

FINANCIAL ACCOUNTING SERIES



ACCOUNTING STANDARDS UPDATE

No. 2015-01
January 2015

Income Statement—Extraordinary and Unusual Items (Subtopic 225-20)

Simplifying Income Statement Presentation by
Eliminating the Concept of Extraordinary Items

An Amendment of the *FASB Accounting Standards Codification*®

Financial Accounting Standards Board

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Summary

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

The Board is issuing this Update as part of its initiative to reduce complexity in accounting standards (the Simplification Initiative). The objective of the Simplification Initiative is to identify, evaluate, and improve areas of generally accepted accounting principles (GAAP) for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to the users of financial statements.

This Update eliminates from GAAP the concept of extraordinary items. Subtopic 225-20, Income Statement—Extraordinary and Unusual Items, required that an entity separately classify, present, and disclose extraordinary events and transactions. Presently, an event or transaction is presumed to be an ordinary and usual activity of the reporting entity unless evidence clearly supports its classification as an extraordinary item. Paragraph 225-20-45-2 contains the following criteria that must both be met for extraordinary classification:

1. Unusual nature. The underlying event or transaction should possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity, taking into account the environment in which the entity operates.
2. Infrequency of occurrence. The underlying event or transaction should be of a type that would not reasonably be expected to recur in the foreseeable future, taking into account the environment in which the entity operates.

If an event or transaction meets the criteria for extraordinary classification, an entity is required to segregate the extraordinary item from the results of ordinary operations and show the item separately in the income statement, net of tax, after income from continuing operations. The entity also is required to disclose applicable income taxes and either present or disclose earnings-per-share data applicable to the extraordinary item.

The Board heard from stakeholders that the concept of extraordinary items causes uncertainty because it is unclear when an item should be considered both unusual and infrequent. Additionally, some stakeholders said that although users find information about unusual or infrequent events and transactions useful, they do not find the extraordinary item classification and presentation necessary to identify those events and transactions. Other stakeholders noted that it is extremely rare in current practice for a transaction or event to meet the requirements to be presented as an extraordinary item.

Eliminating the concept of extraordinary items will save time and reduce costs for preparers because they will not have to assess whether a particular event or transaction event is extraordinary (even if they ultimately would conclude it is not). This also alleviates uncertainty for preparers, auditors, and regulators because auditors and regulators no longer will need to evaluate whether a preparer treated an unusual and/or infrequent item appropriately.

The Board concluded that the amendments in this Update will not result in a loss of information because although the amendments will eliminate the requirements in Subtopic 225-20 for reporting entities to consider whether an underlying event or transaction is extraordinary, the presentation and disclosure guidance for items that are unusual in nature or occur infrequently will be retained and will be expanded to include items that are both unusual in nature and infrequently occurring.

This Update will align more closely GAAP income statement presentation guidance with IAS 1, *Presentation of Financial Statements*, which prohibits the presentation and disclosure of extraordinary items.

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

The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The effective date is the same for both public business entities and all other entities.

For an entity that prospectively applies the guidance, the only required transition disclosure will be to disclose, if applicable, both the nature and the amount of an item included in income from continuing operations after adoption that adjusts an extraordinary item previously classified and presented before the date of adoption. An entity retrospectively applying the guidance should provide the disclosures in paragraphs 250-10-50-1 through 50-2.

Amendments to the *FASB Accounting Standards Codification*[®]

Introduction

1. The Accounting Standards Codification is amended as described in paragraphs 2–103. In some cases, to put the change in context, not only are the amended paragraphs shown but also the preceding and following paragraphs. Terms from the Master Glossary are in **bold** type. Added text is underlined, and deleted text is ~~struck out~~.

Amendments to Master Glossary

2. Supersede the Master Glossary term *Extraordinary Items*, with a link to transition paragraph 225-20-65-1, as follows:

Extraordinary Items

~~Extraordinary items are events and transactions that are distinguished by their unusual nature and by the infrequency of their occurrence. Thus, both of the following criteria should be met to classify an event or transaction as an extraordinary item:~~

- ~~a. Unusual nature. The underlying event or transaction should possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity, taking into account the environment in which the entity operates (see paragraph 225-20-60-3).~~
- ~~b. Infrequency of occurrence. The underlying event or transaction should be of a type that would not reasonably be expected to recur in the foreseeable future, taking into account the environment in which the entity operates (see paragraph 225-20-60-3).~~

3. Amend the following Master Glossary terms, with a link to transition paragraph 225-20-65-1, as follows:

Deferred Tax Expense (or Benefit)

The change during the year in an entity's deferred tax liabilities and assets. For deferred tax liabilities and assets acquired in a purchase business combination during the year, it is the change since the combination date. Income tax expense (or benefit) for the year is allocated among continuing operations, discontinued operations, ~~extraordinary items~~, and items charged or credited directly to shareholders' equity.

Income from Continuing Operations

Income after applicable income taxes but excluding the results of discontinued operations, ~~extraordinary items~~, the cumulative effect of accounting changes, translation adjustments, purchasing power gains and losses on monetary items, and increases and decreases in the current cost or lower recoverable amount of nonmonetary assets and liabilities.

Infrequency of Occurrence

The underlying event or transaction should be of a type that would not reasonably be expected to recur in the foreseeable future, taking into account the environment in which the entity operates (see paragraph 225-20-60-3).~~See Extraordinary Items.~~

Ordinary Income (or Loss)

Ordinary income (or loss) refers to income (or loss) from continuing operations before income taxes (or benefits) excluding significant unusual or infrequently occurring items. ~~Extraordinary items, discontinued operations,~~Discontinued operations and cumulative effects of changes in accounting principles are also excluded from this term. The term is not used in the income tax context of ordinary income versus capital gain. The meaning of unusual or infrequently occurring items is consistent with their use in the ~~definition~~ definitions of the ~~term~~ terms ~~extraordinary item~~ unusual nature and infrequency of occurrence.

Unusual Nature

The underlying event or transaction should possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity, taking into account the environment in which the entity operates (see paragraph 225-20-60-3).~~See Extraordinary Items.~~

Amendments to Subtopic 225-10

4. Amend paragraphs 225-10-05-1 and 225-10-05-4, with a link to transition paragraph 225-20-65-1, as follows:

Income Statement—Overall

Overview and Background

225-10-05-1 The Income Statement Topic includes the following Subtopics:

- a. Overall
- b. ~~Extraordinary and~~ Unusual or Infrequently Occurring Items
- c. Business Interruption Insurance.

~~225-10-05-4 Subtopic 225-20 provides guidance about the classification and resulting presentation and disclosure of extraordinary events and transactions. It also addresses the presentation and disclosure of unusual and or infrequently occurring items that do not meet the extraordinary criteria.~~

Amendments to Subtopic 225-20

5. Amend the title of Subtopic 225-20 and add the General Note as follows:

Income Statement—Extraordinary and Unusual or Infrequently Occurring Items

General Note on Income Statement—Extraordinary and Unusual Items:
Upon the effective date of Accounting Standards Update 2015-01, the title of this Subtopic will change to Income Statement—Unusual or Infrequently Occurring Items.

6. Amend paragraphs 225-20-05-1 and 225-20-45-16 and supersede paragraphs 225-20-15-2 and 225-20-45-1 through 45-15 and their related headings, with a link to transition paragraph 225-20-65-1, as follows:

Overview and Background

~~225-20-05-1 This Subtopic addresses the classification and resulting presentation and disclosure of extraordinary events and transactions. It also addresses the presentation and disclosure of unusual or infrequently occurring items that do not meet the extraordinary criteria.~~

Scope and Scope Exceptions

> Transactions

~~225-20-15-2 Paragraph superseded by Accounting Standards Update 2015-01. The net effect of discontinuing the application of regulatory operations accounting addressed in Section 980-20-40 shall be recognized as an extraordinary item and thus shall be subject to the scope of this Subtopic regardless of whether the criteria discussed in paragraph 225-20-45-2 are met.~~

- ~~a. Subparagraph not used~~
- ~~b. Subparagraph not used~~

Other Presentation Matters

> Extraordinary Items

>> Criteria for Presentation as Extraordinary Items

225-20-45-1 Paragraph superseded by Accounting Standards Update 2015-01. Judgment is required to segregate in the income statement the effects of events or transactions that are **extraordinary items** (as required by paragraphs 225-20-45-10 through 45-11). An event or transaction shall be presumed to be an ordinary and usual activity of the reporting entity, the effects of which shall be included in income from operations, unless the evidence clearly supports its classification as an extraordinary item as defined in this Subtopic.

225-20-45-2 Paragraph superseded by Accounting Standards Update 2015-01. Extraordinary items are events and transactions that are distinguished by their **unusual nature** and by the infrequency of their occurrence. Thus, both of the following criteria shall be met to classify an event or transaction as an extraordinary item:

- a. ~~Unusual nature.~~ The underlying event or transaction should possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity, taking into account the environment in which the entity operates (see paragraph 225-20-55-1).
- b. ~~Infrequency of occurrence.~~ The underlying event or transaction should be of a type that would not reasonably be expected to recur in the foreseeable future, taking into account the environment in which the entity operates (see paragraph 225-20-55-2).

225-20-45-3 Paragraph superseded by Accounting Standards Update 2015-01. The effect of an extraordinary event or transaction shall be classified separately in the income statement in the manner described in paragraphs 225-20-45-10 through 45-11 if it is material in relation to income before extraordinary items or to the trend of annual earnings before extraordinary items, or is material by other appropriate criteria. Items shall be considered individually and not in the aggregate in determining whether an extraordinary event or transaction is material. However, the effects of a series of related transactions arising from a single specific and identifiable event or plan of action that otherwise meets the two criteria in the preceding paragraph shall be aggregated to determine materiality.

225-20-45-4 Paragraph superseded by Accounting Standards Update 2015-01. Certain gains and losses shall not be reported as extraordinary items (except as indicated in the following paragraph) because they are usual in nature or may be expected to recur as a consequence of customary and continuing business activities. Examples include all of the following:

- a. ~~Write down or write off of receivables, inventories, equipment leased to others, deferred research and development costs, or other intangible assets~~
- b. ~~Gains or losses from exchange or translation of foreign currencies, including those relating to major devaluations and revaluations~~
- c. ~~Gains or losses on disposal of a component of an entity~~
- d. ~~Other gains or losses from sale or abandonment of property, plant, or equipment used in the business~~
- e. ~~Effects of a strike, including those against competitors and major suppliers~~
- f. ~~Adjustment of accruals on long-term contracts.~~

~~**225-20-45-5** Paragraph superseded by Accounting Standards Update 2015-01. In rare situations, an event or transaction may occur that clearly meets both criteria specified in paragraph 225-20-45-2 and thus gives rise to an extraordinary gain or loss that includes one or more of the gains or losses enumerated in the preceding paragraph. In these circumstances, gains or losses such as those in (a) and (d) of the preceding paragraph shall be included in the extraordinary item if they are a direct result of a major casualty (such as an earthquake), an expropriation, or a prohibition under a newly enacted law or regulation that clearly meets both criteria specified in paragraph 225-20-45-2. However, any portion of such losses which would have resulted from a valuation of assets on a going concern basis shall not be included in the extraordinary items.~~

~~**225-20-45-6** Paragraph superseded by Accounting Standards Update 2015-01. Disposals of a component of an entity shall be accounted for and presented in the income statement in accordance with Subtopic 205-20 even though the circumstances of the disposal meet the criteria specified in paragraph 225-20-45-2.~~

~~**225-20-45-7** Paragraph superseded by Accounting Standards Update 2015-01. See paragraph 225-20-55-4 for examples of events or transactions that do not meet both of the extraordinary item criteria of paragraph 225-20-45-2.~~

>>> Criteria Exceptions

~~**225-20-45-8** Paragraph superseded by Accounting Standards Update 2015-01. As indicated in paragraph 225-20-15-2, the net effect of discontinuing the application of regulatory operations accounting addressed in Section 980-20-40 shall be recognized as an extraordinary item regardless of whether the criteria in paragraph 225-20-45-2 are met.~~

- a. ~~Subparagraph not used~~
- b. ~~Subparagraph not used~~

>> Presentation of Extraordinary Items

~~225-20-45-9 Paragraph superseded by Accounting Standards Update 2015-01. Extraordinary items shall be segregated from the results of ordinary operations and shown separately in the income statement, with disclosure of the nature and amounts thereof.~~

~~225-20-45-10 Paragraph superseded by Accounting Standards Update 2015-01. In the absence of discontinued operations (see paragraphs 205-20-45-1 through 45-5, which address the reporting of discontinued operations), the following main captions shall appear in an income statement if extraordinary items are reported:~~

Income before extraordinary items	\$XXX
Extraordinary items (less applicable income taxes \$____) (Note ____)	XXX
Net income	<u>XXX</u>

~~225-20-45-11 Paragraph superseded by Accounting Standards Update 2015-01. The caption extraordinary items shall be used to identify separately the effects of events and transactions, other than the disposal of a component of an entity, that meet the criteria for classification as extraordinary as discussed in paragraphs 225-20-45-1 through 45-6. Descriptive captions and the amounts for individual extraordinary events or transactions shall be presented, preferably on the face of the income statement, if practicable; otherwise disclosure in related notes is acceptable. The nature of an extraordinary event or transaction and the principal items entering into the determination of an extraordinary gain or loss shall be described. The income taxes applicable to extraordinary items shall be disclosed on the face of the income statement; alternatively, disclosure in the related notes is acceptable. The caption net income shall replace the three captions shown in the preceding paragraph if the income statement includes no extraordinary items.~~

~~225-20-45-12 Paragraph superseded by Accounting Standards Update 2015-01. Earnings per share (EPS) data for extraordinary items shall be presented either on the face of the income statement or in the related notes, as prescribed by Section 260-10-45.~~

>> Adjustment of Amounts Reported in Prior Periods

~~225-20-45-13 Paragraph superseded by Accounting Standards Update 2015-01. Circumstances attendant to extraordinary items frequently require estimates, for example, of associated costs and occasionally of associated revenue, based on judgment and evaluation of the facts known at the time of first accounting for the event. Each adjustment in the current period of an element of an extraordinary item that was reported in a prior period shall be classified separately in the current period in the same manner as the original item.~~

225-20-45-14 Paragraph superseded by Accounting Standards Update 2015-01. If the adjustment is the correction of an error, the provisions of paragraphs 250-10-45-23 and 250-10-50-7 shall be applied.

