on both a quarterly basis and an annual basis, then it would evaluate the facts and circumstances as of the end of each quarter and may conclude that the loss of the significant customer represents a goodwill impairment triggering event requiring additional impairment testing as of the end of the second quarter.

350-20-**65 - Transition and Open Effective Date Information**

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

General

350-20-65-**1** Paragraph superseded on 06/17/2013 after the end of the transition period stated in Accounting Standards Update No. 2011-08, Intangibles-Goodwill and Other (Topic 350): Testing Goodwill for Impairment.

Transition Related to Accounting Standards Updates No. 2014-02, Intangibles-Goodwill and Other (Topic 350): Accounting for Goodwill, No. 2019-06, Intangibles-Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958): Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities , and No. 2021-03, Intangibles-Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events

350-20-65-**2** The following represents the transition information related to Accounting Standards Updates No. 2014-02, Intangibles-Goodwill and Other (Topic 350): Accounting for Goodwill, No. 2019-06, Intangibles-Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958): Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities, and No. 2021-03, Intangibles-Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events referenced in paragraph 350-20-15-3A:

a. Upon adoption of the guidance for the accounting alternative for amortizing goodwill in the Accounting Alternatives Subsections of this Subtopic and the guidance in paragraph 323-10-35-13, that guidance shall be effective prospectively for new goodwill recognized after the adoption of that guidance. For existing goodwill, that guidance shall be effective as of the beginning of the first fiscal year in which the accounting alternative is adopted.

b. Goodwill existing as of the beginning of the period of adoption shall be amortized prospectively on a straight-line basis over 10 years, or less than 10 years if an entity demonstrates that another useful life is more appropriate.

c. Subparagraph superseded by Accounting Standards Update No. 2016-03.

d. Upon adoption of the accounting alternative for amortizing goodwill, an entity shall make an accounting policy election to test goodwill for impairment at either the entity level or the reporting unit level.

e. A private company or not-for-profit entity that makes an accounting policy election to apply the accounting alternative for amortizing goodwill in the Accounting Alternatives Subsections of this Subtopic for the first time need not justify that the use of the accounting alternative is preferable as described in paragraph 250-10-45-2.

350-20-65-**3** Paragraph superseded on 06/21/2024 after the end of the transition period stated in Accounting Standards Updates No. 2017-04, Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, No. 2019-10, Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates, and No. 2021-03, Intangibles-Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events.

Transition Related to Accounting Standards Update No. 2021-03, Intangibles-Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events

350-20-65-**4** The following represents the transition and effective date information related to Accounting Standards Update No. 2021-03, Intangibles-Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events:

a. The pending content that links to this paragraph shall be effective prospectively for fiscal years beginning after December 15, 2019. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance as of March 30, 2021. A private company or not-for-profit entity that adopts the pending content that links to this paragraph shall apply it as of the beginning of the interim or annual period for financial statements that have not yet been issued or made available for issuance in the year of adoption. A private company or not-for-profit entity shall not retroactively adopt the pending content that links to this paragraph as of the beginning of an annual period for which interim-period financial statements have already been issued in the year of adoption.

b. For a private company or not-for-profit entity that adopts the pending content that links to this paragraph after its original effective date, that pending content shall be applied prospectively as of the beginning of the first reporting period in which the accounting alternative is adopted.

c. A private company or not-for-profit entity that makes an accounting policy election to apply the pending content that links to this paragraph for the first time need not justify that the use of the accounting alternative is preferable as described in paragraph 250-10-45-2.

350-**30 - General Intangibles Other Than Goodwill**

350-30-**00 - Status**

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

General

350-30-00-**1** The following table identifies the changes made to this Subtopic.

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
Business	Amended	Accounting Standards Update No. 2017-01	01/05/2017
Corporate Joint Venture	Added	Accounting Standards Update No. 2023-05	08/23/2023
Formation Date	Added	Accounting Standards Update No. 2023-05	08/23/2023
Goodwill	Amended	Accounting Standards Update No. 2023-05	08/23/2023
Goodwill	Amended	Accounting Standards Update No. 2010-07	01/28/2010
Identifiable	Added	Accounting Standards Update No. 2024-02	03/29/2024
Joint Venture	Added	Accounting Standards Update No. 2023-05	08/23/2023
Lease	Added	Accounting Standards Update No. 2018-01	01/25/2018
Nonprofit Activity	Added	Accounting Standards Update No. 2010-07	01/28/2010
Variable Interest Entity	Superseded	Accounting Standards Update No. 2025-03	05/12/2025
350-30-05-1	Amended	Accounting Standards Update No. 2023-05	08/23/2023
350-30-05-1	Amended	Accounting Standards Update No. 2017-04	01/26/2017
350-30-05-1	Amended	Accounting Standards Update No. 2010-07	01/28/2010
350-30-05-2	Amended	Accounting Standards Update No. 2023-05	08/23/2023
350-30-05-2 through 05-5	Added	Accounting Standards Update No. 2017-04	01/26/2017
350-30-15-3	Amended	Accounting Standards Update No. 2023-05	08/23/2023
350-30-15-3	Amended	Accounting Standards Update No. 2010-07	01/28/2010
350-30-15-4	Amended	Accounting Standards Update No. 2023-08	12/13/2023
350-30-15-4	Amended	Accounting Standards Update No. 2018-12	08/15/2018
350-30-15-4	Amended	Accounting Standards Update No. 2010-07	01/28/2010
350-30-25-2	Amended	Accounting Standards Update No. 2023-05	08/23/2023
350-30-25-2	Amended	Accounting Standards Update No. 2010-08	02/02/2010
350-30-25-2 through 25-5	Amended	Accounting Standards Update No. 2010-07	01/28/2010
350-30-25-4	Amended	Accounting Standards Update No. 2024-02	03/29/2024
350-30-25-4	Amended	Accounting Standards Update No. 2023-05	08/23/2023
350-30-25-5	Amended	Accounting Standards Update No. 2023-05	08/23/2023
350-30-30-1	Amended	Accounting Standards	02/02/2010

		Update No. 2010-08	
350-30-30-2	Superseded	Accounting Standards Update No. 2010-08	02/02/2010
350-30-35-7	Amended	Accounting Standards Update No. 2023-05	08/23/2023
350-30-35-7	Amended	Accounting Standards Update No. 2010-07	01/28/2010
350-30-35-17 through 35-18	Amended	Accounting Standards Update No. 2012-02	07/27/2012
350-30-35-17A	Amended	Accounting Standards Update No. 2023-05	08/23/2023
350-30-35-17A	Amended	Accounting Standards Update No. 2010-07	01/28/2010
350-30-35-18A through 35-18F	Added	Accounting Standards Update No. 2012-02	07/27/2012
350-30-35-19	Amended	Accounting Standards Update No. 2012-02	07/27/2012
350-30-35-25	Superseded	Accounting Standards Update No. 2010-07	01/28/2010
350-30-35-26	Amended	Accounting Standards Update No. 2017-04	01/26/2017
350-30-35-26	Amended	Accounting Standards Update No. 2010-07	01/28/2010
350-30-50-1	Amended	Accounting Standards Update No. 2024-03	11/04/2024
350-30-50-1	Amended	Accounting Standards Update No. 2023-05	08/23/2023
350-30-50-1	Amended	Accounting Standards Update No. 2010-07	01/28/2010
350-30-50-3	Amended	Accounting Standards Update No. 2024-03	11/04/2024
350-30-50-3A	Added	Accounting Standards Update No. 2012-02	07/27/2012
350-30-55-30	Amended	Accounting Standards Update No. 2018-01	01/25/2018
350-30-65-3	Added	Accounting Standards Update No. 2012-02	07/27/2012

350-30-**05 - Overview and Background**

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

General

350-30-05-**1** This Subtopic addresses financial accounting and reporting for intangible assets (other than goodwill) acquired individually or with a group of other assets and for the cost of developing, maintaining, or restoring internally generated intangible assets. However, it does not discuss the recognition and initial measurement of intangible assets acquired in a business combination or in an acquisition by a not-for-profit entity. This Subtopic also addresses financial accounting and reporting for intangible assets after their acquisition, including intangible assets acquired in a business combination or an acquisition by a not-for-profit entity.

PENDING CONTENT

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

> This Subtopic addresses financial accounting and reporting for intangible assets (other than goodwill) acquired individually or with a group of other assets and for the cost of developing, maintaining, or restoring internally generated intangible assets. However, it does not discuss the recognition and initial measurement of intangible assets acquired in a business combination, acquired in an acquisition by a not-for-profit entity, or recognized by a joint venture upon formation. This Subtopic also addresses financial accounting and reporting for intangible assets after their acquisition, including intangible assets acquired in a business combination, in an acquisition by a not-for-profit entity, or by a joint venture upon formation.

350-30-05-**2** Guidance on the initial recognition and measurement of intangible assets acquired in a business combination or in an acquisition by a not-for-profit entity is provided in Subtopics 805-20 and 958-805, respectively.

> **PENDING CONTENT**
>
> **Transition Date:** P January 1, 2025; N January 1, 2025 **- Transition Guidance :** 805-60-65-1
>
> Guidance on the initial recognition and measurement of intangible assets acquired in a business combination or in an acquisition by a not-for-profit entity is provided in Subtopics 805-20 and 958-805, respectively. Guidance on the initial recognition and measurement of intangible assets by a joint venture upon formation is provided in Subtopic 805-60.

350-30-05-**3** Intangible assets acquired individually or with a group of other assets should be recognized as assets in accordance with Section 350-30-25. Costs of developing internally generated intangible assets should be accounted for in accordance with paragraph 350-30-25-3.

350-30-05-**4** The accounting for an intangible asset after acquisition depends on its useful life. If that life is indefinite, the intangible asset should not be amortized but should be tested for impairment at least annually in accordance with paragraphs 350-30-35-15 through 35-20. If that life is finite, the intangible asset should be amortized in accordance with paragraphs 350-30-35-6 through 35-13 and tested for impairment under the guidance for long-lived assets in Subtopic 360-10.

350-30-05-**5** This Subtopic also includes guidance on the presentation of intangible assets in the balance sheet, presentation of amortization expense and impairment losses for intangible assets in the income statement, and disclosure of information on intangible assets in the notes to financial statements.

350-30-**15 - Scope and Scope Exceptions**

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

General

Overall Guidance

350-30-15-**1** This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section 350-10-15 , with specific transaction qualifications noted below.

Transactions

350-30-15-**2** While goodwill is an intangible asset, the term intangible asset is used in this Subtopic to refer to an intangible asset other than goodwill.

350-30-15-**3** The guidance in this Subtopic applies to the following:

a. Intangible assets acquired individually or with a group of other assets (but not the recognition and initial measurement of those acquired in a business combination or an acquisition by a not-for-profit entity)

b. Intangible assets (other than goodwill) that an entity recognizes in accordance with Subtopic 805-20 or 958-805 after they have been initially recognized and measured, except for those identified in the following paragraph

c. Subparagraph not used.

d. Costs of internally developing identifiable intangible assets that an entity recognizes as assets.

The disclosure requirements of paragraphs 350-30-50-1 through 50-3 also apply to capitalized software costs.

> **PENDING CONTENT**
>
> **Transition Date:** P January 1, 2025; N January 1, 2025 **- Transition Guidance :** 805-60-65-1
> The guidance in this Subtopic applies to the following:
>
> a. Intangible assets acquired individually or with a group of other assets (but not the recognition and initial measurement of those acquired in a business combination, acquired in an acquisition by a not-for-profit entity, or recognized by a joint venture upon formation)
>
> b. Intangible assets (other than goodwill) that an entity recognizes in accordance with Subtopic 805-20, 805-60, or 958-805 after they have been initially recognized and measured, except for those identified in paragraph 350-30-15-4
>
> c. Subparagraph not used.
>
> d. Costs of internally developing identifiable intangible assets that an entity recognizes as assets.
>
> The disclosure requirements of paragraphs 350-30-50-1 through 50-3 also apply to capitalized software costs.

350-30-15-**4** The guidance in this Subtopic does not apply to the following:

a. Subparagraph not used.

b. Subparagraph superseded by Accounting Standards Update No. 2010-07.

c. Except for certain disclosure requirements as noted in the preceding paragraph, capitalized software costs

d. Intangible assets recognized for acquired insurance contracts under the requirements of Subtopic 944-805.

> **PENDING CONTENT**
>
> **Transition Date:** P December 16, 2022; N December 16, 2024 **- Transition Guidance :** 944-40-65-2The guidance in this Subtopic does not apply to the following:
>
> a. Subparagraph not used.
>
> b. Subparagraph superseded by Accounting Standards Update No. 2010-07.
>
> c. Except for certain disclosure requirements as noted in paragraph 350-30-15-3,

capitalized software costs

d. Except for disclosures required by paragraph 944-805-50-1 (however, an insurance entity need not duplicate disclosures that also are required by paragraphs 944-30-50-2A through 50-2B), intangible assets recognized for acquired insurance contracts under the requirements of Subtopic 944-805.

PENDING CONTENT

Transition Date: (P) December 16, 2024; (N) December 16, 2024 **- Transition Guidance :** 350-60-65-1The guidance in this Subtopic does not apply to the following:

a. Subparagraph not used.

b. Subparagraph superseded by Accounting Standards Update No. 2010-07.

c. Except for certain disclosure requirements as noted in paragraph 350-30-15-3, capitalized software costs

d. Except for disclosures required by paragraph 944-805-50-1 (however, an insurance entity need not duplicate disclosures that also are required by paragraphs 944-30-50-2A through 50-2B), intangible assets recognized for acquired insurance contracts under the requirements of Subtopic 944-805

e. Crypto assets accounted for in accordance with Subtopic 350-60, except for recognition and initial measurement of crypto assets.

Other Considerations

350-30-15-**5** This Subtopic does not address the identification of market participants, market participant assumptions, or valuation issues associated with defensive intangible assets.

350-30-**20 - Glossary**

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

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.

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.

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.

Corporate Joint Venture

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

Defensive Intangible Asset

An acquired intangible asset in a situation in which an entity does not intend to actively use the asset but intends to hold (lock up) the asset to prevent others from obtaining access to the asset.

Formation Date

> **PENDING CONTENT**
>
> **Transition Date:** (P) January 1, 2025; (N) January 1, 2025 **- Transition Guidance :** 805-60-65-1
>
> The formation date of a joint venture is the date on which an entity initially meets the definition of a joint venture, which is not necessarily the legal entity formation date. The formation date is the measurement date for the formation transaction. If multiple arrangements are accounted for as a single transaction that establishes the formation of a joint venture, the formation date is the

measurement date for all arrangements that form part of the single formation transaction.

Goodwill

An asset representing the future economic benefits arising from other assets acquired in a business combination or an acquisition by a not-for-profit entity that are not individually identified and separately recognized. For ease of reference, this term also includes the immediate charge recognized by not-for-profit entities in accordance with paragraph 958-805-25-29.

PENDING CONTENT

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

An asset representing the future economic benefits arising from other assets acquired in a business combination, acquired in an acquisition by a not-for-profit entity, or recognized by a joint venture upon formation that are not individually identified and separately recognized. For ease of reference, this term also includes the immediate charge recognized by not-for-profit entities in accordance with paragraph 958-805-25-29.

Identifiable

An asset is identifiable if it meets either of the following criteria:

a. It is separable, that is, capable of being separated or divided from the entity and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, identifiable asset, or liability, regardless of whether the entity intends to do so.

b. It arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Intangible Asset Class

A group of intangible assets that are similar, either by their nature or by their use in the operations of an entity.

Intangible Assets

Assets (not including financial assets) that lack physical substance. (The term intangible assets is used to refer to intangible assets other than goodwill.)

Joint Venture

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

Lease

A contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration.

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.

Nonprofit Activity

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

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.

Operating Segment

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

Reporting Unit

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

Residual Value

The estimated fair value of an intangible asset at the end of its useful life to an entity, less any disposal costs.

Useful Life

The period over which an asset is expected to contribute directly or indirectly to future cash flows.

Variable Interest Entity

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

350-30-**25 - Recognition**

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

General

350-30-25-**1** An intangible asset that is acquired either individually or with a group of other assets shall be recognized.

350-30-25-**2** As indicated in paragraph 805-50-30-3, the cost of a group of assets acquired in a transaction other than a business combination or an acquisition by a not-for-profit entity shall be allocated to the individual assets acquired based on their relative fair values and shall not give rise to goodwill.

> **PENDING CONTENT**
>
> **Transition Date:** (P) January 1, 2025; (N) January 1, 2025 **- Transition Guidance :** 805-60-65-1
>
> As indicated in paragraph 805-50-30-3, the cost of a group of assets acquired in a transaction other than a business combination, an acquisition by a not-for-profit entity , or a joint venture formation shall be allocated to the individual assets acquired based on their relative fair values and shall not give rise to goodwill.

350-30-25-**3** Costs of internally developing, maintaining, or restoring intangible assets that are not specifically identifiable, that have indeterminate lives, or that are inherent in a continuing business or nonprofit activity and related to an entity as a whole, shall be recognized as an expense when incurred.

350-30-25-**4** Intangible assets that are acquired individually or with a group of assets in a transaction other than a business combination or an acquisition by a not-for-profit entity may meet asset recognition criteria in FASB Concepts Statement No. 5, Recognition and Measurement in Financial Statements of Business Enterprises, even though they do not meet either the contractual-legal criterion or the separability criterion (for example, specially-trained employees or a unique manufacturing process related to an acquired manufacturing plant). Such transactions commonly are bargained exchange transactions that are conducted at arm's length, which provides reliable evidence about the existence and fair value of those assets. Thus, those assets shall be recognized as intangible assets.

> **PENDING CONTENT**
>
> **Transition Date:** (P) January 1, 2025; (N) January 1, 2025 **- Transition Guidance :** 805-60-65-1
>
> Intangible assets that are acquired individually or with a group of assets in a transaction other than a business combination, an acquisition by a not-for-profit entity , or a joint venture upon formation may meet asset recognition criteria in FASB Concepts Statement No. 5, Recognition and Measurement in Financial Statements of Business Enterprises, even though they do not meet either the contractual-legal criterion or the separability criterion (for example, specially-trained employees or a unique manufacturing process related to an acquired manufacturing plant). Such transactions commonly are bargained exchange transactions that are conducted at arm's length, which provides

reliable evidence about the existence and fair value of those assets. Thus, those assets shall be recognized as intangible assets.

PENDING CONTENT

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

Intangible assets that are acquired individually or with a group of assets in a transaction other than a business combination, an acquisition by a not-for-profit entity , or a joint venture upon formation may qualify for recognition even though they do not meet either the contractual-legal criterion or the separability criterion for being an identifiable asset (for example, specially-trained employees or a unique manufacturing process related to an acquired manufacturing plant). Such transactions commonly are bargained exchange transactions that are conducted at arm's length, which provides reliable evidence about the existence and fair value of those assets. Thus, those assets shall be recognized as intangible assets.

Defensive Intangible Assets

350-30-25-**5** A defensive intangible asset, other than an intangible asset that is used in research and development activities, shall be accounted for as a separate unit of accounting. Such a defensive intangible asset shall not be included as part of the cost of an entity's existing intangible asset(s). For implementation guidance on determining whether an intangible asset is a defensive intangible asset, see paragraph 350-30-55-1. For guidance on intangible assets acquired in a business combination or in an acquisition by a not-for-profit entity that are used in research and development activities (regardless of whether they have an alternative future use), see paragraph 350-30-35-17A. For guidance on intangibles that are purchased from others for a particular research and development project and that have no alternative future uses (in other research and development projects or otherwise), see Subtopic 730-10.

PENDING CONTENT

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

A defensive intangible asset, other than an intangible asset that is used in research and development activities, shall be accounted for as a separate unit of accounting. Such a defensive intangible asset shall not be included as part of the cost of an entity's existing intangible asset(s). For implementation guidance on determining whether an intangible asset is a defensive intangible asset, see paragraph 350-30-55-1. For guidance on intangible assets acquired in a business combination, acquired in an acquisition by a not-for-profit entity, or recognized by a joint venture upon formation that are used in research and development activities (regardless of whether they have an alternative future use), see paragraph 350-30-35-17A. For guidance on intangibles that are purchased from others for a particular research and development project and that have no alternative future uses (in other research and development projects or otherwise), see Subtopic 730-10.

350-30-**30 - Initial Measurement**

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

General

350-30-30-**1** An intangible asset that is acquired either individually or with a group of other assets (but not those acquired in a business combination) shall be initially measured based on the guidance included in paragraphs 805-50-15-3 and 805-50-30-1 through 30-4.

350-30-30-**2** Paragraph superseded by Accounting Standards Update No. 2010-08.

350-30-**35 - Subsequent Measurement**

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

General

Determining the Useful Life of an Intangible Asset

350-30-35-**1** The accounting for a recognized intangible asset is based on its useful life to the reporting entity. An intangible asset with a finite useful life shall be amortized; an intangible asset with an indefinite useful life shall not be amortized.

350-30-35-**2** The useful life of an intangible asset to an entity is the period over which the asset is expected to contribute directly or indirectly to the future cash flows of that entity. The useful life is not the period of time that it would take that entity to internally develop an intangible asset that would provide similar benefits. However, a reacquired right recognized as an intangible asset is amortized over the remaining contractual period of the contract in which the right was granted. If an entity subsequently reissues (sells) a reacquired right to a third party, the entity includes the related unamortized asset, if any, in determining the gain or loss on the reissuance.

350-30-35-**3** The estimate of the useful life of an intangible asset to an entity shall be based on an analysis of all pertinent factors, in particular, all of the following factors with no one factor being more presumptive than the other:

a. The expected use of the asset by the entity.

b. The expected useful life of another asset or a group of assets to which the useful life of the intangible asset may relate.

c. Any legal, regulatory, or contractual provisions that may limit the useful life. The cash flows and useful lives of intangible assets that are based on legal rights are constrained by the duration of those legal rights. Thus, the useful lives of such intangible assets cannot extend beyond the length of their legal rights and may be shorter.

d. The entity's own historical experience in renewing or extending similar arrangements, consistent with the intended use of the asset by the entity, regardless of whether those arrangements have explicit renewal or extension provisions. In the absence of that experience, the entity shall consider the assumptions that market participants would use about renewal or extension consistent with the highest and best use of the asset by market participants, adjusted for entity-specific factors in this paragraph.

e. The effects of obsolescence, demand, competition, and other economic factors (such as the stability of the industry, known technological advances, legislative action that results in an uncertain or changing regulatory environment, and expected changes in distribution channels)

f. The level of maintenance expenditures required to obtain the expected future cash flows from the asset (for example, a material level of required maintenance in relation to the carrying amount of the asset may suggest a very limited useful life). As in determining the useful life of depreciable tangible assets, regular maintenance may be assumed but enhancements may not.

Further, if an income approach is used to measure the fair value of an intangible asset, in determining the useful life of the intangible asset for amortization purposes, an entity shall consider the period of expected cash flows used to measure the fair value of the intangible asset adjusted as appropriate for the entity-specific factors in this paragraph.

350-30-35-**4** If no legal, regulatory, contractual, competitive, economic, or other factors limit the useful life of an intangible asset to the reporting entity, the useful life of the asset shall be considered to be indefinite. The term indefinite does not mean the same as infinite or indeterminate. The useful life of an intangible asset is indefinite if that life extends beyond the foreseeable horizon-that is, there is no foreseeable limit on the period of time over which it is expected to contribute to the cash flows of the reporting entity. Such intangible assets might be airport route authorities, certain trademarks, and taxicab medallions.

350-30-35-**5** Examples 1 through 9B (see paragraphs 350-30-55-2 through 55-28F) illustrate different intangible assets and how they should be accounted for in accordance with this Subtopic, including determining whether the useful life of an intangible asset is indefinite.

Defensive Intangible Assets

350-30-35-**5A** This guidance addresses the application of paragraphs 350-30-35-1 through 35-4 to a defensive intangible asset other than an intangible asset that is used in research and development activities. A defensive intangible asset shall be assigned a useful life that reflects the entity's consumption of the expected benefits related to that asset. The benefit a reporting entity receives from holding a defensive intangible asset is the direct and indirect cash flows resulting from the entity preventing others from realizing any value from the intangible asset (defensively or otherwise). An entity shall determine a defensive intangible asset's useful life, that is, the period over which an entity consumes the expected benefits of the asset, by estimating the period over which the defensive intangible asset will diminish in fair value. The period over which a defensive intangible asset diminishes in fair value is a proxy for the period over which the reporting entity expects a defensive intangible asset to contribute directly or indirectly to the future cash flows of the entity.

350-30-35-**5B** It would be rare for a defensive intangible asset to have an indefinite life because the fair value of the defensive intangible asset will generally diminish over time as a result of a lack of market exposure or as a result of competitive or other factors. Additionally, if an acquired intangible asset meets the definition of a defensive intangible asset, it shall not be considered immediately abandoned.

Intangible Assets Subject to Amortization

350-30-35-**6** A recognized intangible asset shall be amortized over its useful life to the reporting entity unless that life is determined to be indefinite. If an intangible asset has a finite useful life, but the precise length of that life is not known, that intangible asset shall be amortized over the best estimate of its useful life. The method of amortization shall reflect the pattern in which the economic benefits of the intangible asset are consumed or otherwise used up. If that pattern cannot be reliably determined, a straight-line amortization method shall be used.

350-30-35-**7** An intangible asset shall not be written down or off in the period of acquisition unless it becomes impaired during that period. However, paragraph 730-10-25-2(c) requires amounts assigned to intangible assets acquired in a transaction other than a business combination or an acquisition by a not-for-profit entity that are to be used in a particular research and development project and that have no alternative future use to be charged to expense at the acquisition date.

> **PENDING CONTENT**
>
> **Transition Date:** P January 1, 2025; N January 1, 2025 **- Transition Guidance :** 805-60-65-1
>
> An intangible asset shall not be written down or off in the period of acquisition unless it becomes impaired during that period. However, paragraph 730-10-25-2(c) requires amounts assigned to intangible assets acquired in a transaction other than a business combination or an acquisition by a not-for-profit entity or recognized by a joint venture upon formation that are to be used in a particular research and development project and that have no alternative future use to be charged to expense at the acquisition date.

350-30-35-**8** The amount of an intangible asset to be amortized shall be the amount initially assigned to that asset less any residual value. The residual value of an intangible asset shall be assumed to be zero unless at the end of its useful life to the entity the asset is expected to continue to have a useful life to another entity and either of the following conditions is met:

a. The reporting entity has a commitment from a third party to purchase the asset at the end of its useful life.

b. The residual value can be determined by reference to an exchange transaction in an existing market for that asset and that market is expected to exist at the end of the asset's useful life.

350-30-35-**9** An entity shall evaluate the remaining useful life of an intangible asset that is being amortized each reporting period to determine whether events and circumstances warrant a revision to the remaining period of amortization. If the estimate of an intangible asset's remaining useful life is changed, the remaining carrying amount of the intangible asset shall be amortized prospectively over that revised remaining useful life.

350-30-35-**10** An intangible asset that initially is deemed to have a finite useful life shall cease being amortized if it is subsequently determined to have an indefinite useful life, for example, due to a change in legal requirements. If an intangible asset that is being amortized is subsequently determined to have an indefinite useful life, the asset shall be tested for impairment in accordance with paragraphs 350-30-35-18 through 35-20.

350-30-35-**11** Any resulting impairment loss would be due to a change in accounting estimate and thus, consistent with Topic 250, shall be recognized as a change in estimate, not as a change in accounting principle. Therefore, that loss shall be presented in the income statement in the same manner as other impairment losses.

350-30-35-**12** That intangible asset shall no longer be amortized and shall be accounted for in the same manner as other intangible assets that are not subject to amortization.

350-30-35-**13** When an intangible asset's useful life is no longer considered to be indefinite, such as when unanticipated competition enters the market, the intangible asset must be amortized over the remaining period that it is expected to contribute to cash flows.

Recognition and Measurement of an Impairment Loss

Intangible Assets Subject to Amortization

350-30-35-**14** An intangible asset that is subject to amortization shall be reviewed for impairment in accordance with the Impairment or Disposal of Long-Lived Assets Subsections of Subtopic 360-10 by applying the recognition and measurement provisions in paragraphs 360-10-35-17 through 35-35. In accordance with the Impairment or Disposal of Long-Lived Assets Subsections of Subtopic 360-10, an impairment loss shall be recognized if the carrying amount of an intangible asset is not recoverable and its carrying amount exceeds its fair value. After an impairment loss is recognized, the adjusted carrying amount of the intangible asset shall be its new accounting basis. Subsequent reversal of a previously recognized impairment loss is prohibited.

Intangible Assets Not Subject to Amortization

350-30-35-**15** If an intangible asset is determined to have an indefinite useful life, it shall not be amortized until its useful life is determined to be no longer indefinite.

350-30-35-**16** An entity shall evaluate the remaining useful life of an intangible asset that is not being amortized each reporting period to determine whether events and circumstances continue to support an indefinite useful life.

350-30-35-**17** If an intangible asset that is not being amortized is subsequently determined to have a finite useful life, the asset shall be tested for impairment in accordance with paragraphs 350-30-35-18 through 35-19. That intangible asset shall then be amortized prospectively over its estimated remaining useful life and accounted for in the same manner as other intangible assets that are subject to amortization.

350-30-35-**17A** Intangible assets acquired in a business combination or an acquisition by a not-for-profit entity that are used in research and development activities (regardless of whether they have an alternative future use) shall be considered indefinite lived until the completion or abandonment of the associated research and development efforts. During the period that those assets are considered indefinite lived, they shall not be amortized but shall be tested for impairment in accordance with paragraphs 350-30-35-18 through 35-19. Once the research and development efforts are completed or abandoned, the entity shall determine the useful life of the assets based on the guidance in this Section. Consistent with the guidance in paragraph 360-10-35-49, intangible assets acquired in a business combination or an acquisition by a not-for-profit entity that have been temporarily idled shall not be accounted for as if abandoned.