>> Guidance Contained in Other Topics

225-20-45-15 Paragraph superseded by Accounting Standards Update 2015-01. The following is a list of other locations in the Codification containing additional guidance related to the determination as to whether certain specific items should be classified as an extraordinary transaction or event. This list may not be all inclusive:

- a. See paragraph 470-50-45-1 for guidance relating to debt.
- b. See paragraph 740-270-45-5 for guidance relating to income taxes.
- c. See paragraph 270-10-50-5 for guidance relating to interim reporting.
- d. See paragraphs 715-30-55-191 through 55-192 for guidance relating to retirement benefits.
- e. See paragraph 225-20-55-4 for guidance relating to property, plant, and equipment.
- f. See paragraphs 410-30-45-3 and 410-30-45-6 for guidance relating to environmental obligations.
- g. See paragraph 980-20-40-2 for guidance on the discontinuation of rate-regulated accounting by regulated operations.
- h. See paragraph 930-715-45-1 for guidance on compensation-related costs for the mining industry.
- i. [Not used]
- j. See paragraph 225-30-45-1 for guidance relating to **business interruption insurance**.

> Presentation of Unusual or Infrequently Occurring Items

225-20-45-16 A material event or transaction that an entity considers to be of an unusual nature or of a type that indicates **infrequency of occurrence** or both is unusual in nature or occurs infrequently but not both, and therefore does not meet both criteria for classification as an extraordinary item, shall be reported as a separate component of income from continuing operations. The nature and financial effects of each event or transaction shall be disclosed on the face of the income statement presented as a separate component of income from continuing operations or, alternatively, disclosed in notes to financial statements. Gains or losses of a similar nature that are not individually material shall be aggregated. Such items shall not be reported on the face of the income statement net of income taxes or in any other manner that may imply that they are extraordinary items. Similarly, the EPS effects of those items shall not be presented on the face of the income statement.

7. Supersede paragraphs 225-20-50-1 through 50-2 and 225-20-50-4 and their related headings and amend paragraph 225-20-50-3, with a link to transition paragraph 225-20-65-1, as follows:

Disclosure

> Extraordinary Items

225-20-50-1 ~~Paragraph superseded by Accounting Standards Update 2015-01. See paragraphs 225-20-45-10 through 45-11 for guidance for either disclosure or presentation on the face of the financial statements.~~

225-20-50-2 ~~Paragraph superseded by Accounting Standards Update 2015-01. As indicated in paragraph 225-20-45-13, circumstances attendant to extraordinary items frequently require estimates, for example, of associated costs and occasionally of associated revenue, based on judgment and evaluation of the facts known at the time of first accounting for the event. Each adjustment in the current period of an element of an extraordinary item that was reported in a prior period shall be separately disclosed as to year of origin, nature, and amount.~~

> Unusual or Infrequently Occurring Items

225-20-50-3 ~~The nature and financial effects of each event or transaction that is unusual in nature or occurs infrequently, but not both, or both shall be disclosed on the face of the income statement presented as a separate component of income from continuing operations or, alternatively, disclosed in notes to the financial statements.~~

> Interim Reporting

225-20-50-4 ~~Paragraph superseded by Accounting Standards Update 2015-01. As indicated in paragraph 270-10-50-5, extraordinary items shall be disclosed separately and included in the determination of net income for the interim period in which they occur. That paragraph establishes that in determining materiality, extraordinary items shall be related to the estimated income for the full fiscal year. Paragraph 270-10-45-11A requires that extraordinary items, gains or losses from disposal of a component of an entity, and unusual or infrequently occurring items not be pro-rated over the balance of the fiscal year.~~

8. Amend paragraphs 225-20-55-2 through 55-3 and the related heading and supersede paragraph 225-20-55-4 and its related heading, with a link to transition paragraph 225-20-65-1, as follows:

Implementation Guidance and Illustrations

> Implementation Guidance

> > Infrequency of Occurrence

225-20-55-2 For purposes of this Subtopic, an event or transaction of a type not reasonably expected to recur in the foreseeable future is considered to occur

infrequently. Determining the probability of recurrence of a particular event or transaction in the foreseeable future should take into account the environment in which an entity operates. Accordingly, a specific transaction of one entity might meet that criterion and a similar transaction of another entity might not because of different probabilities of recurrence. The past occurrence of an event or transaction for a particular entity provides evidence to assess the probability of recurrence of that type of event or transaction in the foreseeable future. ~~By definition, extraordinary items occur infrequently. However, mere infrequency of occurrence of a particular event or transaction does not alone imply that its effects should be classified as extraordinary. An event or transaction of a type that occurs frequently in the environment in which the entity operates cannot, by definition, be considered as extraordinary, regardless of its financial effect.~~

> > Events or Transactions That Are Unusual In Nature or Occur Infrequently Meeting Extraordinary Item Criteria

225-20-55-3 The following are illustrative of events or transactions that are unusual in nature or occur infrequently ~~which would meet both criteria in the circumstances described and should be reported as extraordinary items:~~

- a. A large portion of a tobacco manufacturer's crops are destroyed by a hail storm. Severe damage from hail storms in the locality where the manufacturer grows tobacco is rare.
- b. A steel fabricating entity sells the only land it owns. The land was acquired 10 years ago for future expansion, but shortly thereafter the entity abandoned all plans for expansion and held the land for appreciation.
- c. An earthquake destroys one of the oil refineries owned by a large multinational oil entity.

> > Events or Transactions That Do Not Meet Extraordinary Item Criteria

225-20-55-4 Paragraph superseded by Accounting Standards Update 2015-01. ~~The following are illustrative of events or transactions which do not meet both criteria in the circumstances described and thus should not be reported as extraordinary items:~~

- a. ~~A citrus grower's Florida crop is damaged by frost. Frost damage is normally experienced every three or four years. The criterion of infrequency of occurrence taking into account the environment in which the entity operates would not be met since the history of losses caused by frost damage provides evidence that such damage may reasonably be expected to recur in the foreseeable future.~~
- b. ~~An entity that operates a chain of warehouses sells the excess land surrounding one of its warehouses. When the entity buys property to establish a new warehouse, it usually buys more land than it expects to use for the warehouse with the expectation that the land will appreciate in value. In the past five years, there have been two instances in which~~

- ~~the entity sold such excess land. The criterion of infrequency of occurrence has not been met since past experience indicates that such sales may reasonably be expected to recur in the foreseeable future.~~
- ~~c. A large diversified entity sells a block of shares from its portfolio of securities which it has acquired for investment purposes. This is the first sale from its portfolio of securities. Since the entity owns several securities for investment purposes, it should be concluded that sales of such securities are related to its ordinary and typical activities in the environment in which it operates and thus the criterion of unusual nature would not be met.~~
 - ~~d. A textile manufacturer with only one plant moves to another location. It has not relocated a plant in 20 years and has no plans to do so in the foreseeable future. Notwithstanding the infrequency of occurrence of the event as it relates to this particular entity, moving from one location to another is an occurrence which is a consequence of customary and continuing business activities, some of which are finding more favorable labor markets, more modern facilities, and proximity to customers or suppliers. Therefore, the criterion of unusual nature has not been met and the moving expenses (and related gains and losses) should not be reported as an extraordinary item.~~
 - ~~e. A consequence of customary and typical business activities (namely financing) is an unsuccessful public registration, the cost of which should not be reported as an extraordinary item. (For additional examples, see paragraph 225-20-45-4.)~~
 - ~~f. An impairment loss does not have characteristics that warrant special treatment, for instance, as an extraordinary item.~~
 - ~~g. Entities holding receivables from bankrupt railroads shall not account for losses arising from charging off such assets as extraordinary losses in determining net income. Paragraph 225-20-45-4 specifies that losses from receivables shall not constitute extraordinary losses. The fact that the loss arises from a receivable from an entity in bankruptcy proceedings does not alter this.~~
 - ~~h. The costs incurred by an entity to defend itself from a takeover attempt or the cost attributed to a standstill agreement do not meet the criteria for extraordinary classification as discussed in paragraph 225-20-45-2. The event that gave rise to those costs—a takeover attempt—cannot be considered to be both unusual and infrequent as those terms are used in this Subtopic.~~

9. Supersede paragraph 225-20-60-1 and its related heading and paragraph 225-20-60-2 and amend paragraph 225-20-60-3, with a link to transition paragraph 225-20-65-1, as follows:

Relationships

> ~~Investments—Equity Method and Joint Ventures~~

~~225-20-60-1 Paragraph superseded by Accounting Standards Update 2015-01. For guidance on an investor's treatment of investee **extraordinary items**, see paragraph 323-10-45-1.~~

> Income Taxes

~~225-20-60-2 Paragraph superseded by Accounting Standards Update 2015-01. For guidance on the allocation of income tax expense or benefit for extraordinary items, see paragraphs 740-10-55-38 and 740-20-45-1 through 45-7.~~

~~225-20-60-3 For guidance on the computation of interim period income taxes applicable to significant unusual or infrequently occurring items, **and extraordinary items**, see paragraphs 740-270-30-8 through 30-12.~~

10. Add paragraph 225-20-65-1 and its related heading, as follows:

> Transition Related to Accounting Standards Update No. 2015-01, *Income Statement—Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*

225-20-65-1 The following represents the transition and effective date information related to Accounting Standards Update No. 2015-01, *Income Statement—Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*:

- a. The pending content that links to this paragraph shall be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption.
- b. An entity may elect to apply the pending content that links to this paragraph prospectively, that is, to events or transactions occurring after the date of adoption as well as to any items included in comprehensive income after adoption that adjusts an extraordinary item previously classified and presented before the date of adoption.
- c. An entity also may elect to apply the pending content that links to this paragraph retrospectively to all prior periods presented in the financial statements.
- d. An entity that prospectively applies the guidance shall disclose, if applicable, both the nature and the amount of an item included in income from continuing operations after adoption that adjusts an extraordinary item previously classified and presented before the date of adoption.

- e. An entity that retrospectively applies the guidance shall provide the disclosures in paragraphs 250-10-50-1 through 50-2 in the period the entity adopts the pending content that links to this paragraph.

Amendments to Subtopic 205-20

11. Amend paragraph 205-20-45-3A, with a link to transition paragraph 225-20-65-1, as follows:

Presentation of Financial Statements—Discontinued Operations

Other Presentation Matters

> Statement in Which Net Income Is Reported

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

Income from continuing operations before income taxes	\$XXXX	
Income taxes	<u>XXX</u>	
Income from continuing operations ^(a)		\$XXXX
Discontinued operations (Note X)		
Loss from operations of discontinued Component X (including loss on disposal of \$XXX)		XXXX
Income tax benefit	<u>XXXX</u>	
Loss on discontinued operations	<u>XXXX</u>	
Net income		<u><u>\$XXXX</u></u>

- ^(a) ~~This caption should be modified appropriately when an entity reports an extraordinary item. If applicable, the presentation of per share data will need similar modification.~~

Amendments to Subtopic 220-10

12. Amend paragraph 220-10-45-7, with a link to transition paragraph 225-20-65-1, as follows:

Comprehensive Income—Overall

Other Presentation Matters

> Reporting Comprehensive Income

> > Components within Net Income

220-10-45-7 Items included in net income are presented in various components. Those components can include items of income from continuing operations, ~~operations and discontinued operations, and extraordinary items.~~ This Subtopic does not change those components or other requirements for reporting the results of operations included in net income.

13. Amend paragraphs 220-10-55-7 through 55-8 and paragraph 220-10-55-9, with a link to transition paragraph 225-20-65-1, as follows:

Implementation Guidance and Illustrations

> Illustrations

> > Example 1: Presenting Comprehensive Income

> > > Single Continuous Statement

220-10-55-7 The following illustrates the statement of comprehensive income for the year ended December 31, 201X, with other comprehensive income components shown net of tax effects.

Entity XYZ			
Consolidated Statement of Comprehensive Income			
Year Ended December 31, 201X			
Revenues	\$	140,000	
Expenses		<u>(25,033)</u>	<u>(65,700)</u>
Other gains and losses		8,000	
Gain on sale of securities		<u>2,500</u>	
Income from operations before tax		<u>125,467</u>	<u>84,800</u>
Income tax expense		<u>(31,367)</u>	<u>(21,200)</u>
Income before extraordinary item		<u>94,100</u>	
Extraordinary item, net of tax		<u>(30,500)</u>	
[Net income		63,600]	

[Note: Because the remainder of this table is unchanged, it is not shown here.]

220-10-55-8 Alternatively, components of other comprehensive income could be presented before tax with one amount shown for the aggregate income tax

expense or benefit, as shown in the following single continuous statement of comprehensive income.

Entity XYZ			
Consolidated Statement of Comprehensive Income			
Year Ended December 31, 201X			
Revenues	\$	140,000	
Expenses		<u>(25,033)</u>	<u>(65,700)</u>
Other gains and losses		8,000	
Gain on sale of securities		<u>2,500</u>	
Income from operations before tax		<u>125,467</u>	<u>84,800</u>
Income tax expense		<u>(31,367)</u>	<u>(21,200)</u>
Income before extraordinary item		<u>94,100</u>	
Extraordinary item, net of tax		<u>(30,500)</u>	
[Net income		63,600	]

[Note: Because the remainder of this table is unchanged, it is not shown here.]

> > > Two-Statement Approach

220-10-55-9 The following illustrates the statements of net income and other comprehensive income for the year ended December 31, 201X, with other comprehensive income components presented net of tax effects.

Entity XYZ			
Consolidated Statement of Comprehensive Income			
Year Ended December 31, 201X			
Revenues	\$	140,000	
Expenses		<u>(25,033)</u>	<u>(65,700)</u>
Other gains and losses		8,000	
Gain on sale of securities		<u>2,500</u>	
Income from operations before tax		<u>125,467</u>	<u>84,800</u>
Income tax expense		<u>(31,367)</u>	<u>(21,200)</u>
Income before extraordinary item		<u>94,100</u>	
Extraordinary item, net of tax		<u>(30,500)</u>	
[Net income		63,600	]

[Note: Because the remainder of this table is unchanged, it is not shown here.]