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

Intangible assets acquired in a business combination, acquired in an acquisition by a not-for-profit entity , or recognized by a joint venture upon formation that are used in research and development activities (regardless of whether they have an alternative future use) shall be considered indefinite lived until the completion or abandonment of the associated research and development efforts. During the period that those assets are considered indefinite lived, they shall not be amortized but shall be tested for impairment in accordance with paragraphs 350-30-35-18 through 35-19. Once the research and development efforts are completed or abandoned, the entity shall determine the useful life of the assets based on the guidance in this Section. Consistent with the guidance in paragraph 360-10-35-49, intangible assets acquired in a business combination, acquired in an acquisition by a not-for-profit entity , or recognized by a joint venture upon formation that have been temporarily idled shall not be accounted for as if abandoned.

350-30-35-**18** An intangible asset that is not subject to amortization shall be tested for impairment annually and more frequently if events or changes in circumstances indicate that it is more likely than not that the asset is impaired.

350-30-35-**18A** An entity may first perform a qualitative assessment, as described in this paragraph and paragraphs 350-30-35-18B through 35-18F, to determine whether it is necessary to perform the quantitative impairment test as described in paragraph 350-30-35-19. An entity has an unconditional option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to performing the quantitative impairment test as described in paragraph 350-30-35-19. An entity may resume performing the qualitative assessment in any subsequent period. If an entity elects to perform a qualitative assessment, it first shall assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that an indefinite-lived intangible asset is impaired.

350-30-35-**18B** In assessing whether it is more likely than not that an indefinite-lived intangible asset is impaired, an entity shall assess all relevant events and circumstances that could affect the significant inputs used to determine the fair value of the indefinite-lived intangible asset. Examples of such events and circumstances include the following:

a. Cost factors such as increases in raw materials, labor, or other costs that have a negative effect on future expected earnings and cash flows that could affect significant inputs used to determine the fair value of the indefinite-lived intangible asset

b. Financial performance such as negative or declining cash flows or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods that could affect significant inputs used to determine the fair value of the indefinite-lived intangible asset

c. Legal, regulatory, contractual, political, business, or other factors, including asset-specific factors that could affect significant inputs used to determine the fair value of the indefinite-lived intangible asset

d. Other relevant entity-specific events such as changes in management, key personnel, strategy, or customers; contemplation of bankruptcy; or litigation that could affect significant inputs used to determine the fair value of the indefinite-lived intangible asset

e. Industry and market considerations such as a deterioration in the environment in which an entity operates, an increased competitive environment, a decline in market-dependent multiples or metrics (in both absolute terms and relative to peers), or a change in the market for an entity's products or services due to the effects of obsolescence, demand, competition, or other economic factors (such as the stability of the industry, known technological advances, legislative action that results in an uncertain or changing business environment, and expected changes in distribution channels) that could affect significant inputs used to determine the fair value of the indefinite-lived intangible asset

f. Macroeconomic conditions such as deterioration in general economic conditions, limitations on accessing capital, fluctuations in foreign exchange rates, or other developments in equity and credit markets that could affect significant inputs used to determine the fair value of the indefinite-lived intangible asset.

350-30-35-**18C** The examples included in the preceding paragraph are not all-inclusive, and an entity shall consider other relevant events and circumstances that could affect the significant inputs used to determine the fair value of the indefinite-lived intangible asset. An entity shall consider the extent to which each of the adverse events and circumstances identified could affect the significant inputs used to determine the fair value of an indefinite-lived intangible asset. An entity also shall consider the following to determine whether it is more likely than not that the indefinite-lived intangible asset is impaired:

a. Positive and mitigating events and circumstances that could affect the significant inputs used to determine the fair value of the indefinite-lived intangible asset

b. If an entity has made a recent fair value calculation for an indefinite-lived intangible asset, the difference between that fair value and the then carrying amount

c. Whether there have been any changes to the carrying amount of the indefinite-lived intangible asset.

350-30-35-**18D** An entity shall evaluate, on the basis of the weight of the evidence, the significance of all identified events and circumstances that could affect the significant inputs used to determine the fair value of the indefinite-lived intangible asset for determining whether it is more likely than not that the indefinite-lived intangible asset is impaired. None of the individual examples of events and circumstances included in paragraph 350-30-35-18B(a) through (f) are intended to represent standalone events and circumstances that necessarily require an entity to calculate the fair value of an intangible asset. Also, the existence of positive and mitigating events and circumstances is not intended to represent a rebuttable presumption that an entity should not perform the quantitative impairment test as described in paragraph 350-30-35-19.

350-30-35-**18E** If after assessing the totality of events and circumstances and their potential effect on significant inputs to the fair value determination an entity determines that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity need not calculate the fair value of the intangible asset and perform the quantitative impairment test in accordance with paragraph 350-30-35-19.

350-30-35-**18F** If after assessing the totality of events and circumstances and their potential effect on significant inputs to the fair value determination an entity determines that it is more likely than not that the indefinite-lived intangible asset is impaired, then the entity shall calculate the fair value of the intangible asset and perform the quantitative impairment test in accordance with the following paragraph.

350-30-35-**19** The quantitative impairment test for an indefinite-lived intangible asset shall consist of a comparison of the fair value of the asset with its carrying amount. If the carrying amount of an intangible asset exceeds its fair value, an entity shall recognize an impairment loss in an amount equal to that excess. After an impairment loss is recognized, the adjusted carrying amount of the intangible asset shall be its new accounting basis.

350-30-35-**20** Subsequent reversal of a previously recognized impairment loss is prohibited.

Unit of Accounting for Purposes of Testing for Impairment of Intangible Assets Not Subject to Amortization

350-30-35-**21** Separately recorded indefinite-lived intangible assets, whether acquired or internally developed, shall be combined into a single unit of accounting for purposes of testing impairment if they are operated as a single asset and, as such, are essentially inseparable from one another.

350-30-35-**22** Determining whether several indefinite-lived intangible assets are essentially inseparable is a matter of judgment that depends on the relevant facts and circumstances. The indicators in paragraph 350-30-35-23 shall be considered in making that determination. None of the indicators shall be considered presumptive or determinative.

350-30-35-**23** Indicators that two or more indefinite-lived intangible assets shall be combined as a single unit of accounting for impairment testing purposes are as follows:

a. The intangible assets were purchased in order to construct or enhance a single asset (that is, they will be used together).

b. Had the intangible assets been acquired in the same acquisition they would have been recorded as one asset.

c. The intangible assets as a group represent the highest and best use of the assets (for example, they yield the highest price if sold as a group). This may be indicated if it is unlikely that a substantial portion of the assets would be sold separately or the sale of a substantial portion of the intangible assets individually would result in a significant reduction in the fair value of the remaining assets as a group.

d. The marketing or branding strategy provides evidence that the intangible assets are complementary, as that term is used in paragraph 805-20-55-18.

350-30-35-**24** Indicators that two or more indefinite-lived intangible assets shall not be combined as a single unit of accounting for impairment testing purposes are as follows:

a. Each intangible asset generates cash flows independent of any other intangible asset (as would be the case for an intangible asset licensed to another entity for its exclusive use).

b. If sold, each intangible asset would likely be sold separately. A past practice of selling similar assets separately is evidence indicating that combining assets as a single unit of accounting may not be appropriate.

c. The entity has adopted or is considering a plan to dispose of one or more intangible assets separately.

d. The intangible assets are used exclusively by different asset groups (see the Impairment or Disposal of Long-Lived Assets Subsections of Subtopic 360-10).

e. The economic or other factors that might limit the useful economic life of one of the intangible assets would not similarly limit the useful economic lives of other intangible assets combined in the unit of accounting.

350-30-35-**25** Paragraph superseded by Accounting Standards Update No. 2010-07.

350-30-35-**26** All of the following shall be included in the determination of the unit of accounting used to test indefinite-lived intangible assets for impairment:

a. The unit of accounting shall include only indefinite-lived intangible assets-those assets cannot be tested in combination with goodwill or with a finite-lived asset.

b. The unit of accounting cannot represent a group of indefinite-lived intangible assets that collectively constitute a business or a nonprofit activity.

c. A unit of accounting may include indefinite-lived intangible assets recorded in the separate financial statements of consolidated subsidiaries. As a result, an impairment loss recognized in the consolidated financial statements may differ from the sum of the impairment losses (if any) recognized in the separate financial statements of those subsidiaries.

d. Subparagraph superseded by Accounting Standards Update No. 2017-04.

350-30-35-**27** If, based on a change in the way in which intangible assets are used, an entity combines as a unit of accounting for impairment testing purposes indefinite-lived intangible assets that were previously tested for impairment separately, those intangible assets shall be separately tested for impairment in accordance with paragraphs 350-30-35-18 through 35-20 prior to being combined as a unit of accounting.

350-30-35-**28** Examples 10 through 12 (see paragraphs 350-30-55-29 through 55-38) illustrate the determination of the unit of accounting to use in impairment testing.

350-30-**45 - Other Presentation Matters**

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

General

350-30-45-**1** At a minimum, all intangible assets shall be aggregated and presented as a separate line item in the statement of financial position. However, that requirement does not preclude presentation of individual intangible assets or classes of intangible assets as separate line items.

350-30-45-**2** The amortization expense and impairment losses for intangible assets shall be presented in income statement line items within continuing operations as deemed appropriate for each entity.

350-30-45-**3** Paragraphs 350-30-35-9 through 35-12 and 350-30-35-15 through 35-17 require that an intangible asset be tested for impairment when it is determined that the asset shall no longer be amortized or shall begin to be amortized due to a reassessment of its remaining useful life. An impairment loss resulting from that impairment test shall not be recognized as a change in accounting principle.

350-30-**50** - Disclosure

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

General

Disclosures in the Period of Acquisition

350-30-50-**1** For intangible assets acquired either individually or as part of a group of assets (in either an asset acquisition, a business combination, or an acquisition by a not-for-profit entity), all of the following information shall be disclosed in the notes to financial statements in the period of acquisition:

a. For intangible assets subject to amortization, all of the following:
   1. The total amount assigned and the amount assigned to any major intangible asset class
   2. The amount of any significant residual value, in total and by major intangible asset class
   3. The weighted-average amortization period, in total and by major intangible asset class.

b. For intangible assets not subject to amortization, the total amount assigned and the amount assigned to any major intangible asset class.

c. The amount of research and development assets acquired in a transaction other than a business combination or an acquisition by a not-for-profit entity and written off in the period and the line item in the income statement in which the amounts written off are aggregated.

d. For intangible assets with renewal or extension terms, the weighted-average period before the next renewal or extension (both explicit and implicit), by major intangible asset class.

This information also shall be disclosed separately for each material business combination or acquisition by a not-for-profit entity or in the aggregate for individually immaterial business combinations or acquisitions by a not-for-profit entity that are material collectively if the aggregate fair values of intangible assets acquired, other than goodwill, are significant.

> **PENDING CONTENT**
>
> **Transition Date:** P January 1, 2025; N January 1, 2025 **- Transition Guidance :** 805-60-65-1
>
> For intangible assets acquired either individually or as part of a group of assets (in asset acquisition, a business combination, acquisition by a not-for-profit entity , or a joint venture formation), all of the following information shall be disclosed in the notes to financial statements in the period of acquisition:
>
> a. For intangible assets subject to amortization, all of the following:
>   1. The total amount assigned and the amount assigned to any major intangible asset class
>   2. The amount of any significant residual value, in total and by major intangible asset class
>   3. The weighted-average amortization period, in total and by major intangible asset class.

b...For intangible assets not subject to amortization, the total amount assigned and the amount assigned to any major intangible asset class.

c...The amount of research and development assets acquired in a transaction other than a business combination, an acquisition by a not-for-profit entity , or a joint venture formation and written off in the period and the line item in the income statement in which the amounts written off are aggregated.

d...For intangible assets with renewal or extension terms, the weighted-average period before the next renewal or extension (both explicit and implicit), by major intangible asset class.

This information also shall be disclosed separately for each material business combination or acquisition by a not-for-profit entity or in the aggregate for individually immaterial business combinations or acquisitions by a not-for-profit entity that are material collectively if the aggregate fair values of intangible assets acquired, other than goodwill, are significant.

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Transition Date: (P) December 16, 2026; (N) December 16, 2026 **- Transition Guidance :** 220-40-65-1

For intangible assets acquired either individually or as part of a group of assets (in asset acquisition, a business combination, acquisition by a not-for-profit entity , or a joint venture formation), all of the following information shall be disclosed in the notes to financial statements in the period of acquisition:

a. For intangible assets subject to amortization, all of the following:
    1. The total amount assigned and the amount assigned to any major intangible asset class
    2. The amount of any significant residual value, in total and by major intangible asset class
    3. The weighted-average amortization period, in total and by major intangible asset class.

b. For intangible assets not subject to amortization, the total amount assigned and the amount assigned to any major intangible asset class.

c. The amount of research and development assets acquired in a transaction other than a business combination, an acquisition by a not-for-profit entity , or a joint venture formation and written off in the period and the line item in the income statement in which the amounts written off are aggregated. See paragraphs 220-40-50-21 through 50-25 for additional disclosure requirements.

d. For intangible assets with renewal or extension terms, the weighted-average period before the next renewal or extension (both explicit and implicit), by major intangible asset class.

This information also shall be disclosed separately for each material business combination or acquisition by a not-for-profit entity or in the aggregate for individually immaterial business combinations or acquisitions by a not-for-profit entity that are material collectively if the aggregate fair values of intangible assets acquired, other than goodwill, are significant.

Disclosures for Each Period for Which a Statement of Financial Position Is Presented

350-30-50-**2** The following information shall be disclosed in the financial statements or the notes to financial statements for each period for which a statement of financial position is presented:

a. For intangible assets subject to amortization, all of the following:

   1. The gross carrying amount and accumulated amortization, in total and by major intangible asset class

   2. The aggregate amortization expense for the period

   3. The estimated aggregate amortization expense for each of the five succeeding fiscal years.

b. For intangible assets not subject to amortization, the total carrying amount and the carrying amount for each major intangible asset class

c. The entity's accounting policy on the treatment of costs incurred to renew or extend the term of a recognized intangible asset

d. For intangible assets that have been renewed or extended in the period for which a statement of financial position is presented, both of the following:

   1. For entities that capitalize renewal or extension costs, the total amount of costs incurred in the period to renew or extend the term of a recognized intangible asset, by major intangible asset class

   2. The weighted-average period before the next renewal or extension (both explicit and implicit), by major intangible asset class.

Example 13 (see paragraph 350-30-55-39) illustrates these disclosure requirements.

Disclosures Relating to Impairment Losses

350-30-50-**3** For each impairment loss recognized related to an intangible asset, all of the following information shall be disclosed in the notes to financial statements that include the period in which the impairment loss is recognized:

a. A description of the impaired intangible asset and the facts and circumstances leading to the impairment

b. The amount of the impairment loss and the method for determining fair value

c. The caption in the income statement or the statement of activities in which the impairment loss is aggregated

d. If applicable, the segment in which the impaired intangible asset is reported under Topic 280.

PENDING CONTENT

Transition Date: P December 16, 2026; N December 16, 2026 **- Transition Guidance :** 220-40-65-1

For each impairment loss recognized related to an intangible asset, all of the following information shall be disclosed in the notes to financial statements that include the period in which the impairment loss is recognized:

a. A description of the impaired intangible asset and the facts and circumstances leading to the impairment

b. The amount of the impairment loss and the method for determining fair value

c. The caption in the income statement or the statement of activities in which the

> impairment loss is aggregated
>
> d. If applicable, the segment in which the impaired intangible asset is reported under Topic 280.
>
> See paragraphs 220-40-50-21 through 50-25 for additional disclosure requirements.

350-30-50-**3A** A nonpublic entity is not required to disclose the quantitative information 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) that relate to the financial accounting and reporting for an indefinite-lived intangible asset after its initial recognition.

Renewal or Extension of an Intangible Asset's Legal or Contractual Life

350-30-50-**4** For a recognized intangible asset, an entity shall disclose information that enables users of financial statements to assess the extent to which the expected future cash flows associated with the asset are affected by the entity's intent or ability (or both intent and ability) to renew or extend the arrangement.

Certain Significant Estimates

350-30-50-**5** For guidance on determining whether disclosures about an estimate of the useful life of an intangible asset are required under paragraph 275-10-50-8, see paragraph 275-10-50-15A.

350-30-**55 - Implementation Guidance and Illustrations**

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

General

Implementation Guidance

Defensive Intangible Asset

350-30-55-**1** This implementation guidance addresses the determination of whether or not an intangible asset meets the definition of a defensive intangible asset. A defensive intangible asset could include any of the following:

a. An asset that the entity will never actively use

b. An asset that will be used by the entity during a transition period when the intention of the entity is to discontinue the use of that asset.

350-30-55-**1A** Paragraph not used.

350-30-55-**1B** The determination of whether an intangible asset is a defensive intangible asset is based on the intentions of the reporting entity and that determination may change as the reporting entity's intentions change. For example, an intangible asset that was accounted for as a defensive intangible asset on the date of acquisition will cease to be a defensive asset if the entity subsequently decides to actively use the asset). Examples 9C and 9D (see paragraphs 350-30-55-28G through 55-28L) illustrate the determination of whether an acquired intangible asset is a defensive intangible asset.

Consideration of Entity's Historical Experience in Subsequent Measurements

350-30-55-**1C** This paragraph provides implementation guidance on paragraph 350-30-35-3(d). For a recognized intangible asset, there might continue to be a difference between the useful life of the asset and the period of expected cash flows used to measure the fair value of the asset. However, that difference likely will be limited to situations in which the entity's own assumptions about the period over which the asset is expected to contribute directly and indirectly to the future cash flows of the entity are different from the assumptions market participants would use in pricing the asset. In those situations, it is appropriate for the entity to use its own assumptions because amortization of a recognized intangible asset should reflect the period over which the asset will contribute both directly and indirectly to the expected future cash flows of the entity.

Example 1: Acquired Customer List

350-30-55-**2** This Example illustrates the guidance in paragraphs 350-30-35-1 through 35-20.

350-30-55-**3** A direct-mail marketing entity acquired a customer list and expects that it will be able to derive benefit from the information on the acquired customer list for at least one year but for no more than three years.

350-30-55-**4** The customer list would be amortized over 18 months, management's best estimate of its useful life, following the pattern in which the expected benefits will be consumed or otherwise used up. Although the acquiring entity may intend to add customer names and other information to the list in the future, the expected benefits of the acquired customer list relate only to the customers on that list at the date of acquisition (a closed-group notion). The customer list would be reviewed for impairment under the Impairment or Disposal of Long-Lived Assets Subsections of Subtopic 360-10.

Example 2: Acquired Patent

350-30-55-**5** This Example illustrates the guidance in paragraphs 350-30-35-1 through 35-20.

350-30-55-**6** An acquired patent expires in 15 years. The product protected by the patented technology is expected to be a source of cash flows for at least 15 years. The reporting entity has a commitment from a third party to purchase that patent in 5 years for 60 percent of the fair value of the patent at the date it was acquired, and the entity intends to sell the patent in 5 years.

350-30-55-**7** The patent would be amortized over its five-year useful life to the reporting entity following the pattern in which the expected benefits will be consumed or otherwise used up. The amount to be amortized is 40 percent of the patent's fair value at the acquisition date (residual value is 60 percent). The patent would be reviewed for impairment under the Impairment or Disposal of Long-Lived Assets Subsections of Subtopic 360-10.

Example 3: Acquired Copyright

350-30-55-**8** This Example illustrates the guidance in paragraphs 350-30-35-1 through 35-20.

350-30-55-**9** An acquired copyright has a remaining legal life of 50 years. An analysis of consumer habits and market trends provides evidence that the copyrighted material will generate cash flows for approximately 30 more years.

350-30-55-**10** The copyright would be amortized over its 30-year estimated useful life following the pattern in which the expected benefits will be consumed or otherwise used up and reviewed for impairment under the Impairment or Disposal of Long-Lived Assets Subsections of Subtopic 360-10.

Example 4: Acquired Broadcast License Deemed to Have an Indefinite Life

350-30-55-**11** This Example illustrates the guidance in paragraphs 350-30-35-1 through 35-20.

350-30-55-**12** An acquired broadcast license expires in five years. The broadcast license is renewable every 10 years if the entity provides at least an average level of service to its customers and complies with the applicable Federal Communications Commission (FCC) rules and policies and the FCC Communications Act of 1934. The license may be renewed indefinitely at little cost and was renewed twice prior to its recent acquisition. The acquiring entity intends to renew the license indefinitely, and evidence supports its ability to do so. Historically, there has been no compelling challenge to the license renewal. The technology used in broadcasting is not expected to be replaced by another technology any time in the foreseeable future. Therefore, the cash flows from that license are expected to continue indefinitely.

350-30-55-**13** The broadcast license would be deemed to have an indefinite useful life because cash flows are expected to continue indefinitely. Therefore, the license would not be amortized until its useful life is deemed to be no longer indefinite. The license would be tested for impairment in accordance with paragraphs 350-30-35-18 through 35-20.

Example 5: Acquired Broadcast License Deemed to Have a Finite Life

350-30-55-**14** This Example illustrates the guidance in paragraphs 350-30-35-1 through 35-20.

350-30-55-**15** Regarding the broadcast license acquired in Example 4 (see paragraph 350-30-55-11), the FCC subsequently decides that it will no longer renew broadcast licenses, but rather will auction those licenses. At the time the decision is made, the broadcast license has three years until it expires. The cash flows from that license are expected to continue until the license expires.

350-30-55-**16** Because the broadcast license can no longer be renewed, its useful life is no longer indefinite. Thus, the acquired license would be tested for impairment in accordance with paragraphs 350-30-35-18 through 35-20. The license would then be amortized over its remaining three-year useful life following the pattern in which the expected benefits will be consumed or otherwise used up. Because the license will be subject to amortization, in the future it would be reviewed for impairment under the Impairment or Disposal of Long-Lived Assets Subsections of Subtopic 360-10.

Example 6: Acquired Airline Route

350-30-55-**17** This Example illustrates the guidance in paragraphs 350-30-35-1 through 35-20.

350-30-55-**18** An acquired airline route authority from the United States to the United Kingdom expires in three years. The route authority may be renewed every five years, and the acquiring entity intends to comply with the applicable rules and regulations surrounding renewal. Route authority renewals are routinely granted at a minimal cost and have historically been renewed when the airline has complied with the applicable rules and regulations. The acquiring entity expects to provide service to the United Kingdom from its hub airports indefinitely and expects that the related supporting infrastructure (airport gates, slots, and terminal facility leases) will remain in place at those airports for as long as it has the route authority. An analysis of demand and cash flows supports those assumptions.

350-30-55-**19** Because the facts and circumstances support the acquiring entity's ability to continue providing air service to the United Kingdom from its U.S. hub airports indefinitely, the intangible asset related to the route authority is considered to have an indefinite useful life. Therefore, the route authority would not be amortized until its useful life is deemed to be no longer indefinite and would be tested for impairment in accordance with paragraphs 350-30-35-18 through 35-20.

Example 7: Acquired Trademark Deemed to Have an Indefinite Useful Life

350-30-55-**20** This Example illustrates the guidance in paragraphs 350-30-35-1 through 35-20.

350-30-55-**21** An acquired trademark that is used to identify and distinguish a leading consumer product has been a market-share leader for the past eight years. The trademark has a remaining legal life of 5 years but is renewable every 10 years at little cost. The acquiring entity intends to continuously renew the trademark, and evidence supports its ability to do so. An analysis of product life cycle studies; market, competitive, and environmental trends; and brand extension opportunities provides evidence that the trademarked product will generate cash flows for the acquiring entity for an indefinite period of time.

350-30-55-**22** The trademark would be deemed to have an indefinite useful life because it is expected to contribute to cash flows indefinitely. Therefore, the trademark would not be amortized until its useful life is no longer indefinite. The trademark would be tested for impairment in accordance with paragraphs 350-30-35-18 through 35-20.

Example 8: Acquired Trademark Determined to Have Reduced Cash Flows

350-30-55-**23** This Example illustrates the guidance in paragraphs 350-30-35-1350-30-35-2350-30-35-3350-30-35-4350-30-35-5350-30-35-5A350-30-35-5B350-30-35-6350-30-35-7350-30-35-8350-30-35-9350-30-35-10350-30-35-11350-30-35-12350-30-35-13350-30-35-14350-30-35-15350-30-35-16350-30-35-17350-30-35-17A350-30-35-18350-30-35-18A350-30-35-18B350-30-35-18C350-30-35-18D350-30-35-18E350-30-35-18F350-30-35-19350-30-35-20.

350-30-55-**24** A trademark that distinguished a leading consumer product was acquired 10 years ago. When it was acquired, the trademark was considered to have an indefinite useful life because the product was expected to generate cash flows indefinitely. During the annual impairment test of the intangible asset, the entity determines that unexpected competition has entered the market that will reduce future sales of the product. Management estimates that cash flows generated by that consumer product will be 20 percent less for the foreseeable future; however, management expects that the product will continue to generate cash flows indefinitely at those reduced amounts.

350-30-55-**25** As a result of the projected decrease in future cash flows, the entity determines that the estimated fair value of the trademark is less than its carrying amount, and an impairment loss is recognized. Because it is still deemed to have an indefinite useful life, the trademark would continue to not be amortized and would continue to be tested for impairment in accordance with paragraphs 350-30-35-18 through 35-20.

Example 9: Acquired Trademark No Longer Deemed to Have an Indefinite Life

350-30-55-**26** This Example illustrates the guidance in paragraphs 350-30-35-1 through 35-20.

350-30-55-**27** A trademark for a line of automobiles was acquired several years ago in an acquisition of an automobile entity. The line of automobiles had been produced by the acquired entity for 35 years with numerous new models developed under the trademark. At the acquisition date, the acquiring entity expected to continue to produce that line of automobiles, and an analysis of various economic factors indicated there was no limit to the period of time the trademark would contribute to cash flows. Because cash flows were expected to continue indefinitely, the trademark was not amortized. Management recently decided to phase out production of that automobile line over the next four years.

350-30-55-**28** Because the useful life of that acquired trademark is no longer deemed to be indefinite, the trademark would be tested for impairment in accordance with paragraphs 350-30-35-18 through 35-20. The carrying amount of the trademark after adjustment, if any, would then be amortized over its remaining four-year useful life following the pattern in which the expected benefits will be consumed or otherwise used up. Because the trademark will be subject to amortization, in the future it would be reviewed for impairment under the Impairment or Disposal of Long-Lived Assets Subsections of Subtopic 360-10.

Example 9A: Acquired Technology License That Renews Annually

350-30-55-**28A** This Example illustrates the guidance in paragraphs 350-30-35-1 through 35-20.

350-30-55-**28B** An exclusive, annually renewable technology license with a third party is acquired by an entity that has made significant progress in developing next-generation technology for digital video products. The acquiring entity believes that in two years, after it has completed developing its next-generation products, the acquired technology license will be obsolete because customers will convert to the acquiring entity's products. Market participants, however, are not as advanced in their development efforts and are not aware of the acquiring entity's proprietary development efforts. Thus, those market participants would expect the technology license to be obsolete in three years. The acquiring entity determines that the fair value of the technology license using 3 years of cash flows is $10 million, consistent with the highest and best use of the asset by market participants.

350-30-55-**28C** In applying paragraph 350-30-35-3(d), the acquiring entity would consider its own historical experience in renewing or extending similar arrangements. In this case, the acquiring entity lacks historical experience in renewing or extending similar arrangements. Therefore, in accordance with that paragraph, the entity would consider the assumptions that a market participant would use consistent with the highest and best use of the technology license. However, because the acquiring entity expects to use the technology license until it becomes obsolete in two years, it must adjust the market participants' assumptions for the entity-specific factors in paragraph 350-30-35-3, specifically item (a), which requires consideration of the entity's expected use of the asset. As a result, the technology license would be amortized over a two-year period. The technology license would be reviewed for impairment under the Impairment or Disposal of Long-Lived Assets Subsections of Subtopic 360-10.

Example 9B: Acquired Customer Relationship

350-30-55-**28D** This Example illustrates the guidance in paragraphs 350-30-35-1 through 35-20.

350-30-55-**28E** An insurance entity acquired 50 customer relationships operating under contracts that are renewable annually. The acquiring entity determines that the fair value of the customer relationship asset is $10 million, considering assumptions (including turnover rate) that a market participant would make consistent with the highest and best use of the asset by market participants. An income approach was used to determine the fair value of the acquired customer relationship asset.

350-30-55-**28F** In applying paragraph 350-30-35-3, the acquiring entity would consider its own historical experience in renewing or extending similar customer relationships. In this case, the acquiring entity concludes that its customer relationships are dissimilar to the acquired customer relationships and, therefore, the acquiring entity lacks historical experience in renewing or extending similar arrangements. Accordingly, the acquiring entity considers turnover assumptions that market participants would make about the renewal or extension of the acquired customer relationships or similar arrangements. Without evidence to the contrary, the acquiring entity expects that the acquired customer relationships will be renewed or extended at the same rate as a market participant would expect, and no other factors would indicate a different useful life is appropriate. Thus, absent any other of the entity-specific factors in paragraph 350-30-35-3, in determining the useful life for amortization purposes, the entity shall consider the period of expected cash flows used to measure the fair value of the asset. The customer relationships would be reviewed for impairment under the Impairment or Disposal of Long-Lived Assets Subsections of Subtopic 360-10.

Example 9C: Trade Name

350-30-55-**28G** This Example illustrates the application of the implementation guidance in paragraphs 350-30-55-1 through 55-1B on the determination of whether an intangible asset meets the definition of a defensive intangible asset.

350-30-55-**28H** Entity A, a consumer products manufacturer, acquires an entity that sells a product that competes with one of Entity A's existing products. Entity A plans to discontinue the sale of the competing product within the next six months, but will maintain the rights to the trade name, at minimal expected cost, to prevent a competitor from using the trade name. As a result, Entity A's existing product is expected to experience an increase in market share. Entity A does not have any current plans to reintroduce the acquired trade name in the future.

350-30-55-**28I** Because Entity A does not intend to actively use the acquired trade name, but intends to hold the rights to the trade name to prevent others from using it, the trade name meets the definition of a defensive intangible asset.

Example 9D: Internally Developed Software

350-30-55-**28J** This Example illustrates the application of the implementation guidance in paragraphs 350-30-55-1 through 55-1B on the determination of whether an intangible asset meets the definition of a defensive intangible asset.