Amendments to Subtopic 225-30

14. Amend paragraph 225-30-45-1, with a link to transition paragraph 225-20-65-1, as follows:

Income Statement—Business Interruption Insurance

Other Presentation Matters

225-30-45-1 An entity may choose how to classify **business interruption insurance** recoveries in the statement of operations, as long as that classification is not contrary to existing generally accepted accounting principles (GAAP). ~~For example, in order to classify business interruption insurance recoveries as an extraordinary item, the requirements of Subtopic 225-20 with respect to extraordinary item classification must be met.~~

15. Amend paragraph 225-30-50-1, with a link to transition paragraph 225-20-65-1, as follows:

Disclosure

225-30-50-1 The following information shall be disclosed in the notes to financial statements in the period(s) in which **business interruption insurance** recoveries are recognized:

- a. The nature of the event resulting in business interruption losses
- b. The aggregate amount of business interruption insurance recoveries recognized during the period and the line item(s) in the statement of operations in which those recoveries are classified ~~(including amounts reported as an extraordinary item pursuant to Subtopic 225-20).~~

Amendments to Subtopic 230-10

16. Amend paragraph 230-10-45-24, with a link to transition paragraph 225-20-65-1, as follows:

Statement of Cash Flows—Overall

Other Presentation Matters

> > Reporting Operating, Investing, and Financing Activities

230-10-45-24 A statement of cash flows for a period shall report net cash provided or used by operating, investing, and financing activities and the net effect of those flows on cash and cash equivalents during the period in a manner that reconciles beginning and ending cash and cash equivalents. ~~Separate disclosure of cash flows pertaining to extraordinary items reflected in those categories is not required.~~

Amendments to Subtopic 250-10

17. Amend paragraph 250-10-50-6, with a link to transition paragraph 225-20-65-1, as follows:

Accounting Changes and Error Corrections—Overall

Disclosure

> > Change in Reporting Entity

250-10-50-6 When there has been a **change in the reporting entity**, the financial statements of the period of the change shall describe the nature of the change and the reason for it. In addition, the effect of the change on income ~~before extraordinary items~~, from continuing operations, net income (or other appropriate captions of changes in the applicable net assets or performance indicator), other comprehensive income, and any related per-share amounts shall be disclosed for all periods presented. Financial statements of subsequent periods need not repeat the disclosures required by this paragraph. If a change in reporting entity does not have a material effect in the period of change but is reasonably certain to have a material effect in later periods, the nature of and reason for the change shall be disclosed whenever the financial statements of the period of change are presented. (Sections 805-10-50, 805-20-50, 805-30-50, and 805-740-50 describe the manner of reporting and the disclosures required for a business combination.)

Amendments to Subtopic 260-10

18. Amend paragraphs 260-10-45-3, 260-10-45-18, and 260-10-45-20, with a link to transition paragraph 225-20-65-1, as follows:

Earnings Per Share—Overall

Other Presentation Matters

> Required EPS Presentation on the Face of the Income Statement

260-10-45-3 An entity that reports a discontinued operation ~~or an extraordinary item~~ in a period shall present basic and diluted per-share amounts for ~~those line items that line item~~ that line item either on the face of the income statement or in the notes to the financial statements. ~~An entity that does not report a discontinued operation but reports an extraordinary item in the period shall use that line item (for~~

~~example, income before extraordinary items) whenever the line item income from continuing operations is referenced by the guidance in this Subtopic.~~

> Diluted EPS and Related Topics

> > No Antidilution

260-10-45-18 Convertible securities may be dilutive on their own but antidilutive when included with other potential common shares in computing diluted EPS. To reflect maximum potential dilution, each issue or series of issues of potential common shares shall be considered in sequence from the most dilutive to the least dilutive. That is, dilutive potential common shares with the lowest earnings per incremental share shall be included in diluted EPS before those with a higher earnings per incremental share. Example 4 (see paragraph 260-10-55-57) illustrates that provision. Options and warrants generally will be included first because use of the treasury stock method does not affect the numerator of the computation. An entity that reports a discontinued operation ~~or an extraordinary item~~ in a period shall use income from continuing operations (adjusted for preferred dividends as described in paragraph 260-10-45-11) as the control number in determining whether those potential common shares are dilutive or antidilutive. That is, the same number of potential common shares used in computing the diluted per-share amount for income from continuing operations shall be used in computing all other reported diluted per-share amounts even if those amounts will be antidilutive to their respective basic per-share amounts. (See paragraph 260-10-45-3.) The control number excludes income from continuing operations attributable to the noncontrolling interest in a subsidiary in accordance with paragraph 260-10-45-11A. Example 14 (see paragraph 260-10-55-90) provides an illustration of this guidance.

260-10-45-20 The control number for determining whether including potential common shares in the diluted EPS computation would be antidilutive should be income from continuing operations (or a similar line item above net income if it appears on the income statement). As a result, if there is a loss from continuing operations, diluted EPS would be computed in the same manner as basic EPS is computed, even if an entity has net income after adjusting for a discontinued operation ~~or an extraordinary item~~. Similarly, if an entity has income from continuing operations but its preferred dividend adjustment made in computing income available to common stockholders in accordance with paragraph 260-10-45-11 results in a loss from continuing operations available to common stockholders, diluted EPS would be computed in the same manner as basic EPS.

19. Amend paragraphs 260-10-55-38 through 55-39, 260-10-55-44 through 55-45, and 260-10-55-47 through 55-52, with a link to transition paragraph 225-20-65-1, as follows:

Implementation Guidance and Illustrations

> Illustrations

> > **Example 1: Computation of Basic and Diluted EPS and Income Statement Presentation**

260-10-55-38 This Example illustrates the quarterly and annual computations of basic and diluted EPS in the year 20X1 for Entity A, which has a complex capital structure. The control number used in this Example (and in Example 2) is income ~~before extraordinary item because Entity A has no discontinued operations from continuing operations~~. Paragraph 260-10-55-49 illustrates the presentation of basic and diluted EPS on the face of the income statement. The facts assumed are as follows:

[Note: Because the remainder of this paragraph is unchanged, it is not shown here.]

260-10-55-39 The following table illustrates the income (loss) ~~before extraordinary item~~ from continuing operations.

Year 20X1	<u>Income (Loss) from</u> <u>Continuing</u> <u>Operations</u> <u>Before-</u> <u>Extraordinary Item</u> ^(a)		<u>Net Income (Loss)</u>	
First quarter	\$	3,000,000	\$	3,000,000
Second quarter		4,500,000		4,500,000
Third quarter		500,000		(1,500,000) ^(b)
Fourth quarter		(500,000)		(500,000)
Full year	\$	<u>7,500,000</u>	\$	<u>5,500,000</u>

- (a) This is the control number (before adjusting for preferred dividends). See paragraph 260-10-45-18.
- (b) Entity A had a \$2 million ~~loss on discontinued operations~~ extraordinary loss (net of tax) in the third quarter.

260-10-55-44 The following tables illustrate calculation of basic EPS for the third quarter.

Third Quarter 20X1

Basic EPS Computation	
Income from continuing operations before extraordinary item	\$ 500,000
Less: Preferred stock dividends	<u>(5,000)</u>
Income available to common stockholders	495,000
Loss on discontinued operations Extraordinary item	<u>(2,000,000)</u>
Net loss available to common stockholders	<u><u>\$ (1,505,000)</u></u>

<u>Dates Outstanding</u>	<u>Shares Outstanding</u>	<u>Fraction of Period</u>	<u>Weighted-Average Shares</u>
July 1-August 31	4,100,000	¾	2,733,333
<i>Exercise of warrants on September 1</i>	<u>500,000</u>		
September 1–September 30	4,600,000	¼	1,533,333
Weighted-average shares			<u><u>4,266,666</u></u>

Basic EPS	
Income from continuing operations before extraordinary item	\$ 0.12
Loss on discontinued operations Extraordinary item	\$ (0.47)
Net loss	\$ (0.35)

The equation for computing basic EPS is:

$$\frac{\text{Income available to common stockholders}}{\text{Weighted-average shares}}$$

260-10-55-45 The following tables illustrate calculation of diluted EPS for the third quarter.

Third Quarter 20X1

Diluted EPS Computation

Income available to common stockholders	\$ 495,000
Plus: Income impact of assumed conversions	
Preferred stock dividends	<u>\$ 5,000</u>
Effect of assumed conversions	<u>5,000</u>
Income available to common stockholders + assumed conversions	500,000
<u>Loss on discontinued operations</u> Extraordinary item	<u>(2,000,000)</u>
Net loss available to common stockholders + assumed conversions	<u>\$ (1,500,000)</u>
Weighted-average shares	4,266,666
Plus: Incremental shares from assumed conversions	
Warrants	51,643 ^(a)
Convertible preferred stock	<u>100,000</u>
Dilutive potential common shares	<u>151,643</u>
Adjusted weighted-average shares	<u>4,418,309</u>
Diluted EPS	
Income from continuing operations before extraordinary item	\$ 0.11
<u>Loss on discontinued operations</u> Extraordinary item	\$ (0.45)
Net loss	\$ (0.34)

The equation for computing diluted EPS is:

$$\frac{\text{Income available to common stockholders + Effect of assumed conversions}}{\text{Weighted-average shares + Dilutive potential common shares}}$$

(a) [(\$71 – \$60) + \$71] × 500,000 = 77,465 shares; 77,465 × 2/3 = 51,643 shares

Note that the incremental shares from assumed conversions are included in computing the diluted per-share amounts for the extraordinary item discontinued operation and net loss even though they are antidilutive. This is because the control number (income ~~before extraordinary item~~ from continuing operations, adjusted for preferred dividends) was income, not a loss. (See paragraphs 260-10-45-18 through 45-19.)

260-10-55-47 The following tables illustrate calculation of basic EPS for the full year 20X1.

Full Year 20X1

Basic EPS Computation

Income from continuing operations before extraordinary item	\$ 7,500,000
Less: Preferred stock dividends	<u>(45,000)</u>
Income available to common stockholders	7,455,000
Loss on discontinued operations Extraordinary item	<u>(2,000,000)</u>
Net income available to common stockholders	<u>\$ 5,455,000</u>

<u>Dates Outstanding</u>	<u>Shares Outstanding</u>	<u>Fraction of Period</u>	<u>Weighted-Average Shares</u>
January 1–February 28	3,300,000	2/12	550,000
<i>Issuance of common stock on March 1</i>	<u>100,000</u>		
March 1–March 31	3,400,000	1/12	283,333
<i>Conversion of 4% debenture on April 1</i>	<u>200,000</u>		
April 1–May 31	3,600,000	2/12	600,000
<i>Conversion of preferred stock on June 1</i>	<u>500,000</u>		
June 1–August 31	4,100,000	3/12	1,025,000
<i>Exercise of warrants on September 1</i>	<u>500,000</u>		
September 1–December 31	4,600,000	4/12	<u>1,533,333</u>
Weighted-average shares			<u>3,991,666</u>

Basic EPS

Income from continuing operations before extraordinary item	\$ 1.87
Loss on discontinued operations Extraordinary item	<u>\$ (0.50)</u>
Net income	\$ 1.37

The equation for computing basic EPS is:

$$\frac{\text{Income available to common stockholders}}{\text{Weighted-average shares}}$$

260-10-55-48 The following tables illustrate calculation of diluted EPS for the full year 20X1.

Full Year 20X1

Diluted EPS Computation

Income available to common stockholders		\$ 7,455,000
Plus: Income impact of assumed conversions		
Preferred stock dividends	\$ 45,000	
Interest on 4% convertible debentures	<u>60,000</u>	
Effect of assumed conversions		<u>105,000</u>
Income available to common stockholders + assumed conversions		7,560,000
Loss on discontinued operations Extraordinary item		<u>(2,000,000)</u>
Net income available to common stockholders + assumed conversions		<u>\$ 5,560,000</u>
Weighted-average shares		3,991,666
Plus: Incremental shares from assumed conversions		
Warrants	30,768 ^(a)	
Convertible preferred stock	308,333 ^(b)	
4% convertible debentures	<u>50,000 ^(c)</u>	
Dilutive potential common shares		<u>389,101</u>
Adjusted weighted-average shares		<u>4,380,767</u>
Diluted EPS		
Income from continuing operations before extraordinary item	\$ 1.73	
Loss on discontinued operations Extraordinary item	\$ (0.46)	
Net income	\$ 1.27	

The equation for computing diluted EPS is:

$$\frac{\text{Income available to common stockholders} + \text{Effect of assumed conversions}}{\text{Weighted-average shares} + \text{Dilutive potential common shares}}$$

- (a) $(71,429 \text{ shares} \times 3/12) + (51,643 \text{ shares} \times 3/12)$
(b) $(600,000 \text{ shares} \times 5/12) + (100,000 \text{ shares} \times 7/12)$
(c) $200,000 \text{ shares} \times 3/12$

260-10-55-49 The following table illustrates how Entity A might present its EPS data on its income statement. Note that the per-share amount for the extraordinary item discontinued operation is not required to be shown on the face of the income statement.

	For the Year Ended 20X1
Earnings per common share	
Income from continuing operationsbefore extraordinary item	\$ 1.87
Loss on discontinued operationsExtraordinary item	(0.50)
Net income	<u>\$ 1.37</u>
Earnings per common share—assuming dilution	
Income from continuing operationsbefore extraordinary item	\$ 1.73
Loss on discontinued operationsExtraordinary item	(0.46)
Net income	<u>\$ 1.27</u>

260-10-55-50 The following table includes the quarterly and annual EPS data for Entity A. The purpose of this table is to illustrate that the sum of the four quarters' EPS data will not necessarily equal the annual EPS data. This Subtopic does not require disclosure of this information.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Basic EPS					
Income (loss) from continuing operationsbefore extraordinary item	\$ 0.89	\$ 1.19	\$ 0.12	\$ (0.11)	\$ 1.87
Loss on discontinued operationsExtraordinary item	-	-	(0.47)	-	(0.50)
Net income (loss)	<u>\$ 0.89</u>	<u>\$ 1.19</u>	<u>\$ (0.35)</u>	<u>\$ 0.11</u>	<u>\$ 1.37</u>
Diluted EPS					
Income (loss) from continuing operationsbefore extraordinary item	\$ 0.74	\$ 1.05	\$ 0.11	\$ (0.11)	\$ 1.73
Loss on discontinued operationsExtraordinary item	-	-	(0.45)	-	(0.46)
Net income (loss)	<u>\$ 0.74</u>	<u>\$ 1.05</u>	<u>\$ (0.34)</u>	<u>\$ (0.11)</u>	<u>\$ 1.27</u>

> > **Example 2: EPS Disclosures**

260-10-55-51 This Example illustrates the reconciliation of the numerators and denominators of the basic and diluted EPS computations for income ~~before extraordinary item~~ from continuing operations and other related disclosures required by paragraph 260-10-50-1 for Entity A in Example 1. Note that Topic 718 has specific disclosure requirements related to share-based compensation arrangements.

260-10-55-52 The following table illustrates the computation of basic and diluted EPS for the year ended 20X1.

For the Year Ended 20X1			
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Income from continuing operations before extraordinary item	\$ 7,500,000		
Less: Preferred stock dividends	(45,000)		
Basic EPS			
Income available to common stockholders	7,455,000	3,991,666	\$ 1.87
Effect of Dilutive Securities			
Warrants		30,768	
Convertible preferred stock	45,000	308,333	
4% convertible debentures	60,000	50,000	
Diluted EPS			
Income available to common stockholders + assumed conversions	\$ 7,560,000	4,380,767	\$ 1.73

Options to purchase 1,000,000 shares of common stock at \$85 per share were outstanding during the second half of 20X1 but were not included in the computation of diluted EPS because the options' exercise price was greater than the average market price of the common shares. The options, which expire on June 30, 20Y1, were still outstanding at the end of year 20X1.