350-30-55-**28K** Entity A acquires a group of assets, one of which is billing software developed by the selling entity for its own use. After a six month transition period, Entity A plans to discontinue use of the internally developed billing software. In valuing the billing software in connection with the acquisition, Entity A determines that a market participant would use the billing software, along with other assets in the asset group, for its full remaining economic life-that is, Entity A does not intend to use the asset in a way that is at its highest and best use. Due to the specialized nature of the software, Entity A does not believe the software could be sold to a third party without the other assets acquired.

350-30-55-**28L** Although Entity A does not intend to actively use the internally developed billing software after a six month transition period, Entity A is not holding the internally developed software to prevent others from using it. Therefore, the internally developed software asset does not meet the definition of a defensive intangible asset.

Example 10: Easements

350-30-55-**29** This Example illustrates the guidance in paragraphs 350-30-35-21 through 35-24.

350-30-55-**30** Entity A is a distributor of natural gas. Entity A has two self-constructed pipelines, the Northern pipeline and the Southern pipeline. Each pipeline was constructed on land for which Entity A owns perpetual easements that Entity A evaluated under Topic 842 and determined do not meet the definition of a lease under that Topic (because those easements are perpetual and, therefore, do not convey the right to use the underlying land for a period of time). The Northern pipeline was constructed on 50 easements acquired in 50 separate transactions. The Southern pipeline was constructed on 100 separate easements that were acquired in a business combination and were recorded as a single asset. Although each pipeline functions independently of the other, they are contained in the same reporting unit. Operation of each pipeline is directed by a different manager. There are discrete, identifiable cash flows for each pipeline; thus, each pipeline and its related easements represent a separate asset group under the Impairment or Disposal of Long-Lived Assets Subsections of Subtopic 360-10. While Entity A has no current plans to sell or otherwise dispose of any of its easements, Entity A believes that if either pipeline was sold, it would most likely convey all rights under the easements with the related pipeline.

350-30-55-**31** Based on an evaluation of the circumstances, Entity A would have two units of accounting for purposes of testing the easements for impairment-the collection of easements supporting the Northern pipeline and the collection of easements supporting the Southern pipeline. The 50 easements supporting the Northern pipeline represent a single unit of accounting as evidenced by the fact that they are collectively used together in a single asset group (see paragraphs 360-10-35-23 through 35-26), if acquired in a single transaction, they would have been recorded as one asset, and if sold, they would likely be sold as a group with the related pipeline. For the same reasons, the easements supporting the Southern pipeline would represent a single unit of accounting.

350-30-55-**32** Because the collective land easements underlying the Northern and Southern pipelines generate cash flows independent of one another and are used exclusively by separate asset groups under the Impairment or Disposal of Long-Lived Assets Subsections of Subtopic 360-10, they should not be combined into a single unit of accounting.

Example 11: Trade Name

350-30-55-**33** This Example illustrates the guidance in paragraphs 350-30-35-21 through 35-24.

350-30-55-**34** Entity B purchases an international vacuum cleaner manufacturer, Entity A, which sells vacuums under a well-known trade name. The operations of Entity A are conducted through separate legal entities in three countries and each of those legal entities owns the registered trade name used in that country. When the business combination was recorded, Entity B recorded three separate intangible trade name assets because separate financial statements are required to be prepared for each separate legal entity. There are separate identifiable cash flows for each country, and each country represents an asset group under the Impairment or Disposal of Long-Lived Assets Subsections of Subtopic 360-10. A single brand manager is responsible for the Entity A trade name, the value of which is expected to be recovered from the worldwide sales of Entity A's products.

350-30-55-**35** Based on an evaluation of the circumstances, three separately recorded trade name assets would be combined into a single unit of accounting for purposes of testing the acquired trade name for impairment. The three registered trade names were acquired in the same business combination and, absent the requirement to prepare separate financial statements for subsidiaries, would have been recorded as a single asset. The trade name is managed by a single brand manager. If sold, Entity C would most likely sell all three legally registered trade names as a single asset.

Example 12: Brands

350-30-55-**36** This Example illustrates the guidance in paragraphs 350-30-35-21 through 35-24.

350-30-55-**37** Entity Z manufactures and distributes cereals under two different brands, Brand A and Brand B. Both brands were acquired in the same business combination. Entity Z recorded two separate intangible assets representing Brand A and Brand B. Each brand represents a group of complementary indefinite-lived intangible assets including the trademark, the trade dress, and a recipe. Brand A has two underlying trade names for its Honey and Cinnamon cereals. The trade name and recipe of Cinnamon were internally generated subsequent to the acquisition of Brand A. Sales of Honey have decreased while sales of Cinnamon have increased over the past several years. Despite the decline in sales of Honey, the combined sales of Honey and Cinnamon have increased at the levels expected by management. Sales of Brand B also have increased at expected levels. There are discrete cash flows for Honey, Cinnamon, and Brand B, and each represents a separate asset group under the Impairment or Disposal of Long-Lived Assets Subsections of Subtopic 360-10. Both Honey and Cinnamon are managed by one brand manager. A separate brand manager is responsible for Brand B; however, there are some shared resources used by these groups, such as procurement. While Entity Z has no current plans to sell its brands or exit the cereal business, it believes if it ever did, it would exit the cereal business in its entirety.

350-30-55-**38** Based on an evaluation of the circumstances, Entity Z would have two units of accounting for purposes of testing the acquired brands for impairment. Brand A's purchased Honey and internally generated Cinnamon trademarks should be combined as a single unit of accounting for purposes of impairment testing. The intangible asset associated with the Cinnamon trademark is simply a variation of the previously acquired Brand A Honey trademark. Although they are associated with different asset groups, they are managed by a single brand manager. Entity Z would consider Brand B to be a separate unit of accounting for purposes of testing impairment because that brand is managed separately from Brand A and is used exclusively by a separate asset group under the Impairment or Disposal of Long-Lived Assets Subsections of Subtopic 360-10.

Example 13: Illustration of Disclosure Requirements

350-30-55-**39** This Example illustrates the disclosure requirements of paragraphs 350-30-50-1 through 50-3.

350-30-55-**40** In accordance with paragraph 350-30-50-2, the following disclosures would be made by Theta Entity in its December 31, 20X3 financial statements relating to acquired intangible assets. Theta Entity did not incur costs to renew or extend the term of acquired intangible assets during the period ending December 31, 20X3.

Note B: Acquired Intangible Assets

($000s)	As of December 31, 20X3 Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets		
Trademark	$ 1,078	$ (66)
Unpatented technology	475	(380)
Other	90	(30)
Total	$ 1,643	$ (476)
Unamortized intangible assets		
Broadcast licenses	$ 1,400	
Trademark	600	
Total	$ 2,000	

Aggregate Amortization Expense:	
For year ended 12/31/X3	$319
Estimated Amortization Expense:	
For year ended 12/31/X4	$199
For year ended 12/31/X5	$ 74
For year ended 12/31/X6	$ 74
For year ended 12/31/X7	$ 64
For year ended 12/31/X8	$ 54

350-30-**65** - Transition and Open Effective Date Information

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

General

350-30-65-**1** Paragraph superseded on 07/01/2010 after the end of the transition period stated in FASB Staff Position FAS 142-3, Determination of the Useful Life of Intangible Assets.

350-30-65-**2** Paragraph superseded on 07/01/2010 after the end of the transition period stated in EITF Issue No. 08-7, Accounting for Defensive Intangible Assets.

350-30-65-**3** Paragraph superseded on 06/26/2015 after the end of the transition period stated in Accounting Standards Update No. 2012-02, Intangibles-Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment.

350-**40** - Internal-Use Software

350-40-**00** - Status

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

General

350-40-00-**1** The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Contract	Added	Accounting Standards Update No. 2014-09	05/28/2014
Customer	Added	Accounting Standards Update No. 2014-09	05/28/2014
Hosting Arrangement	Amended	Accounting Standards Update No. 2018-15	08/29/2018
Hosting Arrangement	Added	Accounting Standards Update No. 2015-05	04/15/2015

Public Business Entity	Amended	Maintenance Update 2017-06	04/07/2017
Public Business Entity	Amended	Maintenance Update 2016-11	06/27/2016
Public Business Entity	Added	Accounting Standards Update No. 2015-05	04/15/2015
Revenue	Added	Accounting Standards Update No. 2014-09	05/28/2014
Standalone Price	Added	Accounting Standards Update No. 2018-15	08/29/2018
350-40-05-1	Amended	Accounting Standards Update No. 2017-04	01/26/2017
350-40-05-1A	Added	Accounting Standards Update No. 2017-04	01/26/2017
350-40-05-1B	Added	Accounting Standards Update No. 2017-04	01/26/2017
350-40-05-1 through 05-1B	Superseded	Accounting Standards Update No. 2018-15	08/29/2018
350-40-05-1C through 05-1F	Added	Accounting Standards Update No. 2018-15	08/29/2018
350-40-05-2 through 05-5	Superseded	Accounting Standards Update No. 2017-04	01/26/2017
350-40-05-8	Superseded	Accounting Standards Update No. 2017-04	01/26/2017
350-40-05-9	Superseded	Accounting Standards Update No. 2017-04	01/26/2017
350-40-05-10	Added	Accounting Standards Update No. 2018-15	08/29/2018
350-40-15-1	Amended	Accounting Standards Update No. 2018-15	08/29/2018
350-40-15-2	Amended	Accounting Standards Update No. 2018-15	08/29/2018
350-40-15-2A through 15-2C	Added	Accounting Standards Update No. 2017-04	01/26/2017
350-40-15-3 through 15-4A	Amended	Accounting Standards Update No. 2018-15	08/29/2018
350-40-15-4	Amended	Accounting Standards Update No. 2015-05	04/15/2015
350-40-15-4C	Amended	Accounting Standards Update No. 2018-15	08/29/2018
350-40-15-4A through 15-4C	Added	Accounting Standards Update No. 2015-05	04/15/2015
350-40-15-4D	Added	Accounting Standards Update No. 2018-15	08/29/2018
350-40-15-5	Amended	Accounting Standards Update No. 2017-04	01/26/2017
350-40-15-8	Added	Accounting Standards Update No. 2018-15	08/29/2018
350-40-15-9	Added	Accounting Standards Update No. 2018-15	08/29/2018
350-40-25-5	Amended	Accounting Standards Update No. 2017-04	01/26/2017
350-40-25-7	Amended	Accounting Standards Update No. 2017-04	01/26/2017
350-40-25-16	Superseded	Accounting Standards Update No. 2015-05	04/15/2015
350-40-25-17	Added	Accounting Standards Update No. 2016-19	12/14/2016
350-40-25-18	Added	Accounting Standards	08/29/2018

		Update No. 2018-15	
350-40-30-4	Amended	Accounting Standards Update No. 2018-15	08/29/2018
350-40-30-5	Added	Accounting Standards Update No. 2018-15	08/29/2018
350-40-35-8	Amended	Accounting Standards Update No. 2014-09	05/28/2014
350-40-35-11 through 35-17	Added	Accounting Standards Update No. 2018-15	08/29/2018
350-40-45-1 through 45-3	Added	Accounting Standards Update No. 2018-15	08/29/2018
350-40-50-1	Amended	Accounting Standards Update No. 2018-15	08/29/2018
350-40-50-2	Added	Accounting Standards Update No. 2018-15	08/29/2018
350-40-50-3	Amended	Accounting Standards Update No. 2024-03	11/04/2024
350-40-50-3	Added	Accounting Standards Update No. 2018-15	08/29/2018
350-40-65-1	Added	Accounting Standards Update No. 2015-05	04/15/2015
350-40-65-2	Added	Accounting Standards Update No. 2016-19	12/14/2016
350-40-65-3	Added	Accounting Standards Update No. 2018-15	08/29/2018

350-40-**05 - Overview and Background**

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

General

350-40-05-**1** Paragraph superseded by Accounting Standards Update No. 2018-15.

350-40-05-**1A** Paragraph superseded by Accounting Standards Update No. 2018-15.

350-40-05-**1B** Paragraph superseded by Accounting Standards Update No. 2018-15.

350-40-05-**1C** The Internal-Use Software Subtopic presents guidance in the following Subsections:

a. General

b. Implementation Costs of a Hosting Arrangement That Is a Service Contract.

350-40-05-**1D** Certain costs incurred for computer software developed or obtained for internal use should be capitalized depending on the nature of the costs and the project stage during which they were incurred in accordance with the guidance in Section 350-40-25. Computer software to be sold, leased, or otherwise marketed externally is not considered to be for internal use.

350-40-05-**1E** Section 350-40-30 includes guidance on the types of costs that should be capitalized, including costs for the purchase of internal-use software in a multiple element transaction.

350-40-05-**1F** Section 350-40-35 includes guidance on the following:

a. How to test the internal-use software for impairment

b. How to amortize the asset

c. How to account for software that previously was considered for internal use, but subsequently was marketed.

350-40-05-**2** Paragraph superseded by Accounting Standards Update No. 2017-04.

350-40-05-**3** Paragraph superseded by Accounting Standards Update No. 2017-04.

350-40-05-**4** Paragraph superseded by Accounting Standards Update No. 2017-04.

350-40-05-**5** Paragraph superseded by Accounting Standards Update No. 2017-04.

350-40-05-**6** Paragraphs 350-40-55-1 through 55-2 provide examples of when computer software is and is not for internal use.

350-40-05-**7** Paragraph 350-40-55-3 illustrates the various stages and related processes of computer software development.

350-40-05-**8** Paragraph superseded by Accounting Standards Update No. 2017-04.

350-40-05-**9** Paragraph superseded by Accounting Standards Update No. 2017-04.

Implementation Costs of a Hosting Arrangement That Is a Service Contract

350-40-05-**10** The Implementation Costs of a Hosting Arrangement That Is a Service Contract Subsections of this Subtopic address the accounting for the implementation, setup, and other upfront costs (implementation costs) incurred in a hosting arrangement that does not meet the criteria in paragraph 350-40-15-4A.

350-40-**15 - Scope and Scope Exceptions**

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

General

Overall Guidance

350-40-15-**1** The General Subsection of this Section establishes the pervasive scope for this Subtopic. The General Subsections of this Subtopic follow the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section 350-10-15, with specific transaction qualifications and exceptions noted below and in the Implementation Costs of a Hosting Arrangement That Is a Service Contract Subsection.

Transactions

350-40-15-**2** The guidance in the General Subsections of this Subtopic applies to the following transactions and activities:

a. Internal-use software

b. The proceeds of computer software developed or obtained for internal use that is marketed

c. New internal-use software developed or obtained that replaces previously existing internal-use software

d. Computer software that consists of more than one component or module. For example, an entity may develop an accounting software system containing three elements: a general ledger, an accounts payable subledger, and an accounts receivable subledger. In this example, each element might be viewed as a component or module of the entire accounting software system. The guidance in this Subtopic shall be applied to individual components or modules.

350-40-15-**2A** Internal-use software has both of the following characteristics:

a. The software is acquired, internally developed, or modified solely to meet the entity's internal needs.

b. During the software's development or modification, no substantive plan exists or is being developed to market the software externally.

350-40-15-**2B** A substantive plan to market software externally could include the selection of a marketing channel or channels with identified promotional, delivery, billing, and support activities. To be considered a substantive plan, implementation of the plan should be reasonably possible. Arrangements providing for the joint development of software for mutual internal use (for example, cost-sharing arrangements) and routine market feasibility studies are not substantive plans to market software for purposes of this Subtopic. Both characteristics in paragraph 350-40-15-2A must be met for software to be considered for internal use.