Amendments to Subtopic 270-10

20. Amend paragraph 270-10-05-2, with a link to transition paragraph 225-20-65-1, as follows:

Interim Reporting—Overall

Overview and Background

270-10-05-2 The determination of the results of operations on a meaningful basis for intervals of less than a full year presents inherent difficulties. The revenues of some entities fluctuate widely among interim periods because of seasonal factors, while in other entities heavy fixed costs incurred in one interim period may benefit other periods. In these situations, financial information for periods of less than a full year may be of limited usefulness. In other situations costs and expenses related to a full year's activities are incurred at infrequent intervals during the year and need to be allocated to products in process or to other interim periods to avoid distortion of interim financial results. In view of the limited time available to develop complete information, many costs and expenses are estimated in interim periods. For example, it may not be practical to perform extensive reviews of individual inventory items, costs on individual long-term

contracts and precise income tax calculations for each interim period. Subsequent refinement or correction of these estimates may distort the results of operations of later interim periods. Similarly, the effects of disposal of a segment of an entity and ~~extraordinary, unusual, unusual~~ or infrequently occurring events and transactions on the results of operations in an interim period will often be more pronounced than they will be on the results for the annual period. Special attention must be given to disclosure of the impact of these items on financial information for interim periods.

21. Amend paragraph 270-10-45-11A and its related heading, with a link to transition paragraph 225-20-65-1, as follows:

Other Presentation Matters

> ~~Extraordinary Items, Unusual and or Infrequent Items, Items~~ and Disposals of Components

270-10-45-11A Effects of disposals of a component of an entity and unusual ~~and or~~ infrequently occurring transactions and events that are material with respect to the operating results of the interim period ~~but that are not designated as extraordinary items in the interim statements~~ shall be reported separately. ~~Extraordinary items, gains~~ Gains or losses from disposal of a component of an ~~entity, entity~~ and unusual or infrequently occurring items shall not be prorated over the balance of the fiscal year.

22. Amend paragraphs 270-10-50-1 through 50-2 and 270-10-50-5 and its related heading, with a link to transition paragraph 225-20-65-1, as follows:

Disclosure

> Disclosure of Summarized Interim Financial Data by Publicly Traded Companies

270-10-50-1 Many **publicly traded companies** report summarized financial information at periodic interim dates in considerably less detail than that provided in annual financial statements. While this information provides more timely information than would result if complete financial statements were issued at the end of each interim period, the timeliness of presentation may be partially offset by a reduction in detail in the information provided. As a result, certain guides as to minimum disclosure are desirable. (It should be recognized that the minimum disclosures of summarized interim financial data required of publicly traded companies do not constitute a fair presentation of financial position and results of operations in conformity with generally accepted accounting principles [GAAP]). If publicly traded companies report summarized financial information at interim dates (including reports on fourth quarters), the following data should be reported, as a minimum:

- a. Sales or gross revenues, provision for income taxes, ~~extraordinary items (including related income tax effects)~~, net income, and comprehensive income
- b. Basic and diluted earnings per share data for each period presented, determined in accordance with the provisions of Topic 260
- c. Seasonal revenue, costs, or expenses (see paragraph 270-10-45-11)
- d. Significant changes in estimates or provisions for income taxes (see paragraphs 740-270-30-2, 740-270-30-6, and 740-270-30-8)
- e. Disposal of a component of an entity and ~~extraordinary~~, unusual or infrequently occurring items (see paragraphs 270-10-45-11A and 270-10-50-5)
- f. Contingent items (see paragraph 270-10-50-6)
- g. Changes in accounting principles or estimates (see paragraphs 270-10-45-12 through 45-16)
- h. Significant changes in financial position (see paragraph 270-10-50-4)
- i. All of the following information about reportable operating segments determined according to the provisions of Topic 280, including provisions related to restatement of segment information in previously issued financial statements:
 - 1. Revenues from external customers
 - 2. Intersegment revenues
 - 3. A measure of segment profit or loss
 - 4. Total assets for which there has been a material change from the amount disclosed in the last annual report
 - 5. A description of differences from the last annual report in the basis of segmentation or in the measurement of segment profit or loss
 - 6. A reconciliation of the total of the reportable segments' measures of profit or loss to the entity's consolidated income before income taxes, ~~extraordinary items~~, and discontinued operations. However, if, for example, an entity allocates items such as income taxes and ~~extraordinary items~~ to segments, the entity may choose to reconcile the total of the segments' measures of profit or loss to consolidated income after those items. Significant reconciling items shall be separately identified and described in that reconciliation.

[Note: Because the remainder of this paragraph is unchanged, it is not shown here.]

270-10-50-2 If interim financial data and disclosures are not separately reported for the fourth quarter, users of the interim financial information often make inferences about that quarter by subtracting data based on the third quarter interim report from the annual results. In the absence of a separate fourth quarter report or disclosure of the results (as outlined in the preceding paragraph) for that quarter in the annual report, disposals of components of an entity and ~~extraordinary, unusual~~, unusual or infrequently occurring items recognized in the fourth quarter, as well as the aggregate effect of year-end adjustments that are

material to the results of that quarter (see paragraphs 270-10-05-2 and 270-10-45-10) shall be disclosed in the annual report in a note to the annual financial statements. If a **publicly traded company** that regularly reports interim information makes an accounting change during the fourth quarter of its fiscal year and does not report the data specified by the preceding paragraph in a separate fourth quarter report or in its annual report, the disclosures about the effect of the accounting change on interim periods that are required by paragraphs 270-10-45-12 through 45-14 or by paragraph 250-10-45-15, as appropriate, shall be made in a note to the annual financial statements for the fiscal year in which the change is made.

> ~~Extraordinary Items, Unusual and or Infrequent Items, Items and Disposals of Components~~

270-10-50-5 ~~Extraordinary items shall be disclosed separately and included in the determination of net income for the interim period in which they occur. In determining materiality, extraordinary items shall be related to the estimated income for the full fiscal year. In addition, matters~~Matters such as unusual seasonal results, business combinations, and **acquisitions by not-for-profit entities** shall be disclosed to provide information needed for a proper understanding of interim financial reports.

Amendments to Subtopic 280-10

23. Amend paragraphs 280-10-50-22(i), 280-10-50-29(b), 280-10-50-30(b), and 280-10-50-32(f), with a link to transition paragraph 225-20-65-1, as follows:

Segment Reporting—Overall

Disclosure

> Operating Segments

> > Disclosure Requirements

> > > Information About Profit or Loss and Assets

280-10-50-22 A public entity shall report a measure of profit or loss and total assets for each reportable segment. A public entity also shall disclose all of the following about each reportable segment if the specified amounts are included in the measure of segment profit or loss reviewed by the chief operating decision maker or are otherwise regularly provided to the chief operating decision maker, even if not included in that measure of segment profit or loss (see Example 3, Case B [paragraph 280-10-55-48]):

- i. Subparagraph superseded by Accounting Standards Update 2015-01.
~~Extraordinary items~~

> > > Measurement

280-10-50-29 A public entity shall provide an explanation of the measurements of segment profit or loss and segment assets for each reportable segment. At a minimum, a public entity shall disclose all of the following (see Example 3, Cases A through C [paragraphs 280-10-55-47 through 55-49]):

- b. The nature of any differences between the measurements of the reportable segments' profits or losses and the public entity's consolidated income before income taxes, ~~extraordinary items~~, and discontinued operations (if not apparent from the reconciliations described in paragraphs 280-10-50-30 through 50-31). Those differences could include accounting policies and policies for allocation of centrally incurred costs that are necessary for an understanding of the reported segment information.

> > > Reconciliations

280-10-50-30 A public entity shall provide reconciliations of all of the following (see Example 3, Case C [paragraphs 280-10-55-49 through 55-50]):

- b. The total of the reportable segments' measures of profit or loss to the public entity's consolidated income before income taxes, ~~extraordinary items~~, and discontinued operations. However, if a public entity allocates items such as income taxes and ~~extraordinary items~~ to segments, the public entity may choose to reconcile the total of the segments' measures of profit or loss to consolidated income after those items.

> > > Interim Period Information

280-10-50-32 A public entity shall disclose all of the following about each reportable segment in condensed financial statements of interim periods:

- f. A reconciliation of the total of the reportable segments' measures of profit or loss to the public entity's consolidated income before income taxes, ~~extraordinary items~~, and discontinued operations. However, if a public entity allocates items such as income taxes and ~~extraordinary items~~ to segments, the public entity may choose to reconcile the total of the segments' measures of profit or loss to consolidated income after those items. Significant reconciling items shall be separately identified and described in that reconciliation.

24. Amend paragraph 280-10-55-49, with a link to transition paragraph 225-20-65-1, as follows:

Implementation Guidance and Illustrations

> Illustrations

> > Example 3: Illustrative Disclosures

> > > Case C: Reconciliations of Reportable Segment Revenues, Profit or Loss, and Assets, to the Consolidated Totals

280-10-55-49 The following are examples of reconciliations of reportable segment revenues, profit or loss, and assets, to the public entity's consolidated totals (see paragraph 280-10-50-30(a) through (c)). Reconciliations also are required to be shown for every other significant item of information disclosed (see paragraph 280-10-50-30(d)). For example, if Diversified Company disclosed segment liabilities, they are required to be reconciled to total consolidated liabilities. The public entity's financial statements are assumed not to include discontinued operations. As discussed in the illustration in paragraph 280-10-55-47, the public entity recognizes and measures pension expense of its segments based on cash payments to the pension plan, and it does not allocate certain items to its segments.

Revenues

Total revenues for reportable segments	\$ 39,000
Other revenues	1,000
Elimination of intersegment revenues	(4,500)
Total consolidated revenues	<u>\$ 35,500</u>

Profit or Loss

Total profit or loss for reportable segments	\$ 3,970
Other profit or loss	100
Elimination of intersegment profits	(500)
Unallocated amounts:	
Litigation settlement received	500
Other corporate expenses	(750)
Adjustment to pension expense in consolidation	(250)
Income before income taxes and extraordinary items	<u>\$ 3,070</u>

Assets

Total assets for reportable segments	\$ 79,000
Other assets	2,000
Elimination of receivables from corporate headquarters	(1,000)
Goodwill not allocated to segments	4,000
Other unallocated amounts	1,000
Consolidated total	<u>\$ 85,000</u>

[Note: Because the remainder of this table is unchanged, it is not shown here.]

Amendments to Subtopic 323-10

25. Amend paragraphs 323-10-45-1 through 45-2, with a link to transition paragraph 225-20-65-1, as follows:

Investments—Equity Method and Joint Ventures—Overall

Other Presentation Matters

> The Equity Method—Overall Guidance

323-10-45-1 Under the equity method, an investment in **common stock** shall be shown in the balance sheet of an **investor** as a single amount. Likewise, an investor's share of earnings or losses from its investment shall be shown in its income statement as a single amount, ~~except for the extraordinary items as specified in the following paragraph.~~

323-10-45-2 The investor's share of ~~extraordinary items and its share of~~ accounting changes reported in the financial statements of the **investee** shall be classified separately ~~in accordance with Subtopic 225-20.~~

Amendments to Subtopic 410-30

26. Supersede paragraphs 410-30-45-3 and 410-30-45-6, with a link to transition paragraph 225-20-65-1, as follows:

Asset Retirement and Environmental Obligations— Environmental Obligations

Other Presentation Matters

410-30-45-3 Paragraph superseded by Accounting Standards Update 2015-01. ~~The incurrence of environmental remediation obligations is not an event that is unusual in nature. As such, the related costs and recoveries do not meet the criteria for classification as extraordinary.~~

410-30-45-6 Paragraph superseded by Accounting Standards Update 2015-01. ~~Asbestos treatment costs that are charged to expense are not extraordinary items under Subtopic 225-20.~~

Amendments to Subtopic 420-10

27. Amend paragraph 420-10-45-3, with a link to transition paragraph 225-20-65-1, as follows:

Exit or Disposal Cost Obligations—Overall

Other Presentation Matters

> Income from Continuing Operations

420-10-45-3 Costs associated with an exit or disposal activity that does not involve a discontinued operation shall be included in income from continuing operations before income taxes in the income statement of a business entity and in income from continuing operations in the statement of activities of a not-for-profit entity (NFP). Separate presentation of exit and disposal costs in the income statement is not prohibited. ~~However, because neither an exit activity nor a disposal activity is both unusual and infrequent (see paragraph 225-20-45-16), it is prohibited to present exit and disposal costs in the income statement net of income taxes or in any manner that implies they are similar to an extraordinary item, as defined in paragraphs 225-20-45-1 through 45-8. If a subtotal such as income from operations is presented, it shall include the amounts of those costs.~~

Amendments to Subtopic 470-20

28. Supersede paragraphs 470-20-45-1 through 45-2 and their related heading, with a link to transition paragraph 225-20-65-1, as follows:

Debt—Debt with Conversion and Other Options

Other Presentation Matters

> ~~Income Statement Classification~~

470-20-45-1 ~~Paragraph superseded by Accounting Standards Update 2015-01. Any expense recognized under paragraph 470-20-40-1 shall not be classified as extraordinary.~~

470-20-45-2 ~~Paragraph superseded by Accounting Standards Update 2015-01. Any expense recognized under paragraph 470-20-40-16 shall not be reported as an extraordinary item.~~

Amendments to Subtopic 470-30

29. Supersede paragraph 470-30-45-3, with a link to transition paragraph 225-20-65-1, as follows:

Debt—Participating Mortgage Loans

Other Presentation Matters

~~470-30-45-3 Paragraph superseded by Accounting Standards Update 2015-01. However, the guidance in this Subtopic does not preclude gains or losses from extinguishment of debt that meet the criteria of Topic 225 from being classified as extraordinary items.~~

Amendments to Subtopic 470-50

30. Supersede paragraphs 470-50-45-1 through 45-2, with a link to transition paragraph 225-20-65-1, as follows:

Debt—Modifications and Extinguishments

Other Presentation Matters

~~470-50-45-1 Paragraph superseded by Accounting Standards Update 2015-01. Gains and losses from extinguishment of debt that meet the criteria in Subtopic 225-20 are not precluded from being classified as extraordinary items.~~

~~470-50-45-2 Paragraph superseded by Accounting Standards Update 2015-01. However, any charges to earnings resulting from application of paragraph 470-50-40-21(c) shall not be classified as extraordinary.~~

Amendments to Subtopic 715-20

31. Supersede paragraph 715-20-45-4 and its related heading, with a link to transition paragraph 225-20-65-1, as follows:

Compensation—Retirement Benefits—Defined Benefit Plans—General

Other Presentation Matters

> Extraordinary Items

~~715-20-45-4 Paragraph superseded by Accounting Standards Update 2015-01. The determination of whether a gain or loss from a settlement or curtailment or the cost of termination benefits shall be classified as an extraordinary item requires judgment based on the facts and circumstances. Only if the criteria of paragraph 225-20-45-2 are met shall a gain or loss from a settlement or curtailment or the cost of termination benefits be classified as an extraordinary item. For many employers a gain or loss from a settlement or curtailment or the cost of termination benefits generally does not result from the type of unusual and infrequently occurring event or transaction required by paragraph 225-20-45-2 to be reported as an extraordinary item.~~

Amendments to Subtopic 715-30

32. Supersede paragraphs 715-30-55-191 through 55-192, with a link to transition paragraph 225-20-65-1, as follows:

Compensation—Retirement Benefits—Defined Benefit Plans—Pension

Implementation Guidance and Illustrations

Settlements, Curtailments, and Certain Termination Benefits

> Implementation Guidance

> > Presentation Matters

~~715-30-55-191 Paragraph superseded by Accounting Standards Update 2015-01. Subtopic 225-20 provides guidance on events and transactions that may result in treatment as extraordinary items in an entity's financial statements. The following different pension plan termination scenarios do not meet both the unusual nature and infrequency of occurrence criteria of that Subtopic, required for any resulting gain or loss to be classified as extraordinary:~~

- ~~a. An employer terminates its only pension plan and does not establish a successor pension plan.~~
- ~~b. An employer terminates its only pension plan, withdraws excess plan assets, and establishes a successor pension plan, but because of current regulatory guidelines is prohibited from effecting the same series of transactions for 15 years.~~
- ~~c. An employer terminates one of its foreign pension plans, withdraws excess plan assets, and establishes a successor pension plan. The~~

~~employer has never effected this series of transactions in the past and has no intention of repeating those actions in the future.~~

- ~~d. An employer terminates an underfunded pension plan, and a regulatory agency takes over the pension plan and initiates a lien against 30 percent of the employer's net worth.~~

~~715-30-55-192 Paragraph superseded by Accounting Standards Update 2015-01. Paragraph 225-20-45-2 describes the unusual nature and infrequency of occurrence criteria that must be met for treatment as an extraordinary item. Notwithstanding the infrequency of occurrence of the event as it relates to a particular employer, terminating a pension plan is an occurrence that is a consequence of customary and continuing business activities. Terminations of pension plans occur frequently in the current economic environment. Therefore, the criterion of unusual nature is not met. Unless the pension plan termination is directly related to an event that qualifies as unusual in nature and infrequent in occurrence, any resulting gain or loss would not qualify for classification as an extraordinary item.~~

Amendments to Subtopic 740-10

33. Amend paragraphs 740-10-30-22 and 740-10-30-26, with a link to transition paragraph 225-20-65-1, as follows:

Income Taxes—Overall

Initial Measurement

740-10-30-22 Examples (not prerequisites) of positive evidence that might support a conclusion that a valuation allowance is not needed when there is negative evidence include, but are not limited to, the following:

- a. Existing contracts or firm sales backlog that will produce more than enough taxable income to realize the deferred tax asset based on existing sales prices and cost structures
- b. An excess of appreciated asset value over the tax basis of the entity's net assets in an amount sufficient to realize the deferred tax asset
- c. A strong earnings history exclusive of the loss that created the future deductible amount (tax loss carryforward or deductible temporary difference) coupled with evidence indicating that the loss (for example, an ~~unusual~~, unusual or infrequent, ~~or extraordinary~~ item) is an aberration rather than a continuing condition.

> Tax Rates Applicable to Items Not Included in Income from Continuing Operations

740-10-30-26 The reported tax effect of items not included in income from continuing operations (for example, discontinued operations, ~~extraordinary items~~, cumulative effects of changes in accounting principles, and items charged or credited directly to shareholders' equity) that arose during the current fiscal year and before the date of enactment of tax legislation shall be measured based on the enacted rate at the time the transaction was recognized for financial reporting purposes.

34. Amend paragraph 740-10-55-38, with a link to transition paragraph 225-20-65-1, as follows:

Implementation Guidance and Illustrations

> > > Reporting the Tax Benefit of Operating Loss Carryforwards or Carrybacks

740-10-55-38 Except as noted in paragraph 740-20-45-3, the manner of reporting the tax benefit of an operating loss carryforward or carryback is determined by the source of the income or loss in the current year and not by the source of the operating loss carryforward or taxes paid in a prior year or the source of expected future income that will result in realization of a deferred tax asset for an operating loss carryforward from the current year. **Deferred tax expense (or benefit)** that results because a change in circumstances causes a change in judgment about the future realization of the tax benefit of an operating loss carryforward is allocated to continuing operations (see paragraph 740-10-45-20). Thus, for example:

- a. The tax benefit of an operating loss carryforward that resulted from ~~an extraordinary loss~~ a loss on discontinued operations in a prior year and that is first recognized in the financial statements for the current year:
 1. Is allocated to continuing operations if it offsets the current or deferred tax consequences of income from continuing operations
 2. Is allocated to ~~an extraordinary gain~~ a gain on discontinued operations if it offsets the current or deferred tax consequences of that ~~extraordinary~~ gain
 3. Is allocated to continuing operations if it results from a change in circumstances that causes a change in judgment about future realization of a tax benefit.
- b. The current or deferred tax benefit of a loss from continuing operations in the current year is allocated to continuing operations regardless of whether that loss offsets the current or deferred tax consequences of ~~an extraordinary gain~~ a gain on discontinued operations that:
 1. Occurred in the current year
 2. Occurred in a prior year (that is, if realization of the tax benefit will be by carryback refund)
 3. Is expected to occur in a future year.

Amendments to Subtopic 740-20

35. Amend paragraph 740-20-05-2, with a link to transition paragraph 225-20-65-1, as follows:

Income Taxes—Intraperiod Tax Allocation

Overview and Background

740-20-05-2 This Subtopic addresses the process of intraperiod tax allocation that allocates total income tax expense or benefit of an entity for a period to different components of comprehensive income and shareholders' equity. This includes allocating income tax expense or benefit for the year to:

- a. Continuing operations
- b. Discontinued operations
- c. Subparagraph superseded by Accounting Standards Update 2015-01, Extraordinary items
- d. Other comprehensive income
- e. Items charged or credited directly to shareholders' equity.

This Subtopic provides guidance on the method for making those allocations of total income tax expense or benefit and provides several examples and illustrations.

36. Amend paragraphs 740-20-45-2 and 740-20-45-7, with a link to transition paragraph 225-20-65-1, as follows:

Other Presentation Matters

740-20-45-2 Income tax expense or benefit for the year shall be allocated among:

- a. Continuing operations
- b. Discontinued operations
- c. Subparagraph superseded by Accounting Standards Update 2015-01, Extraordinary items
- d. Other comprehensive income
- e. Items charged or credited directly to shareholders' equity.

740-20-45-7 The tax effect of pretax income or loss from continuing operations generally should be determined by a computation that does not consider the tax effects of items that are not included in continuing operations. The exception to that incremental approach is that all items (for example, ~~extraordinary items~~, discontinued operations, other comprehensive income, and so forth) be considered in determining the amount of tax benefit that results from a loss from

continuing operations and that shall be allocated to continuing operations. That modification of the incremental approach is to be consistent with the approach in Subtopic 740-10 to consider the **tax consequences of taxable income** expected in future years in assessing the realizability of deferred tax assets. Application of this modification makes it appropriate to consider ~~an extraordinary gain~~ a gain on discontinued operations in the current year for purposes of allocating a tax benefit to a current-year loss from continuing operations.

37. Amend paragraphs 740-20-55-10 through 55-12 and their related heading and 740-20-55-15 through 55-17, with a link to transition paragraph 225-20-65-1, as follows:

Implementation Guidance and Illustrations

> > Example 2: Allocations of Income Taxes to Continuing Operations and One Other Item

> > > Case A: Loss from Continuing Operations with ~~an Extraordinary Gain~~ a Gain on Discontinued Operations

740-20-55-10 This Case illustrates allocation of income tax expense if there is only one item other than income from continuing operations. The assumptions are as follows:

- a. The entity's pretax financial income and **taxable income** are the same.
- b. The entity's ordinary loss from continuing operations is \$500.
- c. The entity also has ~~an extraordinary gain~~ a gain on discontinued operations of \$900 that is a capital gain for tax purposes.
- d. The tax rate is 40 percent on ordinary income and 30 percent on capital gains. **Income taxes currently payable** are \$120 (\$400 at 30 percent).

740-20-55-11 Income tax expense is allocated between the pretax loss from operations and the ~~extraordinary gain~~ gain on discontinued operations as follows.

Total income tax expense	\$ 120
Tax benefit allocated to the loss from operations	(150)
Incremental tax expense allocated to the extraordinary gain <u>gain on discontinued operations</u>	<u>\$ 270</u>

740-20-55-12 The effect of the \$500 loss from continuing operations was to offset an equal amount of capital gains that otherwise would be taxed at a 30 percent tax rate. Thus, \$150 (\$500 at 30 percent) of tax benefit is allocated to continuing operations. The \$270 incremental effect of the ~~extraordinary gain~~ gain on discontinued operations is the difference between \$120 of total tax expense and the \$150 tax benefit from continuing operations.

> > **Example 3: Allocation of the Benefit of a Tax Credit Carryforward**

740-20-55-15 This Example illustrates the guidance in paragraphs 740-20-45-7 through 45-8 for allocation of the tax benefit of a tax credit carryforward that is recognized as a deferred tax asset in the current year. The assumptions are as follows:

- a. The entity's pretax financial income and taxable income are the same.
- b. Pretax financial income for the year comprises \$300 from continuing operations and \$400 from ~~an extraordinary gain~~ a gain on discontinued operations.
- c. The tax rate is 40 percent. Taxes payable for the year are zero because \$330 of tax credits that arose in the current year more than offset the \$280 of tax otherwise payable on \$700 of taxable income.
- d. A \$50 deferred tax asset is recognized for the \$50 (\$330 - \$280) tax credit carryforward. Based on the weight of available evidence, management concludes that no valuation allowance is necessary.

740-20-55-16 Income tax expense or benefit is allocated between pretax income from continuing operations and the ~~extraordinary gain~~ on discontinued operations as follows.

Total income tax benefit		\$ (50)
Tax expense (benefit) allocated to income from continuing operations:		
Tax (before tax credits) on \$300 of taxable income at 40 percent	\$ 120	
Tax credits	(330)	(210)
Tax expense allocated to the extraordinary gain <u>on discontinued operations</u>		<u>\$ 160</u>

740-20-55-17 Absent the ~~extraordinary gain~~ on discontinued operations and assuming it was not the deciding factor in reaching a conclusion that a valuation allowance is not needed, the entire tax benefit of the \$330 of tax credits would be allocated to continuing operations. The presence of the ~~extraordinary gain~~ on discontinued operations does not change that allocation.

Amendments to Subtopic 740-30

38. Amend paragraphs 740-30-25-15 and 740-30-25-19, with a link to transition paragraph 225-20-65-1, as follows:

Income Taxes—Other Considerations or Special Areas

Recognition

> **Undistributed Earnings of Subsidiaries and Corporate Joint Ventures**

> > **Ownership Changes in Investments**

740-30-25-15 An investment in common stock of a subsidiary may change so that it is no longer a subsidiary because the parent entity sells a portion of the investment, the subsidiary sells additional stock, or other transactions affect the investment. If the remaining investment in common stock shall be accounted for by the equity method, the investor shall recognize income taxes on its share of current earnings of the investee entity in accordance with the provisions of Subtopic 740-10. If a parent entity did not recognize income taxes on its equity in undistributed earnings of a subsidiary for the reasons cited in paragraph 740-30-25-17 (and the entity in which the investment is held ceases to be a subsidiary), it shall accrue as a current period expense income taxes on undistributed earnings in the period that it becomes apparent that any of those undistributed earnings (prior to the change in status) will be remitted. ~~The accrual of those income taxes shall not be accounted for as an extraordinary item.~~ The change in the status of an investment would not by itself mean that remittance of these undistributed earnings shall be considered apparent. If a parent entity recognizes a deferred tax liability for the temporary difference arising from its equity in undistributed earnings of a subsidiary and subsequently reduces its investment in the subsidiary through a taxable sale or other transaction, the amount of the temporary difference and the related deferred tax liability will change.

> > Exceptions to Comprehensive Recognition of Deferred Income Taxes

740-30-25-19 If circumstances change and it becomes apparent that some or all of the undistributed earnings of a subsidiary will be remitted in the foreseeable future but income taxes have not been recognized by the parent entity, it shall accrue as an expense of the current period income taxes attributable to that remittance; ~~income tax expense for such undistributed earnings shall not be accounted for as an extraordinary item.~~ If it becomes apparent that some or all of the undistributed earnings of a subsidiary on which income taxes have been accrued will not be remitted in the foreseeable future, the parent entity shall adjust income tax expense of the current period; ~~such adjustment of income tax expense shall not be accounted for as an extraordinary item.~~

39. Amend paragraphs 740-30-45-2 through 45-3, with a link to transition paragraph 225-20-65-1, as follows:

Other Presentation Matters

740-30-45-2 Paragraph 740-30-25-18 identifies situations where deferred tax liabilities are not recorded for specific temporary differences. Paragraph 740-30-25-19 provides that if circumstances change and it becomes apparent that some or all of the undistributed earnings of a **subsidiary** will be remitted in the foreseeable future but income taxes have not been recognized by the parent entity, it shall accrue as an expense of the current period income taxes attributable to that remittance; ~~income tax expense for such undistributed earnings shall not be accounted for as an extraordinary item.~~ If it becomes

apparent that some or all of the undistributed earnings of a subsidiary on which income taxes have been accrued will not be remitted in the foreseeable future, the parent entity shall adjust income tax expense of the current period; ~~such adjustment of income tax expense shall not be accounted for as an extraordinary item.~~

740-30-45-3 If a parent entity did not recognize income taxes on its equity in undistributed earnings of a subsidiary for the reasons cited in paragraph 740-30-25-17 and the entity in which the investment is held ceases to be a subsidiary, paragraph 740-30-25-15 requires that it shall accrue as a current period expense income taxes on undistributed earnings in the period that it becomes apparent that any of those undistributed earnings prior to the change in status will be remitted; ~~the accrual of those income taxes shall not be accounted for as an extraordinary item.~~

Amendments to Subtopic 740-270

40. Amend paragraph 740-270-05-4, with a link to transition paragraph 225-20-65-1, as follows:

Income Taxes—Interim Reporting

Overview and Background

740-270-05-4 This Subtopic describes:

- a. The general computation of interim period income taxes (see paragraphs 740-270-30-1 through 30-9)
- b. The application of the general computation to specific situations (see paragraphs 740-270-30-22 through 30-28)
- c. The interim period income taxes requirements applicable to significant unusual or infrequently occurring ~~items~~, items and discontinued operations, ~~and extraordinary items~~ (see Section 740-270-45)
- d. Special computations applicable to operations taxable in multiple jurisdictions (see paragraph 740-270-30-36)
- e. Guidelines for reflecting the effects of new tax legislation in interim period income tax provisions (see paragraphs 740-270-25-5 through 25-6)
- f. Disclosure requirements (see paragraph 740-270-50-1).