350-40-15-**2C** An entity's past practices related to selling software may help determine whether the software is for internal use or is subject to a plan to be marketed externally. For example, an entity in the business of selling computer software often both uses and sells its own software products. Such a past practice of both using and selling computer software creates a rebuttable presumption that any software developed by that entity is intended for sale, lease, or other marketing.

350-40-15-**3** The General Subsections of this Subtopic provide guidance on when costs incurred for internal-use computer software are and are not capitalized.

350-40-15-**4** The guidance in this Subtopic does not apply to the following transactions and activities:

a. Software to be sold, leased, or otherwise marketed as a separate product or as part of a product or process, subject to Subtopic 985-20

b. Software to be used in research and development, subject to Subtopic 730-10

c. Software developed for others under a contractual arrangement, subject to contract accounting standards

d. Accounting for costs of reengineering activities, which often are associated with new or upgraded software applications.

e. Subparagraph superseded by Accounting Standards Update No. 2018-15.

350-40-15-**4A** The guidance in the General Subsections of this Subtopic applies only to internal-use software that a customer obtains access to in a hosting arrangement if both of the following criteria are met:

a. The customer has the contractual right to take possession of the software at any time during the hosting period without significant penalty.

b. It is feasible for the customer to either run the software on its own hardware or contract with another party unrelated to the vendor to host the software.

350-40-15-**4B** For purposes of the guidance in paragraph 350-40-15-4A(a), the term without significant penalty contains two distinct concepts:

a. The ability to take delivery of the software without incurring significant cost

b. The ability to use the software separately without a significant diminution in utility or value.

350-40-15-**4C** Hosting arrangements that do not meet both criteria in paragraph 350-40-15-4A are service contracts and do not constitute a purchase of, or convey a license to, software.

350-40-15-**4D** Implementation costs of a hosting arrangement that does not meet both criteria in paragraph 350-40-15-4A shall be accounted for in accordance with the Implementation Costs of a Hosting Arrangement That Is a Service Contract Subsections of this Subtopic.

350-40-15-**5** Costs of computer software that is sold, leased, or otherwise marketed as a separate product or as part of a product or process are within the scope of Subtopic 985-20. For example, software designed for and embedded in a semiconductor chip is included in the scope of that Subtopic because it is an integral part of the product. By contrast, software for internal use, though it may be used in developing a product, is not part of or included in the actual product or service sold. If software is used by the vendor in the production of the product or providing the service but the customer does not acquire the software or the future right to use it, the software is covered by this Subtopic. For example, for a communications entity selling telephone services, software included in a telephone switch is part of the internal equipment used to deliver a service but is not part of the product or service actually being acquired or received by the customer. Paragraph 350-40-55-1 includes examples of computer software considered to be for internal use and thus not part of a product or process. Paragraph 350-40-55-2 includes examples of when computer software is not for internal use.

Other Considerations

350-40-15-**6** The guidance in this Subtopic does not change any of the provisions in the following Subtopics:

a. Subtopic 985-20

b. Subtopic 720-45.

350-40-15-**7** The following costs of internal-use computer software are included in research and development and shall be accounted for in accordance with the provisions of Subtopic 730-10:

a. Purchased or leased computer software used in research and development activities where the software does not have alternative future uses

b. All internally developed internal-use computer software (including software developed by third parties, for example, programmer consultants) in either of the following circumstances:

   1. The software is a pilot project (that is, software of a nature similar to a pilot plant as noted in paragraph 730-10-55-1(h)).

   2. The software is used in a particular research and development project, regardless of whether the software has alternative future uses.

Implementation Costs of a Hosting Arrangement That Is a Service Contract

350-40-15-**8** The Implementation Costs of a Hosting Arrangement That Is a Service Contract Subsections of this Subtopic follow the same Scope and Scope Exceptions as outlined in the General Subsection of this Section, with specific qualifications noted in paragraph 350-40-15-9.

350-40-15-**9** The Implementation Costs of a Hosting Arrangement That Is a Service Contract Subsections of this Subtopic provide guidance on when costs incurred to implement a hosting arrangement that does not meet both criteria in paragraph 350-40-15-4A are and are not capitalized.

350-40-**20 - Glossary**

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

Contract

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

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.

Hosting Arrangement

In connection with accessing and using software products, an arrangement in which the customer of the software does not currently have possession of the software; rather, the customer accesses and uses the software on an as-needed basis.

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.

Preliminary Project Stage

When a computer software project is in the preliminary project stage, entities will likely do the following:

a. Make strategic decisions to allocate resources between alternative projects at a given point in time. For example, should programmers develop a new payroll system or direct their efforts toward correcting existing problems in an operating payroll system?

b. Determine the performance requirements (that is, what it is that they need the software to do) and systems requirements for the computer software project it has proposed to undertake.

c. Invite vendors to perform demonstrations of how their software will fulfill an entity's needs.

d. Explore alternative means of achieving specified performance requirements. For example, should an entity make or buy the software? Should the software run on a mainframe or a client server system?

e. Determine that the technology needed to achieve performance requirements exists.

f. Select a vendor if an entity chooses to obtain software.

g. Select a consultant to assist in the development or installation of the software.

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.

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.

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 Price

The price at which a customer would purchase a component of a contract separately.

Useful Life

The period over which an asset is expected to contribute directly or indirectly to future cash flows.

350-40-**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

Preliminary Project Stage

350-40-25-**1** Internal and external costs incurred during the preliminary project stage shall be expensed as they are incurred.

Application Development Stage

350-40-25-**2** Internal and external costs incurred to develop internal-use computer software during the application development stage shall be capitalized.

350-40-25-**3** Costs to develop or obtain software that allows for access to or conversion of old data by new systems shall also be capitalized.

350-40-25-**4** Training costs are not internal-use software development costs and, if incurred during this stage, shall be expensed as incurred.

350-40-25-**5** Data conversion costs, except as noted in paragraph 350-40-25-3, shall be expensed as incurred. The process of data conversion from old to new systems may include purging or cleansing of existing data, reconciliation or balancing of the old data and the data in the new system, creation of new or additional data, and conversion of old data to the new system.

Postimplementation-Operation Stage

350-40-25-**6** Internal and external training costs and maintenance costs during the postimplementation-operation stage shall be expensed as incurred.

Upgrades and Enhancements

350-40-25-**7** Upgrades and enhancements are defined as modifications to existing internal-use software that result in additional functionality-that is, modifications to enable the software to perform tasks that it was previously incapable of performing. Upgrades and enhancements normally require new software specifications and may also require a change to all or part of the existing software specifications. In order for costs of specified upgrades and enhancements to internal-use computer software to be capitalized in accordance with paragraphs 350-40-25-8 through 25-10, it must be probable that those expenditures will result in additional functionality.

350-40-25-**8** Internal costs incurred for upgrades and enhancements shall be expensed or capitalized in accordance with paragraphs 350-40-25-1 through 25-6.

350-40-25-**9** Internal costs incurred for maintenance shall be expensed as incurred.

350-40-25-**10** Entities that cannot separate internal costs on a reasonably cost-effective basis between maintenance and relatively minor upgrades and enhancements shall expense such costs as incurred.

350-40-25-**11** External costs incurred under agreements related to specified upgrades and enhancements shall be expensed or capitalized in accordance with paragraphs 350-40-25-1 through 25-6. If maintenance is combined with specified upgrades and enhancements in a single contract, the cost shall be allocated between the elements as discussed in paragraph 350-40-30-4 and the maintenance costs shall be expensed over the contract period. However, external costs related to maintenance, unspecified upgrades and enhancements, and costs under agreements that combine the costs of maintenance and unspecified upgrades and enhancements shall be recognized in expense over the contract period on a straight-line basis unless another systematic and rational basis is more representative of the services received.

Capitalization of Cost

350-40-25-**12** Capitalization of costs shall begin when both of the following occur:

a. Preliminary project stage is completed.

b. Management, with the relevant authority, implicitly or explicitly authorizes and commits to funding a computer software project and it is probable that the project will be completed and the software will be used to perform the function intended.

Examples of authorization include the execution of a contract with a third party to develop the software, approval of expenditures related to internal development, or a commitment to obtain the software from a third party.

350-40-25-**13** When it is no longer probable that the computer software project will be completed and placed in service, no further costs shall be capitalized, and guidance in paragraphs 350-40-35-1 through 35-3 on impairment shall be applied to existing balances.

350-40-25-**14** Capitalization shall cease no later than the point at which a computer software project is substantially complete and ready for its intended use, that is, after all substantial testing is completed.

350-40-25-**15** New software development activities shall trigger consideration of remaining useful lives of software that is to be replaced. When an entity replaces existing software with new software, unamortized costs of the old software shall be expensed when the new software is ready for its intended use.

350-40-25-**16** Paragraph superseded by Accounting Standards Update No. 2015-05.

350-40-25-**17** Entities often license internal-use software from third parties. A software license within the scope of this Subtopic (see paragraphs 350-40-15-1 through 15-4C) shall be accounted for as the acquisition of an intangible asset and the incurrence of a liability (that is, to the extent that all or a portion of the software licensing fees are not paid on or before the acquisition date of the license) by the licensee. The intangible asset acquired shall be recognized and measured in accordance with paragraphs 350-30-25-1 and 350-30-30-1, respectively.

Implementation Costs of a Hosting Arrangement That Is a Service Contract

350-40-25-**18** An entity shall apply the General Subsection of this Section as though the hosting arrangement that is a service contract were an internal-use computer software project to determine when implementation costs of a hosting arrangement that is a service contract are and are not capitalized.

350-40-**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

Capitalizable Cost

350-40-30-**1** Costs of computer software developed or obtained for internal use that shall be capitalized include only the following:

a. External direct costs of materials and services consumed in developing or obtaining internal-use computer software. Examples of those costs include but are not limited to the following:

1. Fees paid to third parties for services provided to develop the software during the application development stage

2. Costs incurred to obtain computer software from third parties
3. Travel expenses incurred by employees in their duties directly associated with developing software.

b. Payroll and payroll-related costs (for example, costs of employee benefits) for employees who are directly associated with and who devote time to the internal-use computer software project, to the extent of the time spent directly on the project. Examples of employee activities include but are not limited to coding and testing during the application development stage.

c. Interest costs incurred while developing internal-use computer software. Interest shall be capitalized in accordance with the provisions of Subtopic 835-20.

350-40-30-**2** If the entity suspends substantially all activities related to the software developed or obtained for internal use, interest capitalization shall cease until activities are resumed.

350-40-30-**3** General and administrative costs and overhead costs shall not be capitalized as costs of internal-use software.

Multiple-Element Arrangements Included in Purchase Price

350-40-30-**4** Entities may purchase internal-use computer software from a third party or may enter into a hosting arrangement. In some cases, the price includes multiple elements, such as the license or hosting, training for the software, maintenance fees for routine maintenance work to be performed by the third party, data conversion costs, reengineering costs, and rights to future upgrades and enhancements. Entities shall allocate the cost among all individual elements. The allocation shall be based on the relative standalone price of the elements in the contract, not necessarily separate prices stated within the contract for each element. Those elements included in the scope of this Subtopic shall be accounted for in accordance with the provisions of this Subtopic.

Implementation Costs of a Hosting Arrangement That Is a Service Contract

350-40-30-**5** An entity shall apply the General Subsection of this Section as though the hosting arrangement that is a service contract were an internal-use computer software project to determine when implementation costs of a hosting arrangement that is a service contract are and are not capitalized.

350-40-**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

Impairment

350-40-35-**1** Impairment shall be recognized and measured in accordance with the provisions of Section 360-10-35, which requires that assets be grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. The guidance is applicable, for example, when one of the following events or changes in circumstances occurs related to computer software being developed or currently in use indicating that the carrying amount may not be recoverable:

a. Internal-use computer software is not expected to provide substantive service potential.

b. A significant change occurs in the extent or manner in which the software is used or is expected to be used.

c. A significant change is made or will be made to the software program.

d. Costs of developing or modifying internal-use computer software significantly exceed the amount originally expected to develop or modify the software.

350-40-35-**2** Paragraphs 360-10-35-47 through 35-49 requires that the asset be accounted for as abandoned when it ceases to be used.

350-40-35-**3** When it is no longer probable that computer software being developed will be completed and placed in service, the asset shall be reported at the lower of the carrying amount or fair value, if any, less costs to sell. The rebuttable presumption is that such uncompleted software has a fair value of zero. Indications that the software may no longer be expected to be completed and placed in service include the following:

a. A lack of expenditures budgeted or incurred for the project.

b. Programming difficulties that cannot be resolved on a timely basis.

c. Significant cost overruns.

d. Information has been obtained indicating that the costs of internally developed software will significantly exceed the cost of comparable third-party software or software products, so that management intends to obtain the third-party software or software products instead of completing the internally developed software.

e. Technologies are introduced in the marketplace, so that management intends to obtain the third-party software or software products instead of completing the internally developed software.

f. Business segment or unit to which the software relates is unprofitable or has been or will be discontinued.

Amortization

350-40-35-**4** The costs of computer software developed or obtained for internal use shall be amortized on a straight-line basis unless another systematic and rational basis is more representative of the software's use.

350-40-35-**5** In determining and periodically reassessing the estimated useful life over which the costs incurred for internal-use computer software will be amortized, entities shall consider the effects of all of the following:

a. Obsolescence

b. Technology

c. Competition

d. Other economic factors

e. Rapid changes that may be occurring in the development of software products, software operating systems, or computer hardware and whether management intends to replace any technologically inferior software or hardware.

Given the history of rapid changes in technology, software often has had a relatively short useful life.

350-40-35-**6** For each module or component of a software project, amortization shall begin when the computer software is ready for its intended use, regardless of whether the software will be placed in service in planned stages that may extend beyond a reporting period. For purposes of this Subtopic, computer software is ready for its intended use after all substantial testing is completed. If the functionality of a module is entirely dependent on the completion of other modules, amortization of that module shall begin when both that module and the other modules upon which it is functionally dependent are ready for their intended use.

Internal-Use Computer Software Subsequently Marketed

350-40-35-**7** If, after the development of internal-use software is completed, an entity decides to market the software, proceeds received from the license of the computer software, net of direct incremental costs of marketing, such as commissions, software reproduction costs, warranty and service obligations, and installation costs, shall be applied against the carrying amount of that software.

350-40-35-**8** No profit shall be recognized until aggregate net proceeds from licenses and amortization have reduced the carrying amount of the software to zero. Subsequent proceeds shall be recognized as revenue in accordance with Topic 606 on revenue from contracts with customers or recognized as a gain in accordance with Subtopic 610-20 on derecognition of nonfinancial assets if the contract is not with a customer.

350-40-35-**9** If, during the development of internal-use software, an entity decides to market the software to others, the entity shall follow the guidance in Subtopic 985-20. Amounts previously capitalized under this Subtopic shall be evaluated at each balance sheet date in accordance with paragraph 985-20-35-4. Capitalized software costs shall be amortized in accordance with paragraphs 985-20-35-1 through 35-2.