This Subtopic also provides Examples and illustrations in Section 740-270-55.

41. Amend paragraphs 740-270-25-12 through 25-14, with a link to transition paragraph 225-20-65-1, as follows:

Recognition

740-270-25-12 If an entity has a significant ~~unusual~~, unusual or infrequently occurring, or extraordinary loss or a loss from discontinued operations, the tax benefit of that loss shall be recognized when the tax benefit of the loss is expected to be either:

- a. Realized during the year
- b. Recognizable as a deferred tax asset at the end of the year in accordance with the provisions of Subtopic 740-10.

Realization would appear to be more likely than not if future **taxable income** from (ordinary) income during the current year is expected based on an established seasonal pattern of loss in early interim periods offset by income in later interim periods.

740-270-25-13 See Example 3, Cases A and B (paragraphs 740-270-55-26 through 55-28) for example computations involving ~~unusual~~, unusual or infrequently occurring, or extraordinary losses.

740-270-25-14 If recognition of a deferred tax asset at the end of the fiscal year for all or a portion of the tax benefit of the loss depends on taxable income from the reversal of existing taxable temporary differences, see paragraphs 740-270-30-32 through 30-33 for guidance. If all or a part of the tax benefit is not realized and future realization is not more likely than not in the interim period of occurrence but becomes more likely than not in a subsequent interim period of the same fiscal year, the previously **unrecognized tax benefit** shall be reported that subsequent interim period in the same manner that it would have been reported if realization had been more likely than not in the interim period of occurrence, that is, as a tax benefit relating to continuing operations, operations or discontinued operations, or an extraordinary item. See Subtopic 740-20 for the requirements to allocate total income tax expense (or benefit).

42. Amend paragraphs 740-270-30-8 and 740-270-30-12, with a link to transition paragraph 225-20-65-1, as follows:

Initial Measurement

740-270-30-8 The estimated effective tax rate shall also reflect anticipated investment tax credits, foreign tax rates, percentage depletion, capital gains rates, and other available tax planning alternatives. However, in arriving at this estimated effective tax rate, no effect shall be included for the tax related to significant unusual or ~~extraordinary~~ infrequently occurring items that will be separately reported or for items that will be reported net of their related tax effect

in reports for the interim period or for the fiscal year. The rate so determined shall be used in providing for income taxes on a current year-to-date basis.

740-270-30-12 Taxes related to significant unusual or ~~extraordinary~~ infrequently occurring items that will be separately reported or ~~for items that will be reported~~ net of their related tax effect also shall be excluded from the estimated annual effective tax rate calculation. ~~This description of significant unusual or extraordinary items includes unusual items, infrequently occurring items, discontinued operations, and extraordinary items.~~

43. Amend paragraphs 740-270-45-2 through 45-5, with a link to transition paragraph 225-20-65-1, as follows:

Other Presentation Matters

740-270-45-2 Section 740-20-45 describes the method of applying tax allocation within a period. The tax allocation computation shall be made using the estimated fiscal year ordinary income together with unusual items, infrequently occurring items, and discontinued operations, ~~and extraordinary items~~ for the year-to-date period.

740-270-45-3 ~~Extraordinary items and discontinued~~ Discontinued operations that will be presented net of related tax effects in the financial statements for the fiscal year shall be presented net of related tax effects in interim financial statements. Unusual or infrequently occurring items that will be separately disclosed in the financial statements for the fiscal year shall be separately disclosed as a component of pretax income from continuing operations, and the **tax (or benefit)** related to ~~such those~~ items shall be included in the tax (or benefit) related to continuing operations. See paragraphs 740-270-25-12 through 25-14 for interim period recognition guidance when an entity has a significant ~~unusual, unusual or infrequently occurring, or extraordinary~~ loss or a loss from discontinued operations. See paragraphs 740-270-45-7 through 45-8 for the application of interim period allocation requirements to recognized income tax expense (or benefit) and discontinued operations. See Example 7 (paragraph 740-270-55-52) for an illustration of the income statement display of these items.

740-270-45-4 Paragraph 740-20-45-3 requires that the manner of reporting the tax benefit of an operating loss carryforward recognized in a subsequent year generally is determined by the source of the income in that year and not by the source of the operating loss carryforward or the source of expected future income that will result in realization of a **deferred tax asset** for the operating loss carryforward. The tax benefit is allocated first to reduce tax expense from continuing operations to zero with any excess allocated to the other source(s) of income that provides the means of realization, for example, ~~extraordinary items, discontinued operations, other comprehensive income,~~ and so forth. That requirement also pertains to reporting the tax benefit of an operating loss carryforward in interim periods.

740-270-45-5 Paragraph 740-270-25-11 establishes the requirement that when the tax effects of losses that arise in the early portions of a fiscal year are not recognized in that interim period, no tax provision shall be made for income that arises in later interim periods until the tax effects of the previous interim losses are utilized. ~~The tax benefits of interim losses accounted for in this manner would not be reported as extraordinary items in the results of operations of the interim period.~~

44. Amend paragraphs 740-270-55-24 through 55-28 and the related heading, 740-270-55-38, and 740-270-55-52, with a link to transition paragraph 225-20-65-1, as follows:

Implementation Guidance and Illustrations

> > **Example 3: Accounting for Income Taxes Applicable to Unusual, Unusual or Infrequently Occurring, ~~or Extraordinary~~ Items**

740-270-55-24 The following Cases illustrate accounting for income taxes applicable to ~~unusual~~, unusual or infrequently occurring, ~~or extraordinary~~ items when ordinary income is expected for the fiscal year:

- a. Realization of the tax benefit is more likely than not at date of occurrence (Case A)
- b. Realization of the tax benefit not more likely than not at date of occurrence (Case B).

740-270-55-25 Cases A and B illustrate the computation of the tax (or benefit) applicable to ~~unusual~~, unusual or infrequently occurring, ~~or extraordinary~~ items when ordinary income is anticipated for the fiscal year. These Cases are based on the assumptions and computations presented in paragraph 740-270-55-3 and Example 1, Cases A and B (see paragraphs 740-270-55-4 through 55-8), plus additional information supplied in Cases A and B of this Example. The computation of the tax (or benefit) applicable to the ordinary income is not affected by the occurrence of an ~~unusual~~, unusual or infrequently occurring, ~~or extraordinary~~ item; therefore, each Case refers to one or more of the illustrations of that computation in Example 1, Cases A and B (see paragraphs 740-270-55-4 through 55-8), and does not reproduce the computation and the assumptions. The income statement display for tax (or benefit) applicable to ~~unusual~~, unusual or infrequently occurring, ~~or extraordinary~~ items is illustrated in Example 7 (see paragraph 740-270-55-52).

> > > **Case A: Realization of the Tax Benefit Is More Likely Than Not at Date of Occurrence**

740-270-55-26 As explained in paragraph 740-270-55-25, this Case is based on the computations of tax applicable to ordinary income that are illustrated in Example 1, Case A (see paragraph 740-270-55-4). In addition, the entity experiences a tax-deductible ~~unusual~~, unusual or infrequently occurring, ~~or~~

~~extraordinary~~ loss of \$50,000 (tax benefit \$25,000) in the second quarter. Because the loss can be carried back, it is more likely than not that the tax benefit will be realized at the time of occurrence. Quarterly tax provisions are as follows.

Reporting Period	Ordinary Income	Unusual, Unusual or Infrequently Occurring, or Extraordinary Loss	Tax (or Benefit) Applicable to	
			Ordinary Income	Unusual, Unusual or Infrequently Occurring, or Extraordinary Loss
First quarter	\$ 20,000		\$ 8,000	
Second quarter	20,000	\$ (50,000)	8,000	\$ (25,000)
Third quarter	20,000		8,000	
Fourth quarter	40,000		16,000	
Fiscal year	<u>\$ 100,000</u>	<u>\$ (50,000)</u>	<u>\$ 40,000</u>	<u>\$ (25,000)</u>

740-270-55-27 Note that changes in assumptions would not change the timing of the recognition of the tax benefit applicable to the ~~unusual, unusual or infrequently occurring, or extraordinary~~ item as long as realization is more likely than not.

> > > Case B: Realization of the Tax Benefit Not More Likely Than Not at Date of Occurrence

740-270-55-28 As explained in paragraph 740-270-55-25, this Case is based on the computations of tax applicable to ordinary income that are illustrated in Example 1, Cases A and B1 (see paragraphs 740-270-55-4 through 55-6). In addition, the entity experiences a tax-deductible ~~unusual, unusual or infrequently occurring, or extraordinary~~ occurring loss of \$50,000 (potential benefit \$25,000) in the second quarter. The loss cannot be carried back, and available evidence indicates that a **valuation allowance** is needed for all of the deferred tax asset. As a result, the tax benefit of the ~~unusual, unusual or infrequently occurring, or extraordinary~~ occurring loss is recognized only to the extent of offsetting ordinary income for the year to date. Quarterly tax provisions under two different assumptions for the occurrence of ordinary income are as follows.

Assumptions and Reporting Period	Tax (or Benefit) Applicable to						
	Ordinary Income (Loss)	Unusual, Unusual or Infrequently Occurring, or Extraordinary Loss	Reporting Period	Year-to-Date	Year-to-Date	Less Previously Provided	Reporting Period
Income in all quarters:							
First quarter	\$ 20,000		\$ 8,000	\$ 8,000			
Second quarter	20,000	\$ (50,000)	8,000	16,000	\$ (16,000)	\$ -	\$ (16,000)
Third quarter	20,000		8,000	24,000	(24,000)	(16,000)	(8,000)
Fourth quarter	40,000		16,000	40,000	(25,000)	(24,000)	(1,000)
Fiscal year	<u>\$ 100,000</u>	<u>\$ (50,000)</u>	<u>\$ 40,000</u>				<u>\$ (25,000)</u>
Income and loss quarters:							
First quarter	\$ 40,000		\$ 16,000	\$ 16,000			
Second quarter	40,000	\$ (50,000)	16,000	32,000	\$ (25,000)	\$ -	\$ (25,000)
Third quarter	(20,000)		(8,000)	24,000	(24,000)	(25,000)	1,000
Fourth quarter	40,000		16,000	40,000	(25,000)	(24,000)	(1,000)
Fiscal year	<u>\$ 100,000</u>	<u>\$ (50,000)</u>	<u>\$ 40,000</u>				<u>\$ (25,000)</u>

> > Example 5: Accounting for Income Taxes Applicable to Ordinary Income if an Entity Is Subject to Tax in Multiple Jurisdictions

740-270-55-38 Cases A, B, and C assume that an entity operates through separate corporate entities in two countries. Applicable tax rates are 50 percent in the United States and 20 percent in Country A. The entity has no unusual or extraordinary infrequently occurring items during the fiscal year and anticipates no tax credits or events that do not have tax consequences. (The effect of foreign tax credits and the necessity of providing tax on undistributed earnings are ignored because of the wide range of tax planning alternatives available.) For the full fiscal year the entity anticipates ordinary income of \$60,000 in the United States and \$40,000 in Country A. The entity is able to make a reliable estimate of its Country A ordinary income and tax for the fiscal year in dollars. Computation of the overall estimated annual effective tax rate in Cases B and C is based on additional assumptions stated in those Cases.

> > **Example 7: Illustration of Income Taxes in Income Statement Display**

740-270-55-52 The following illustrates the location in an income statement display of the various tax amounts computed under this Subtopic.

Net sales ^(a)		\$XXXX	
Other income ^(a)		XXX	
			XXXX
Costs and expenses:			
Cost of sales ^(a)	\$XXXX		
Selling, general, and administrative expenses ^(a)	XXXX		
Interest expense ^(a)	XXX		
Other deductions ^(a)	XX		
Unusual items	XXX		
Infrequently occurring items	XXX		XXXX
Income (loss) from continuing operations before income taxes and other items listed below			XXXX
Provision for income taxes (benefit) ^(b)			XXXX
Income (loss) from continuing operations before other items listed below			XXXX
Discontinued operations:			
Income (loss) from operations of discontinued Component X (less applicable income taxes of \$XXXX)	XXXX		
			XXXX
Income (loss) before extraordinary items			XXXX
Extraordinary items (less applicable income taxes of \$XXXX)			XXXX
Net income (loss)			XXXX

- (a) Components of ordinary income (loss).
(b) Consists of the total of income taxes (or benefit) applicable to ordinary income, unusual items, and infrequently occurring items.

Amendments to Subtopic 810-10

45. Amend paragraph 810-10-50-1A(b), with a link to transition paragraph 225-20-65-1, as follows:

Consolidation—Overall

Disclosure

> Parent with a Less-Than-Wholly-Owned Subsidiary

810-10-50-1A A **parent** with one or more less-than-wholly-owned **subsidiaries** shall disclose all of the following for each reporting period:

- b. Either in the notes or on the face of the consolidated income statement, amounts attributable to the parent for any of the following, if reported in the consolidated financial statements:
 1. Income from continuing operations
 2. Discontinued operations
 3. Subparagraph superseded by Accounting Standards Update 2015-01, Extraordinary items.

Amendments to Subtopic 815-30

46. Amend paragraph 815-30-35-44, with a link to transition paragraph 225-20-65-1, as follows:

Derivatives and Hedging—Cash Flow Hedges

Subsequent Measurement

> Reclassifications from Accumulated Other Comprehensive Income into Earnings

> > Gains or Losses from Cash Flow Hedges of Debt That Is Extinguished

815-30-35-44 If the reclassification to earnings of the amount in accumulated comprehensive income resulting from a cash flow hedge of debt is required under this Subsection when that debt is extinguished, the amount reclassified from accumulated comprehensive income to earnings shall be excluded from extinguishment gain or loss. ~~Paragraph 225-20-45-1 provides guidance on whether the income statement effects of events or transactions may be presented as extraordinary items.~~

Amendments to Subtopic 830-10

47. Amend paragraph 830-10-45-1 and supersede paragraph 830-10-45-19 and its related heading, with a link to transition paragraph 225-20-65-1, as follows:

Foreign Currency Matters—Overall

Other Presentation Matters

830-10-45-1 The guidance in this Section relates to how a **reporting entity** determines the **functional currency** of a **foreign entity** (including of a foreign entity in a highly inflationary economy), remeasures the books of record (if

necessary), and characterizes transaction gains and losses. The guidance is organized as follows:

- a. The functional currency
- b. The functional currency in highly inflationary economies
- c. Remeasurement of books of record into the functional currency
- d. Subparagraph superseded by Accounting Standards Update 2015-01. Transaction gains and losses not extraordinary.

> ~~Transaction Gains and Losses Not Extraordinary~~

830-10-45-19 Paragraph superseded by Accounting Standards Update 2015-01. Paragraph 225-20-45-4(b) states that gains or losses from exchange or translation of foreign currencies, including those relating to major devaluations and revaluations, shall not be reported as extraordinary items because they are usual in nature or may be expected to recur as a consequence of customary and continuing business activities.

Amendments to Subtopic 830-20

48. Supersede paragraph 830-20-45-4 and its related heading and amend paragraph 830-20-45-5, with a link to transition paragraph 225-20-65-1, as follows:

Foreign Currency Matters—Foreign Currency Transactions

Other Presentation Matters

> Income Statement Presentation

> > ~~Transaction Gains and Losses Not Extraordinary~~

830-20-45-4 Paragraph superseded by Accounting Standards Update 2015-01. Paragraph 830-10-45-19 provides guidance on the characterization of transaction gains and losses.

> Reporting Other Comprehensive Income

> > Income Tax Consequences of Rate Changes

830-20-45-5 Subtopic 740-10 requires income tax expense to be allocated among income ~~before extraordinary items~~ from continuing operations, extraordinary items discontinued operations, adjustments of prior periods (or of the opening balance of retained earnings), and direct entries to other equity accounts. Some transaction gains and losses are reported in other comprehensive income. Any income taxes related to those transaction gains and losses shall be allocated to other comprehensive income.

Amendments to Subtopic 830-30

49. Amend paragraphs 830-30-45-1 and 830-30-45-21 and supersede paragraph 830-30-45-22, with a link to transition paragraph 225-20-65-1, as follows:

Foreign Currency Matters—Translation of Financial Statements

Other Presentation Matters

830-30-45-1 The guidance in this Section discusses how a **reporting entity** translates **foreign currency statements** and analyzes changes in the cumulative translation adjustment. It also addresses two related reporting matters. The guidance is organized as follows:

- a. Translation of foreign currency statements
- b. Analysis of changes in cumulative translation adjustment
- c. Reporting other comprehensive income—income tax consequences of rate changes
- d. Subparagraph superseded by Accounting Standards Update 2015-01.~~Transaction gains and losses not extraordinary.~~

> Reporting Other Comprehensive Income—Income Tax Consequences of Rate Changes

830-30-45-21 Subtopic 740-10 requires income tax expense to be allocated among income ~~before extraordinary items from continuing operations, extraordinary items discontinued operations,~~ adjustments of prior periods (or of the opening balance of retained earnings), and direct entries to other equity accounts. All translation adjustments are reported in other comprehensive income. Any income taxes related to those translation adjustments shall be allocated to other comprehensive income. Translation adjustments are accounted for in the same way as temporary differences under the provisions of Subtopic 740-10. If under the requirements of Subtopic 740-30 deferred taxes are not provided for unremitted earnings of a subsidiary, in those instances, deferred taxes shall not be provided on translation adjustments.

> ~~Transaction Gains and Losses Not Extraordinary~~

830-30-45-22 Paragraph superseded by Accounting Standards Update 2015-01.~~Paragraph 830-10-45-19 provides guidance on the characterization of transaction gains and losses.~~

Amendments to Subtopic 852-10

50. Amend paragraph 852-10-45-9, with a link to transition paragraph 225-20-65-1, as follows:

Reorganizations—Overall

Other Presentation Matters

> Financial Reporting During Reorganization Proceedings

> > Statement of Operations

852-10-45-9 The statement of operations shall portray the results of operations of the reporting entity while it is in Chapter 11. Revenues, expenses (including professional fees), realized gains and losses, and provisions for losses resulting from the reorganization and restructuring of the business shall be reported separately as **reorganization items**, except for those required to be reported as discontinued operations ~~and extraordinary items~~ in conformity with ~~Subtopics Subtopic 205-20 and 225-20~~.

Amendments to Subtopic 930-715

51. Amend paragraph 930-715-45-1, with a link to transition paragraph 225-20-65-1, as follows:

Extractive Activities—Mining—Compensation—Retirement Benefits

Other Presentation Matters

930-715-45-1 If an entity accounts for its obligation under the Act as a loss (see paragraph 930-715-25-1) in accordance with Subtopic 450-20, the estimated loss should be reported as an ~~extraordinary~~ unusual or infrequently occurring item.

Amendments to Subtopic 942-740

52. Amend paragraph 942-740-25-1, with a link to transition paragraph 225-20-65-1, as follows:

Financial Services—Depository Lending—Income Taxes

Recognition

> Deferred Tax Liability

942-740-25-1 As described in paragraph 740-10-25-3, a deferred tax liability shall not be recognized for the following types of temporary differences unless it becomes apparent that those temporary differences will reverse in the foreseeable future:

- a. Bad debt reserves for tax purposes of U.S. savings and loan associations (and other qualified thrift lenders) that arose in tax years beginning before December 31, 1987 (that is, the base-year amount).

However, if circumstances indicate that the association is likely to pay income taxes, either currently or in later years, because of known or expected reductions in the bad debt reserve, income taxes attributable to that reduction shall be accrued as tax expense of the current period; ~~the accrual of those income taxes shall not be accounted for as an extraordinary item.~~

Amendments to Subtopic 944-740

53. Amend paragraph 944-740-25-3, with a link to transition paragraph 225-20-65-1, as follows:

Financial Services—Insurance—Income Taxes

Recognition

> Policyholders' Surplus

944-740-25-3 As described in Topic 740, a **life insurance entity** shall not provide deferred taxes on taxable temporary differences related to policyholders' surplus that arose in fiscal years beginning on or before December 15, 1992. However, if circumstances indicate that the insurance entity is likely to pay income taxes, either currently or in later years, because of a known or expected reduction in policyholders' surplus, income taxes attributable to that reduction shall be accrued as a tax expense of the current period; ~~the accrual of those income taxes shall not be accounted for as an extraordinary item.~~

Amendments to Subtopic 944-805

54. Amend paragraph 944-805-45-3, with a link to transition paragraph 225-20-65-1, as follows:

Financial Services—Insurance—Business Combinations

Other Presentation Matters

> Expenses of Demutualization or Holding Entity Formation

944-805-45-3 In connection with a **demutualization** or formation of a mutual insurance holding entity, an insurance entity will incur expenses, including those for legal services, actuarial services, printing, and postage. Direct and incremental costs related to a demutualization or formation of a mutual insurance holding entity shall be classified as a single line item within income from continuing operations ~~and shall not be classified as an extraordinary item.~~

Amendments to Subtopic 954-225

55. Amend paragraph 954-225-45-7(f), with a link to transition paragraph 225-20-65-1, as follows:

Health Care Entities—Income Statement

Other Presentation Matters

> Performance Indicator and Intermediate Operating Measures

954-225-45-7 Health care entities shall report the following items separately from the performance indicator:

- f. Items that are required to be reported separately under specialized not-for-profit standards. These include ~~extraordinary items~~ and the effect of discontinued operations, as discussed in paragraph 958-225-55-6.

Amendments to Subtopic 958-205

56. Amend paragraph 958-205-55-12(b), with a link to transition paragraph 225-20-65-1, as follows:

Not-for-Profit Entities—Presentation of Financial Statements

Implementation Guidance and Illustrations

> > Example 1: Illustrative Financial Statements

> > > Statement of Activities

958-205-55-12 The following provide additional illustrations of statements of activities:

- b. Example 2 (see paragraph 958-225-55-7) illustrates the display of an appropriately labeled subtotal for change in a class of net assets before the effects of ~~an extraordinary item or a discontinued operation~~.

Amendments to Subtopic 958-225

57. Amend paragraphs 958-225-55-6 through 55-7 and the related heading, with a link to transition paragraph 225-20-65-1, as follows:

Not-for-Profit Entities—Income Statement

Implementation Guidance and Illustrations

> Illustrations

> > Example 1: Intermediate Measure of Operations

958-225-55-6 The shaded areas depict the constraints imposed by this Subtopic and by generally accepted accounting principles (GAAP) to report appropriately labeled subtotals for changes in classes of net assets before the effects of discontinued operating segments ~~or extraordinary items~~, if any. The unshaded areas depict areas within the statement for which there is latitude to sequence and classify items of revenues and expenses. Other formats also may be used. For example, the single-statement Format B approach of paragraph 958-205-55-14 may be helpful in describing an NFP's ongoing major or central operations if that NFP's view of operating activities includes receiving donor-restricted revenues from contributions and investment income.

Other Not-for-Profit Organization
Statement of Unrestricted Revenues, Expenses, and
Other Changes in Unrestricted Net Assets
Year Ended June 30, 19X1
(in thousands)

Operating revenues and support:	
Fees from providing services	\$ X,XXX
Operating support	X,XXX
Net assets released from restrictions	<u>X,XXX</u>
Total operating revenues and support	<u>XX,XXX</u>
Operating expenses:	
Programs	XX,XXX
Management and general	X,XXX
Fund raising	<u>X,XXX</u>
Total operating expenses	<u>XX,XXX</u>
Change in unrestricted net assets from operations	X,XXX
Other changes:	
[Items considered to be nonoperating]	<u>X,XXX</u>
Change in net assets before effects of discontinued operating segments and extraordinary items	XX,XXX
Discontinued operations	X,XXX
Extraordinary items	<u>X,XXX</u>
Change in net assets	XX,XXX
Net assets at beginning of year	<u>XXX,XXX</u>
Net assets at end of year	<u>\$XXX,XXX</u>

> > Example 2: ~~Extraordinary Items and Discontinued Operations~~

958-225-55-7 This Example illustrates the application of paragraph 958-205-45-5, as generally accepted accounting principles (GAAP) requires the display of an appropriately labeled subtotal for change in a class of net assets before the effects of ~~an extraordinary item (see Subtopic 225-20 on extraordinary and unusual items)~~ or a discontinued operation (see paragraph 205-20-45-1A through 45-1D). For instance, using the columnar Format B of paragraph 958-205-55-14, a statement of activities would report the effects of ~~an extraordinary item a discontinued operation~~ as follows.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Change in net assets before extraordinary items <u>discontinued operations</u>	\$ 11,558	\$ (1,128)	\$ 5,020	\$ 15,450
Extraordinary items <u>Discontinued operations</u> (Note X)	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
Change in net assets	<u>\$ XX,XXX</u>	<u>\$ (X,XXX)</u>	<u>\$ X,XXX</u>	<u>\$ XX,XXX</u>

Amendments to Subtopic 958-810

58. Amend paragraph 958-810-50-5(c), with a link to transition paragraph 225-20-65-1, as follows:

Not-for-Profit Entities—Consolidation

Disclosure

> Disclosures for Noncontrolling Interests

958-810-50-5 The schedule required by the preceding paragraph shall, at a minimum, include:

- c. Subparagraph superseded by Accounting Standards Update 2015-01, Amounts of extraordinary items

Amendments to Subtopic 980-20

59. Amend paragraph 980-20-40-4, with a link to transition paragraph 225-20-65-1, as follows:

Regulated Operations—Discontinuation of Rate-Regulated Accounting

Derecognition

980-20-40-4 Whether those assets have been impaired shall be judged in the same manner as for entities in general. The net effect of the adjustments required by this Subtopic shall be included in income of the period in which the discontinuation occurs and shall be classified separately in income from continuing operations as an ~~extraordinary~~ unusual or infrequently occurring item.

60. Amend paragraph 980-20-50-2, with a link to transition paragraph 225-20-65-1, as follows:

Disclosure

980-20-50-2 The disclosure requirements of Subtopic 225-20 for ~~extraordinary~~ unusual or infrequently occurring items apply to the net adjustment reported in the statement of operations as a result of applying this Subtopic.

61. Amend paragraphs 980-20-55-4, 980-20-55-9, and 980-20-55-13, with a link to transition paragraph 225-20-65-1, as follows:

Implementation Guidance and Illustrations

980-20-55-4 All of those items should be eliminated from the entity's statement of financial position when it ceases to apply this Topic. The resulting charge to income, ~~net of any related tax effects~~ should be reported as an extraordinary unusual or infrequently occurring item in the period that includes December 31, 19X1. The entity should no longer defer those costs and report them as assets because they could not be reported as assets by entities in general. Entities in general would report a receivable for those items only if a right to receive payment exists as a result of past events or transactions and regardless of future transactions (such as future sales).

980-20-55-9 The portion of the deferred gain allocable to State 1 (determined in this Example to be 40 percent of \$50,000, or \$20,000), ~~net of any related tax effects~~, should be eliminated from the entity's statement of financial position when it ceases to apply this Topic to its operations in State 1. No adjustment should be made for the deferred gain applicable to State 2. The regulatory-created accrual for revenues subject to refund in State 1, ~~net of any related tax effects~~, should be eliminated. Whether any liability related thereto exists should be determined under generally accepted accounting principles (GAAP) for entities in general. For example, amounts that were collected in the current or prior periods for which refunds will be made regardless of future sales should continue to be reported as liabilities after application of this Topic is discontinued. The credit to income resulting from the above adjustments, ~~net of any related tax effects~~, should be reported as an extraordinary unusual or infrequently occurring item in the period that includes December 31, 19X2.

980-20-55-13 Utility C should eliminate that regulatory-created asset from its statement of financial position when the entity ceases to apply this Topic. The charge to income, ~~net of any related tax effects~~, should be reported as an extraordinary unusual or infrequently occurring item in the period that includes June 30, 19X3.