350-40-35-**10** A pattern of deciding to market internal-use software during its development creates a rebuttable presumption that any software developed by that entity is intended for sale, lease, or other marketing, and thus is subject to the guidance in Subtopic 985-20.

Implementation Costs of a Hosting Arrangement That Is a Service Contract

Impairment

350-40-35-**11** Impairment shall be recognized and measured in accordance with the provisions of Section 360-10-35 as if the capitalized implementation costs were a long-lived asset. That guidance requires that assets be grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. The guidance is applicable, for example, when one of the following events or changes in circumstances occurs related to the hosting arrangement that is a service contract indicating that the carrying amount of the related implementation costs may not be recoverable:

a. The hosting arrangement is not expected to provide substantive service potential.

b. A significant change occurs in the extent or manner in which the hosting arrangement is used or is expected to be used.

c. A significant change is made or will be made to the hosting arrangement.

350-40-35-**12** Paragraphs 360-10-35-47 through 35-49 require that the asset be accounted for as abandoned when it ceases to be used. Implementation costs related to each module or component of a hosting arrangement that is a service contract shall be evaluated separately as to when it ceases to be used.

Amortization

350-40-35-**13** Implementation costs capitalized in accordance with the Implementation Costs of a Hosting Arrangement That Is a Service Contract Subsections of this Subtopic shall be amortized over the term of the associated hosting arrangement, considering the guidance in paragraph 350-40-35-17, on a straight-line basis unless another systematic and rational basis is more representative of the pattern in which the entity expects to benefit from access to the hosted software. This Subsection considers the right to access the hosted software to be equivalent to actual use, which shall not be affected by the extent to which the entity uses, or the expectations about the entity's use of, the hosted software (for example, how many transactions the entity processes or expects to process or how many users access or are expected to access the hosted software).

350-40-35-**14** An entity (customer) shall determine the term of the hosting arrangement that is a service contract as the fixed noncancellable term of the hosting arrangement plus all of the following:

a. Periods covered by an option to extend the hosting arrangement if the entity (customer) is reasonably certain to exercise that option

b. Periods covered by an option to terminate the hosting arrangement if the entity (customer) is reasonably certain not to exercise that option

c. Periods covered by an option to extend (or not to terminate) the hosting arrangement in which exercise of the option is controlled by the vendor.

350-40-35-**15** An entity (customer) shall periodically reassess the estimated term of the arrangement and shall account for any change in the estimated term as a change in accounting estimate in accordance with Topic 250 on accounting changes and error corrections.

350-40-35-**16** An entity shall consider the effects of all the following when determining the term of the hosting arrangement in accordance with paragraph 350-40-35-14 and when reassessing the term of the hosting arrangement in accordance with paragraph 350-40-35-15:

a. Obsolescence

b. Technology

c. Competition

d. Other economic factors

e. Rapid changes that may be occurring in the development of hosting arrangements or hosted software

f. Significant implementation costs that are expected to have significant economic value for the entity (customer) when the option to extend or terminate the hosting arrangement becomes exercisable.

350-40-35-**17** For each module or component of a hosting arrangement, an entity shall begin amortizing the capitalized implementation costs related to the hosting arrangement that is a service contract when the module or component of the hosting arrangement is ready for its intended use, regardless of whether the overall hosting arrangement will be placed in service in planned stages that may extend beyond a reporting period. For purposes of this Subsection, a hosting arrangement (or a module or component of a hosting arrangement) is ready for its intended use after all substantial testing is completed. If the functionality of a module or component is entirely dependent on the completion of other modules or components, the entity shall begin amortizing the capitalized implementation costs related to that module or component when both that module or component and the other modules or components upon which it is functionally dependent are ready for their intended use.

350-40-**45 - Other Presentation Matters**

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

Implementation Costs of a Hosting Arrangement That Is a Service Contract

Amortization

350-40-45-**1** An entity shall present the amortization of implementation costs described in paragraph 350-40-35-13 in the same line item in the statement of income as the expense for fees for the associated hosting arrangement.

Statement of Financial Position

350-40-45-**2** An entity shall present the capitalized implementation costs described in paragraph 350-40-25-18 in the same line item in the statement of financial position that a prepayment of the fees for the associated hosting arrangement would be presented.

Statement of Cash Flows

350-40-45-**3** An entity shall classify the cash flows from capitalized implementation costs described in paragraph 350-40-25-18 in the same manner as the cash flows for the fees for the associated hosting arrangement.

350-40-**50 - Disclosure**

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

General

350-40-50-**1** The General Subsection of this Subtopic does not require any incremental disclosures. Disclosure shall be made in accordance with existing authoritative literature including the following:

a. Topic 275

b. Subtopic 730-10

c. Topic 235

d. Subtopic 360-10.

Implementation Costs of a Hosting Arrangement That Is a Service Contract

350-40-50-**2** An entity shall disclose the nature of its hosting arrangements that are service contracts.

350-40-50-**3** The disclosure requirements in the General Subsection of this Section are applicable to the capitalized implementation costs of hosting arrangements that are service contracts. An entity shall make the disclosures in Subtopic 360-10 as if the capitalized implementation costs were a separate major class of depreciable asset.

> **PENDING CONTENT**
>
> **Transition Date:** (P) December 16, 2026; (N) December 16, 2026 **- Transition Guidance :** 220-40-65-1
>
> The disclosure requirements in the General Subsection of this Section are applicable to the capitalized implementation costs of hosting arrangements that are service contracts. An entity shall make the disclosures in Subtopic 360-10 as if the capitalized implementation costs were a separate major class of depreciable asset. See paragraphs 220-40-50-21 through 50-25 for additional disclosure requirements.

350-40-**55 - Implementation Guidance and Illustrations**

> **General Note:** The Implementation Guidance and Illustrations Section contains implementation guidance and illustrations that are an integral part of the Subtopic. The implementation guidance and illustrations do not address

all possible variations. Users must consider carefully the actual facts and circumstances in relation to the requirements of the Subtopic.

General

Implementation Guidance

350-40-55-**1** The following is a list of examples illustrating when computer software is for internal use:

a. A manufacturing entity purchases robots and customizes the software that the robots use to function. The robots are used in a manufacturing process that results in finished goods.

b. An entity develops software that helps it improve its cash management, which may allow the entity to earn more revenue.

c. An entity purchases or develops software to process payroll, accounts payable, and accounts receivable.

d. An entity purchases software related to the installation of an online system used to keep membership data.

e. A travel agency purchases a software system to price vacation packages and obtain airfares.

f. A bank develops software that allows a customer to withdraw cash, inquire about balances, make loan payments, and execute wire transfers.

g. A mortgage loan servicing entity develops or purchases computer software to enhance the speed of services provided to customers.

h. A telecommunications entity develops software to run its switches that are necessary for various telephone services such as voice mail and call forwarding.

i. An entity is in the process of developing an accounts receivable system. The software specifications meet the entity's internal needs and the entity did not have a marketing plan before or during the development of the software. In addition, the entity has not sold any of its internal-use software in the past. Two years after completion of the project, the entity decided to market the product to recoup some or all of its costs.

j. A broker-dealer entity develops a software database and charges for financial information distributed through the database.

k. An entity develops software to be used to create components of music videos (for example, the software used to blend and change the faces of models in music videos). The entity then sells the final music videos, which do not contain the software, to another entity.

l. An entity purchases software to computerize a manual catalog and then sells the manual catalog to the public.

m. A law firm develops an intranet research tool that allows firm members to locate and search the firm's databases for information relevant to their cases. The system provides users with the ability to print cases, search for related topics, and annotate their personal copies of the database.

350-40-55-**2** The following list provides examples of computer software that is not for internal use:

a. An entity sells software required to operate its products, such as robots, electronic game systems, video cassette recorders, automobiles, voice-mail systems, satellites, and cash registers.

b. A pharmaceutical entity buys machines and writes all of the software that allows the machines to function. The pharmaceutical entity then sells the machines, which help control the dispensation of medication to patients and help control inventory, to hospitals.

c. A semiconductor entity develops software embedded in a microcomputer chip used in automobile electronic systems.

d. An entity purchases software to computerize a manual catalog and then sells the computer version and the related software to the public.

e. A software entity develops an operating system for sale and for internal use. Though the specifications of the software meet the entity's internal needs, the entity had a marketing plan before the project was complete. In addition, the entity has a history of selling software that it also uses internally and the plan has a reasonable possibility of being implemented.

f. An entity is developing software for a point-of-sale system. The system is for internal use; however, a marketing plan is being developed concurrently with the software development. The plan has a reasonable possibility of being implemented.

g. A telecommunications entity purchases computer software to be used in research and development activities.

h. An entity incurs costs to develop computer software for another entity under a contract with that other entity.

350-40-55-**3** The following list illustrates the various stages and related processes of computer software development:

a. Preliminary project stage:

   1. Conceptual formulation of alternatives
   2. Evaluation of alternatives
   3. Determination of existence of needed technology
   4. Final selection of alternatives.

b. Application development stage:

   1. Design of chosen path, including software configuration and software interfaces
   2. Coding
   3. Installation to hardware
   4. Testing, including parallel processing phase.

c. Postimplementation-operation stage:

   1. Training
   2. Application maintenance.

350-40-55-**4** This Subtopic recognizes that the development of internal-use computer software may not follow the order shown in the preceding list. For example, coding and testing are often performed simultaneously. Regardless, for costs incurred subsequent to completion of the preliminary project stage, the guidance shall be applied based on the nature of the costs incurred, not the timing of their incurrence. For example, while some training may occur in the application development stage, it should be expensed as incurred as required in paragraphs 350-40-25-2 through 25-6.

350-40-**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

350-40-65-**1** Paragraph superseded on 10/26/2017 after the end of the transition period stated in Accounting Standards Update No. 2015-05, Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement.

350-40-65-**2** Paragraph superseded on 07/17/2019 after the end of the transition period stated in Accounting Standards Update No. 2016-19, Technical Corrections and Improvements.

350-40-65-**3** Paragraph superseded on 12/14/2022 after the end of the transition period stated in Accounting Standards Update No. 2018-15, Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.

350-**50 - Website Development Costs**

350-50-**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

350-50-05-**1** This Subtopic provides guidance on accounting for costs incurred to develop a website, including whether to capitalize or expense the following types of costs:

a. Costs incurred in the planning stage

b. Costs incurred in the website application and infrastructure development stage

c. Costs incurred to develop graphics

d. Costs incurred to develop content

e. Costs incurred in the operating stage.

350-50-**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

350-50-15-**1** This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section 350-10-15, with specific transaction qualifications noted below.

Transactions

350-50-15-**2** The guidance in this Subtopic applies to the following transactions and activities:

a. Costs incurred to develop a website.

350-50-15-**3** The guidance in this Subtopic does not apply to the following transactions and activities:

a. The cost of hardware

b. Acquisitions of servers and related hardware infrastructure.

350-50-**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

350-50-25-**1** The guidance in this Section refers to various website development stages. See Section 350-50-55 for details regarding the types of costs and activities incurred during those stages.

Costs Incurred in the Planning Stage

350-50-25-**2** Regardless of whether the website planning activities specifically relate to software, all costs incurred in the planning stage shall be expensed as incurred.

Costs Incurred in the Website Application and Infrastructure Development Stage

350-50-25-**3** The discussion of website application and infrastructure development assumes that any software is developed for the entity's internal needs and no plan exists or is being developed to market the software externally.

350-50-25-**4** All costs relating to software used to operate a website shall be accounted for under Subtopic 350-40 unless a plan exists or is being developed to market the software externally. Software for which a plan exists or is being developed to market the software externally is subject to Subtopic 985-20, and costs associated with the development of that software shall be expensed until technological feasibility is established. See paragraph 985-20-25-2.

350-50-25-**5** Fees incurred for website hosting, which involve the payment of a specified, periodic fee to an internet service provider in return for hosting the website on its server(s) connected to the internet, generally are expensed over the period of benefit.

350-50-25-**6** Costs incurred to purchase software tools, or costs incurred during the application development stage for internally developed tools, shall be capitalized unless they are used in research and development and meet either of the following conditions:

a. They do not have any alternative future uses.

b. They are internally developed and represent a pilot project or are being used in a specific research and development project (see paragraph 350-40-15-7).

350-50-25-**7** Costs to obtain and register an internet domain shall be capitalized under Section 350-30-25.

Costs Incurred in the Graphics Development Stage

350-50-25-**8** Graphics are a component of software. The costs of developing initial graphics shall be accounted for under Subtopic 350-40 for internal-use software, and Subtopic 985-20 for software marketed externally.

350-50-25-**9** Modifications to graphics after a website is launched shall be evaluated to determine whether the modifications represent maintenance or enhancements of the website.

Costs Incurred in the Content Development Stage

350-50-25-**10** Accounting for website content involves issues that also apply to other forms of content or information that are not unique to websites.

350-50-25-**11** Costs to input content into a website shall be expensed as incurred.

350-50-25-**12** Software used to integrate a database with a website shall be capitalized under paragraphs 350-40-25-2 through 25-4.

350-50-25-**13** Data conversion costs shall be expensed as incurred (see paragraph 350-40-25-5).

Costs Incurred in the Operating Stage

350-50-25-**14** Costs of operating a website shall not be accounted for differently from the costs of other operations; that is, those costs shall be expensed as incurred.

350-50-25-**15** Costs incurred in the operation stage that involve providing additional functions or features to the website shall be accounted for as, in effect, new software. That is, costs of upgrades and enhancements that add functionality shall be expensed or capitalized based on the general model of paragraph 350-40-25-7 (which requires certain costs relating to upgrades and enhancements to be capitalized if it is probable that they will result in added functionality) or, for software that is marketed, paragraphs 985-20-25-3 through 25-4 (which apply a software capitalization model to product enhancements, which include improvements that extend the life or significantly improve the marketability of a product).

350-50-25-**16** The determination of whether a change to website software results in an upgrade or enhancement (if internal-use software), or a product enhancement (if externally marketed software), is a matter of judgment based on the specific facts and circumstances. Paragraph 350-40-25-10 states that entities that cannot separate internal costs on a reasonably cost-effective basis between maintenance and relatively minor upgrades and enhancements shall expense such costs as incurred.

350-50-25-**17** Costs to register the website with internet search engines represent advertising costs and shall be expensed as incurred under paragraph 720-35-25-1.

350-50-**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

350-50-55-**1** The following guidance describes or provides examples of various activities that take place at different stages of website development. See Section 350-50-25 for the relevant accounting guidance.

Planning Stage

350-50-55-**2** Planning stage activities include the following:

a. Develop a business, project plan, or both. This may include identification of specific goals for the website (for example, to provide information, supplant manual processes, conduct e-commerce, and so forth), a competitive analysis, identification of the target audience, creation of time and cost budgets, and estimates of the risks and benefits.

b. Determine the functionalities (for example, order placement, order and shipment tracking, search engine, email, chat rooms, and so forth) of the website.

c. Identify necessary hardware (for example, the server) and web applications. Web applications are the software needed for the website's functionalities. Examples of web applications are search engines, interfaces with inventory or other back-end systems, as well as systems for registration and authentication of users, commerce, content management, usage analysis, and so forth.

d. Determine that the technology necessary to achieve the desired functionalities exists. Factors might include, for example, target audience numbers, user traffic patterns, response time expectations, and security requirements.

e. Explore alternatives for achieving functionalities (for example, internal versus external resources, custom-developed versus licensed software, company-owned versus third-party-hosted applications and servers).

f. Conceptually formulate and/or identify graphics and content (see paragraphs 350-50-25-8 through 25-13).

g. Invite vendors to demonstrate how their web applications, hardware, or service will help achieve the website's functionalities.

h. Select external vendors or consultants.

i. Identify internal resources for work on the website design and development.

j. Identify software tools and packages required for development purposes.

k. Address legal considerations such as privacy, copyright, trademark, and compliance.

Application and Infrastructure Development Stage

350-50-55-**3** The website application and infrastructure development stage involves acquiring or developing hardware and software to operate the website. The activities in this stage include the following:

a. Acquire or develop the software tools required for the development work (for example, HTML editor, software to convert existing data to HTML form, graphics software, multimedia software, and so forth).

b. Obtain and register an internet domain name.

c. Acquire or develop software necessary for general website operations, including server operating system software, internet server software, web browser software, and internet protocol software.

d. Develop or acquire and customize code for web applications (for example, catalog software, search engines, order processing systems, sales tax calculation software, payment systems, shipment tracking applications or interfaces, email software, and related security features).

e. Develop or acquire and customize database software and software to integrate distributed applications (for example, corporate databases and accounting systems) into web applications.

f. Develop HTML web pages or develop templates and write code to automatically create HTML pages.

g. Purchase the web and application server(s), internet connection (bandwidth), routers, staging servers (where preliminary changes to the website are made in a test environment), and production servers (accessible to customers using the website). Alternatively, these services may be provided by a third party via a hosting arrangement.

h. Install developed applications on the web server(s).

i. Create initial hypertext links to other websites or to destinations within the website. Depending on the site, links may be extensive or minimal.

j. Test the website applications (for example, stress testing).

Graphics Development Stage

350-50-55-**4** For purposes of this Subtopic, graphics involve the overall design of the web page (use of borders, background and text colors, fonts, frames, buttons, and so forth) that affect the look and feel of the web page and generally remain consistent regardless of changes made to the content.

350-50-55-**5** Graphics include the design or layout of each page (that is, the graphical user interface), color, images, and the overall look and feel and usability of the website. Creation of graphics may involve coding of software, either directly or through the use of graphic software tools. The amount of coding depends on the complexity of the graphics.

Content Development Stage

350-50-55-**6** Content refers to information included on the website, which may be textual or graphical in nature (although the specific graphics described in paragraph 350-50-55-4 are excluded from content). For example, articles, product photos, maps, and stock quotes and charts are all forms of content. Content may reside in separate databases that are integrated into (or accessed from) the web page with software, or it may be coded directly into the web pages.

350-50-55-**7** Content may be created or acquired to populate databases or web pages. Content may be acquired from unrelated parties or may be internally developed.

350-50-55-**8** Content is text or graphical information (exclusive of graphics described in paragraphs 350-50-55-4 through 55-5) on the website which may include information on the entity, products offered, information sources that the user subscribes to, and so forth. Content may originate from databases that must be converted to HTML pages or databases that are linked to HTML pages through integration software. Content also may be coded directly into web pages.

Operating Stage

350-50-55-**9** Costs incurred during the operating stage include training, administration, maintenance, and other costs to operate an existing website. Activities in the operating stage include the following:

a. Train employees involved in support of the website.

b. Register the website with internet search engines.

c. Perform user administration activities.

d. Update site graphics (for updates of graphics related to major enhancements, see [h]).

e. Perform regular backups.

f. Create new links.

g. Verify that links are functioning properly and update existing links (that is, link management or maintenance).

h. Add additional functionalities or features.

i. Perform routine security reviews of the website and, if applicable, of the third-party host.

j. Perform usage analysis.

350-**60 - Crypto Assets**

350-60-**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

350-60-00-**1** The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Contribution	Added	Accounting Standards Update No. 2023-08	12/13/2023
Conditional Contribution	Added	Accounting Standards Update No. 2023-08	12/13/2023
Customer	Added	Accounting Standards Update No. 2023-08	12/13/2023
Donor-Imposed Condition	Added	Accounting Standards Update No. 2023-08	12/13/2023
Fair Value (2nd def.)	Added	Accounting Standards Update No. 2023-08	12/13/2023
Inherent Contribution	Added	Accounting Standards Update No. 2023-08	12/13/2023
Intangible Asset Class	Added	Accounting Standards Update No. 2023-08	12/13/2023
Intangible Assets	Added	Accounting Standards Update No. 2023-08	12/13/2023
Market Participants	Added	Accounting Standards Update No. 2023-08	12/13/2023
Not-for-Profit Entity	Added	Accounting Standards Update No. 2023-08	12/13/2023
Orderly Transaction	Added	Accounting Standards Update No. 2023-08	12/13/2023
Promise to Give	Added	Accounting Standards Update No. 2023-08	12/13/2023
Related Parties	Added	Accounting Standards Update No. 2023-08	12/13/2023
Unconditional Promise to Give	Added	Accounting Standards Update No. 2023-08	12/13/2023
350-60-05-1	Added	Accounting Standards Update No. 2023-08	12/13/2023
350-60-05-2	Added	Accounting Standards Update No. 2023-08	12/13/2023
350-60-15-1	Added	Accounting Standards Update No. 2023-08	12/13/2023
350-60-15-2	Added	Accounting Standards Update No. 2023-08	12/13/2023
350-60-35-1	Added	Accounting Standards Update No. 2023-08	12/13/2023
350-60-45-1 through 45-3	Added	Accounting Standards Update No. 2023-08	12/13/2023
350-60-50-1	Added	Accounting Standards	12/13/2023

through 50-7		Update No. 2023-08	
350-60-65-1	Added	Accounting Standards Update No. 2023-08	12/13/2023

350-60-**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

350-60-05-**1**

PENDING CONTENT

Transition Date: (P) December 16, 2024; (N) December 16, 2024 **- Transition Guidance :** 350-60-65-1

This Subtopic provides guidance on the subsequent measurement, presentation, and disclosure of crypto assets that are within the scope of this Subtopic.

350-60-05-**2**

PENDING CONTENT

Transition Date: (P) December 16, 2024; (N) December 16, 2024 **- Transition Guidance :** 350-60-65-1

This Subtopic does not address the initial measurement, recognition, and derecognition of crypto assets. Reporting entities shall account for the initial measurement, recognition, and derecognition of crypto assets in accordance with other generally accepted accounting principles (GAAP).

350-60-**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

350-60-15-**1**

PENDING CONTENT

Transition Date: (P) December 16, 2024; (N) December 16, 2024 **- Transition Guidance :** 350-60-65-1

The guidance in this Subtopic applies to holdings of assets that meet all of the following criteria:

a. Meet the definition of intangible assets as defined in the Codification
b. Do not provide the asset holder with enforceable rights to or claims on underlying goods, services, or other assets
c. Are created or reside on a distributed ledger based on blockchain or similar technology
d. Are secured through cryptography
e. Are fungible

f. Are not created or issued by the reporting entity or its related parties.

Entities

350-60-15-**2**

PENDING CONTENT

Transition Date: (P) December 16, 2024; (N) December 16, 2024 **- Transition Guidance :** 350-60-65-1

The guidance in this Subtopic applies to all entities that hold crypto assets.

350-60-**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).

Conditional Contribution

A contribution that contains a donor-imposed condition.

Contribution

An unconditional transfer of cash or other assets, as well as unconditional promises to give, to an entity or a reduction, settlement, or cancellation of its liabilities in a voluntary nonreciprocal transfer by another entity acting other than as an owner. Those characteristics distinguish contributions from:

a. Exchange transactions, which are reciprocal transfers in which each party receives and sacrifices approximately commensurate value

b. Investments by owners and distributions to owners, which are nonreciprocal transfers between an entity and its owners

c. Other nonreciprocal transfers, such as impositions of taxes or legal judgments, fines, and thefts, which are not voluntary transfers.

In a contribution transaction, the resource provider often receives value indirectly by providing a societal benefit although that benefit is not considered to be of commensurate value. In an exchange transaction, the potential public benefits are secondary to the potential direct benefits to the resource provider. The term contribution revenue is used to apply to transactions that are part of the entity's ongoing major or central activities (revenues), or are peripheral or incidental to the entity (gains). See also Inherent Contribution and Conditional Contribution.

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.

Donor-Imposed Condition

A donor stipulation (donors include other types of contributors, including makers of certain grants) that represents a barrier that must be overcome before the recipient is entitled to the assets transferred or promised. Failure to overcome the barrier gives the contributor a right of return of the assets it has transferred or gives the promisor a right of release from its obligation to transfer its assets.

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.

Inherent Contribution

A contribution that results if an entity voluntarily transfers assets (or net assets) or performs services for another entity in exchange for either no assets or for assets of substantially lower value and unstated rights or privileges of a commensurate value are not involved.

Intangible Asset Class

A group of intangible assets that are similar, either by their nature or by their use in the operations of an entity.

Intangible Assets

Assets (not including financial assets) that lack physical substance. (The term intangible assets is used to refer to intangible assets other than goodwill.)

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.

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.

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).

Promise to Give

A written or oral agreement to contribute cash or other assets to another entity. A promise carries rights and obligations-the recipient of a promise to give has a right to expect that the promised assets will be transferred in the future, and the maker has a social and moral obligation, and generally a legal obligation, to make the promised transfer. A promise to give may be either conditional or unconditional.

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.

Unconditional Promise to Give

A promise to give that depends only on passage of time or demand by the promisee for performance.

350-60-**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

350-60-35-**1**

> **PENDING CONTENT**
>
> **Transition Date:** P December 16, 2024; N December 16, 2024 **- Transition Guidance :** 350-60-65-1
>
> An entity shall measure crypto assets at fair value in the statement of financial position. Gains and losses from the remeasurement of crypto assets shall be included in net income.

350-60-**45 - Other Presentation Matters**

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

General

Statement of Financial Position

350-60-45-**1**

PENDING CONTENT

Transition Date: P December 16, 2024; N December 16, 2024 **- Transition**

Guidance : 350-60-65-1

Crypto assets shall be presented separately from other intangible assets in the statement of financial position. An entity is permitted to present crypto assets on a more disaggregated basis (for example, by individual crypto asset holding or intangible asset class).

Income Statement

350-60-45-**2**

PENDING CONTENT

Transition Date: P December 16, 2024; N December 16, 2024 **- Transition**

Guidance : 350-60-65-1

Gains and losses from the remeasurement of crypto assets shall be included in net income and presented separately from changes in the carrying amount of other intangible assets.

Statement of Cash Flows

350-60-45-**3**

PENDING CONTENT

Transition Date: P December 16, 2024; N December 16, 2024 **- Transition**

Guidance : 350-60-65-1

For guidance related to the presentation of cash receipts arising from the sale of crypto assets that are received as noncash consideration in the ordinary course of business (or as a contribution, in the case of a not-for-profit entity) and are converted nearly immediately into cash, see paragraphs 230-10-45-21A and 230-10-45-27A.

350-60-**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

350-60-50-**1**

PENDING CONTENT

Transition Date: P December 16, 2024; N December 16, 2024 **- Transition**

Guidance : 350-60-65-1

At interim and annual reporting periods, an entity shall disclose the following for each significant (as determined by the fair value) crypto asset holding:

a. Name of the crypto asset

b. Cost basis

c. Fair value

d. Number of units held.

An entity shall disclose the aggregated cost bases and fair values of the crypto asset holdings that are not individually significant.

350-60-50-**2**

PENDING CONTENT

Transition Date: P December 16, 2024; N December 16, 2024 **- Transition Guidance :** 350-60-65-1

At annual reporting periods, an entity shall disclose both of the following:

a. The method used to determine its cost basis for computing gains and losses (for example, first-in, first-out; specific identification; average cost; or other method used)

b. If not presented separately, the line item in which gains and losses are reported in the income statement.

350-60-50-**3**

PENDING CONTENT

Transition Date: P December 16, 2024; N December 16, 2024 **- Transition Guidance :** 350-60-65-1

At annual reporting periods, an entity shall provide a reconciliation, in the aggregate, of activity from the opening to the closing balances of crypto assets, separately disclosing changes during the period attributable to the following:

a. Additions.

b. Dispositions.

c. Gains included in net income for the period, determined on a crypto-asset-by-crypto-asset basis. Each crypto asset holding that has a net gain from remeasurement as included in net income for the period shall be included in the gains line.

d. Losses included in net income for the period, determined on a crypto-asset-by-crypto-asset basis. Each crypto asset holding that has a net loss from remeasurement as included in net income for the period shall be included in the losses line.

350-60-50-**4**

PENDING CONTENT

Transition Date: P December 16, 2024; N December 16, 2024 **- Transition Guidance :** 350-60-65-1

An entity shall disclose the following information about the reconciliation in paragraph 350-60-50-3:

a. A description of the nature of activities that result in additions (for example, purchases, receipts from customers, or mining activities) and dispositions (for example, sales or use as payment for services)

b. Total amount of cumulative realized gains and cumulative realized losses from dispositions that occurred during the period.

350-60-50-**5**

PENDING CONTENT

Transition Date: (P) December 16, 2024; (N) December 16, 2024 **- Transition Guidance :** 350-60-65-1

An entity that receives crypto assets as noncash consideration in the ordinary course of business (or as a contribution, in the case of a not-for-profit entity) that are converted nearly immediately into cash need not include that activity in the disclosures required by paragraphs 350-60-50-3 through 50-4350-60-50-4.

350-60-50-**6**

PENDING CONTENT

Transition Date: (P) December 16, 2024; (N) December 16, 2024 **- Transition Guidance :** 350-60-65-1

For interim and annual reporting periods, an entity shall disclose the following information for crypto assets subject to contractual sale restrictions at the balance sheet date:

a. The fair value of the crypto assets that are subject to contractual sale restrictions

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

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

350-60-50-**7**

PENDING CONTENT

Transition Date: (P) December 16, 2024; (N) December 16, 2024 **- Transition Guidance :** 350-60-65-1

In providing the required disclosures in paragraph 350-60-50-6, an entity with multiple crypto assets subject to contractual sale restrictions shall consider all of the following:

a. The level of detail necessary to satisfy the required disclosures

b. How much emphasis to place on each of the required disclosures

c. How much aggregation or disaggregation to undertake

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

350-60-**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

Transition Related to Accounting Standards Update No. 2023-08, Intangibles-Goodwill and Other-Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets

350-60-65-**1** Accounting Standards Update 2023-08 2026-06-14

The following represents the transition and effective date information related to Accounting Standards Update No. 2023-08, Intangibles-Goodwill and Other-Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets:

a. The pending content that links to this paragraph shall be effective for all entities for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been issued (or made available for issuance). If an entity adopts the pending content that links to this paragraph in an interim period, it must adopt the content as of the beginning of the fiscal year that includes that interim period.

b. An entity shall recognize the cumulative effect of initially applying the pending content that links to this paragraph as an adjustment to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) as of the beginning of the annual reporting period in which the entity first applies the pending content that links to this paragraph.

c. The adjustment to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) shall be calculated as the difference between the carrying amount of crypto assets as of the end of the prior annual reporting period and the fair value of those crypto assets as of the beginning of the annual reporting period in which the entity first applies the pending content that links to this paragraph.