Amendments to Subtopic 980-605

62. Amend paragraph 980-605-50-1, with a link to transition paragraph 225-20-65-1, as follows:

Regulated Operations—Revenue Recognition

Disclosure

> Refunds for Previously Recognized Revenue

980-605-50-1 For refunds that are recognized in a period other than the period in which the related revenue was recognized and that have a material effect on net income, the entity shall disclose the effect on net income and indicate the years in which the related revenue was recognized. Such effect may be disclosed by including it, net of related income taxes, as a line item in the income statement. ~~However, that item shall not be presented as an extraordinary item.~~

Amendments to Status Sections

63. Amend paragraph 205-20-00-1, by adding the following item to the table, as follows:

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

Paragraph Number	Action	Accounting Standards Update	Date
205-20-45-3A	Amended	2015-01	01/09/2015

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

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

Paragraph Number	Action	Accounting Standards Update	Date
220-10-45-7	Amended	2015-01	01/09/2015
220-10-55-7	Amended	2015-01	01/09/2015
220-10-55-8	Amended	2015-01	01/09/2015
220-10-55-9	Amended	2015-01	01/09/2015

65. Add paragraph 225-10-00-1 as follows:

225-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
225-10-05-1	Amended	2015-01	01/09/2015
225-10-05-4	Amended	2015-01	01/09/2015

66. Amend paragraph 225-20-00-1 as follows:

225-20-00-1 ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Extraordinary Items	Superseded	2015-01	01/09/2015
Infrequency of Occurrence	Amended	2015-01	01/09/2015
Unusual Nature	Amended	2015-01	01/09/2015
225-20-05-1	Amended	2015-01	01/09/2015
225-20-15-2	Superseded	2015-01	01/09/2015
225-20-45-1 through 45-15	Superseded	2015-01	01/09/2015
225-20-45-16	Amended	2015-01	01/09/2015
225-20-50-1	Superseded	2015-01	01/09/2015
225-20-50-2	Superseded	2015-01	01/09/2015
225-20-50-3	Amended	2015-01	01/09/2015
225-20-50-4	Superseded	2015-01	01/09/2015
225-20-55-2	Amended	2015-01	01/09/2015
225-20-55-3	Amended	2015-01	01/09/2015
225-20-55-4	Superseded	2015-01	01/09/2015
225-20-60-1	Superseded	2015-01	01/09/2015
225-20-60-2	Superseded	2015-01	01/09/2015
225-20-60-3	Amended	2015-01	01/09/2015
225-20-65-1	Added	2015-01	01/09/2015

67. Add paragraph 225-30-00-1 as follows:

225-30-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
225-30-45-1	Amended	2015-01	01/09/2015
225-30-50-1	Amended	2015-01	01/09/2015

68. Amend paragraph 230-10-00-1, by adding the following item to the table, as follows:

230-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
230-10-45-24	Amended	2015-01	01/09/2015

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

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

Paragraph Number	Action	Accounting Standards Update	Date
250-10-50-6	Amended	2015-01	01/09/2015

70. Amend paragraph 255-10-00-1, by adding the following item to the table, as follows:

255-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Income from Continuing Operations	Amended	2015-01	01/09/2015

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

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

Paragraph Number	Action	Accounting Standards Update	Date
260-10-45-3	Amended	2015-01	01/09/2015
260-10-45-18	Amended	2015-01	01/09/2015
260-10-45-20	Amended	2015-01	01/09/2015
260-10-55-38	Amended	2015-01	01/09/2015
260-10-55-39	Amended	2015-01	01/09/2015

Paragraph Number	Action	Accounting Standards Update	Date
260-10-55-44	Amended	2015-01	01/09/2015
260-10-55-45	Amended	2015-01	01/09/2015
260-10-55-47 through 55-52	Amended	2015-01	01/09/2015

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

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

Paragraph Number	Action	Accounting Standards Update	Date
270-10-05-2	Amended	2015-01	01/09/2015
270-10-45-11A	Amended	2015-01	01/09/2015
270-10-50-1	Amended	2015-01	01/09/2015
270-10-50-2	Amended	2015-01	01/09/2015
270-10-50-5	Amended	2015-01	01/09/2015

73. Amend paragraph 280-10-00-1, by adding the following items to the table, as follows:

280-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
280-10-50-22	Amended	2015-01	01/09/2015
280-10-50-29	Amended	2015-01	01/09/2015
280-10-50-30	Amended	2015-01	01/09/2015
280-10-50-32	Amended	2015-01	01/09/2015
280-10-55-49	Amended	2015-01	01/09/2015

74. Amend paragraph 323-10-00-1, by adding the following items to the table, as follows:

323-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
323-10-45-1	Amended	2015-01	01/09/2015

Paragraph Number	Action	Accounting Standards Update	Date
323-10-45-2	Amended	2015-01	01/09/2015

75. Amend paragraph 323-740-00-1, by adding the following item to the table, as follows:

323-740-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Deferred Tax Expense (or Benefit)	Amended	2015-01	01/09/2015

76. Amend paragraph 410-30-00-1, by adding the following items to the table, as follows:

410-30-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
410-30-45-3	Superseded	2015-01	01/09/2015
410-30-45-6	Superseded	2015-01	01/09/2015

77. Amend paragraph 420-10-00-1, by adding the following item to the table, as follows:

420-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
420-10-45-3	Amended	2015-01	01/09/2015

78. Amend paragraph 470-20-00-1, by adding the following items to the table, as follows:

470-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
470-20-45-1	Superseded	2015-01	01/09/2015
470-20-45-2	Superseded	2015-01	01/09/2015

79. Amend paragraph 470-30-00-1, by adding the following item to the table, as follows:

470-30-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
470-30-45-3	Superseded	2015-01	01/09/2015

80. Amend paragraph 470-50-00-1, by adding the following items to the table, as follows:

470-50-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
470-50-45-1	Superseded	2015-01	01/09/2015
470-50-45-2	Superseded	2015-01	01/09/2015

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

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

Paragraph Number	Action	Accounting Standards Update	Date
715-20-45-4	Superseded	2015-01	01/09/2015

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

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

Paragraph Number	Action	Accounting Standards Update	Date
715-30-55-191	Superseded	2015-01	01/09/2015
715-30-55-192	Superseded	2015-01	01/09/2015

83. Amend paragraph 718-740-00-1 as follows:

718-740-00-1 ~~No updates have been made to this Subtopic.~~ The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Deferred Tax Expense (or Benefit)	Amended	2015-01	01/09/2015

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

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

Paragraph Number	Action	Accounting Standards Update	Date
Deferred Tax Expense (or Benefit)	Amended	2015-01	01/09/2015
740-10-30-22	Amended	2015-01	01/09/2015
740-10-30-26	Amended	2015-01	01/09/2015
740-10-55-38	Amended	2015-01	01/09/2015

85. Amend paragraph 740-20-00-1, by adding the following items to the table, as follows:

740-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Deferred Tax Expense (or Benefit)	Amended	2015-01	01/09/2015
740-20-05-2	Amended	2015-01	01/09/2015
740-20-45-2	Amended	2015-01	01/09/2015
740-20-45-7	Amended	2015-01	01/09/2015
740-20-55-10 through 55-12	Amended	2015-01	01/09/2015
740-20-55-15 through 55-17	Amended	2015-01	01/09/2015

86. Amend paragraph 740-30-00-1, by adding the following items to the table, as follows:

740-30-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
740-30-25-15	Amended	2015-01	01/09/2015
740-30-25-19	Amended	2015-01	01/09/2015
740-30-45-2	Amended	2015-01	01/09/2015
740-30-45-3	Amended	2015-01	01/09/2015

87. Amend paragraph 740-270-00-1, by adding the following items to the table, as follows:

740-270-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Deferred Tax Expense (or Benefit)	Amended	2015-01	01/09/2015
Extraordinary Items	Superseded	2015-01	01/09/2015

Paragraph Number	Action	Accounting Standards Update	Date
Infrequency of Occurrence	Added	2015-01	01/09/2015
Ordinary Income (or Loss)	Amended	2015-01	01/09/2015
Unusual Nature	Added	2015-01	01/09/2015
740-270-05-4	Amended	2015-01	01/09/2015
740-270-25-12 through 25-14	Amended	2015-01	01/09/2015
740-270-30-8	Amended	2015-01	01/09/2015
740-270-30-12	Amended	2015-01	01/09/2015
740-270-45-2 through 45-5	Amended	2015-01	01/09/2015
740-270-55-24 through 55-28	Amended	2015-01	01/09/2015
740-270-55-38	Amended	2015-01	01/09/2015
740-270-55-52	Amended	2015-01	01/09/2015

88. Amend paragraph 810-10-00-1, by adding the following item to the table, as follows:

810-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
810-10-50-1A	Amended	2015-01	01/09/2015

89. Amend paragraph 815-30-00-1, by adding the following item to the table, as follows:

815-30-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
815-30-35-44	Amended	2015-01	01/09/2015

90. Amend paragraph 830-10-00-1, by adding the following items to the table, as follows:

830-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
830-10-45-1	Amended	2015-01	01/09/2015
830-10-45-19	Superseded	2015-01	01/09/2015

91. Amend paragraph 830-20-00-1 as follows:

830-20-00-1 ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
830-20-45-4	Superseded	2015-01	01/09/2015
830-20-45-5	Amended	2015-01	01/09/2015

92. Amend paragraph 830-30-00-1, by adding the following items to the table, as follows:

830-30-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
830-30-45-1	Amended	2015-01	01/09/2015
830-30-45-21	Amended	2015-01	01/09/2015
830-30-45-22	Superseded	2015-01	01/09/2015

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

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

Paragraph Number	Action	Accounting Standards Update	Date
852-10-45-9	Amended	2015-01	01/09/2015

94. Add paragraph 930-715-00-1 as follows:

930-715-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
930-715-45-1	Amended	2015-01	01/09/2015

95. Add paragraph 942-740-00-1 as follows:

942-740-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
942-740-25-1	Amended	2015-01	01/09/2015

96. Add paragraph 944-740-00-1 as follows:

944-740-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
944-740-25-3	Amended	2015-01	01/09/2015

97. Amend paragraph 944-805-00-1, by adding the following item to the table, as follows:

944-805-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
944-805-45-3	Amended	2015-01	01/09/2015

98. Amend paragraph 954-225-00-1, by adding the following item to the table, as follows:

954-225-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
954-225-45-7	Amended	2015-01	01/09/2015

99. Amend paragraph 958-205-00-1, by adding the following item to the table, as follows:

958-205-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
958-205-55-12	Amended	2015-01	01/09/2015

100. Amend paragraph 958-225-00-1, by adding the following items to the table, as follows:

958-225-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
958-225-55-6	Amended	2015-01	01/09/2015
958-225-55-7	Amended	2015-01	01/09/2015

101. Amend paragraph 958-810-00-1, by adding the following item to the table, as follows:

958-810-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
958-810-50-5	Amended	2015-01	01/09/2015

102. Add paragraph 980-20-00-1 as follows:

980-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
980-20-40-4	Amended	2015-01	01/09/2015
980-20-50-2	Amended	2015-01	01/09/2015
980-20-55-4	Amended	2015-01	01/09/2015
980-20-55-9	Amended	2015-01	01/09/2015
980-20-55-13	Amended	2015-01	01/09/2015

103. Amend paragraph 980-605-00-1, by adding the following item to the table, as follows:

980-605-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
980-605-50-1	Amended	2015-01	01/09/2015

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

Russell G. Golden, *Chairman*
James L. Kroeker, *Vice Chairman*
Daryl E. Buck
Thomas J. Linsmeier
R. Harold Schroeder
Marc A. Siegel
Lawrence W. Smith

Background Information and Basis for Conclusions

Introduction

BC1. The following summarizes the Board's considerations in reaching the conclusions in this Update. It includes reasons for accepting certain approaches and rejecting others. Individual Board members gave greater weight to some factors than to others.

BC2. The Board is issuing this Update as part of its initiative to reduce complexity in accounting standards (the Simplification Initiative). The objective of the Simplification Initiative is to identify, evaluate, and improve areas of GAAP for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users of the financial statements.

Background Information

BC3. The Board decided to simplify the income statement presentation requirements in Subtopic 225-20 by eliminating the concept of extraordinary items from GAAP. Before this Update, extraordinary items were defined as events and transaction that are distinguished by their unusual nature and by the infrequency of their occurrence.

BC4. The Board observed that it is extremely rare in current practice for an event or transaction to be presented as an extraordinary item. The term *extraordinary* causes uncertainty because it is often unclear when an item should be considered both unusual and infrequent and what might be considered extraordinary in one industry may not be considered extraordinary to another. Additionally, the concept of extraordinary items has been interpreted narrowly in practice so entities rarely, if ever, reach a conclusion that the conditions for presentation have been met. The Board also acknowledges that while users find information about unusual or infrequent events and transactions useful, they do not find the extraordinary item classification and presentation necessary to identify those events and transactions.

BC5. Even though, as applied in practice, the conditions for presenting an extraordinary item are rarely met, preparers, auditors, and regulators often are required to spend time and expend resources deciding whether an unusual and/or infrequent event or transaction meets the conditions for extraordinary classification. On July 15, 2014, the Board issued an Exposure Draft proposing to eliminate the concept of extraordinary items. The Board received 36 comment

letters addressing questions included in the Exposure Draft. Overall, respondents agreed that eliminating the extraordinary classification will simplify income statement presentation by altogether removing the concept of extraordinary items from consideration.

Disclosure

BC6. The Board decided to remove the concept of extraordinary items. The Board concluded that the amendments in this Update will not result in a loss of information because while the amendments eliminate the requirements in Subtopic 225-20 for a reporting entity to consider whether an underlying event or transaction is extraordinary, the presentation and disclosure guidance for items that are unusual in nature or that occur infrequently will be retained and will be expanded to include items that are both unusual in nature and infrequently occurring.

BC7. The Board clarified that, upon adoption of this Update, items that are both unusual in nature and infrequently occurring should be presented within income from continuing operations or disclosed in notes to financial statements because those items satisfy the conditions for an item that is unusual in nature or infrequently occurring.

Effective Date and Transition

BC8. The Board decided that the Update will be effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. The Board also decided to permit early adoption provided that the guidance is applied from the beginning of the fiscal year of adoption. Because the amendments in this Update are intended to simplify the guidance for all entities, and the amendments are not expected to be costly to implement, the Board decided that it was not necessary to delay the effective date for entities that are not public business entities.

BC9. The Board decided that entities should be provided with an option to apply the amendments in this Update using either one of the following approaches:

- a. Apply the amendments in this Update prospectively to periods beginning after the effective date.
- b. Apply the amendments in this Update retrospectively to all prior periods presented in the financial statements.

BC10. In reaching the decision to allow either a prospective or a retrospective transition method, the Board considered that there would be a benefit in terms of comparability if a reporting entity retrospectively adjusts its income statement presentation to eliminate any extraordinary items presented in prior periods. However, the Board also acknowledged that requiring retrospective application of

the guidance would increase the cost and complexity of transition. Therefore, the Board concluded that providing a choice of transition methods will allow an entity to assess whether the potential benefit of comparability justifies the costs that will be incurred.

BC11. The Board decided that at transition the only required transition disclosure for an entity that prospectively applies the guidance will be to disclose, if applicable, both the nature and the amount of an item included in income from continuing operations after adoption that adjusts an extraordinary item previously classified and presented before the date of adoption. Alternatively, an entity retrospectively applying the guidance will be required to provide the transition disclosures described in paragraphs 250-10-50-1 through 50-2.

BC12. The Board also observed that very few entities will be faced with any difference in outcome upon adoption under either the retrospective or prospective transition methods because it is extremely rare in current practice for an event or transaction to be presented as an extraordinary item. Furthermore, the Board observed that no transition disclosures would be required under either method upon adoption for an entity that had not previously classified and presented an item as an extraordinary item.

Benefits and Costs

BC13. The objective of financial reporting is to provide information that is useful to present and potential investors, creditors, donors, and other capital market participants in making rational investment, credit, and similar resource allocation decisions. However, the benefits of providing information for that purpose should justify the related costs. Present and potential investors, creditors, donors, and other users of financial information benefit from improvements in financial reporting, while the costs to implement new guidance are borne primarily by present investors. The Board's assessment of the costs and benefits of issuing new guidance is unavoidably more qualitative than quantitative because there is no method to objectively measure the costs to implement new guidance or to quantify the value of improved information in financial statements.

BC14. The Board anticipates that the Update will reduce cost without reducing the availability of relevant information because entities no longer will have to assess whether an event or transaction is extraordinary (even if they would ultimately conclude it is not) and because the presentation and disclosure guidance for items that are unusual in nature or occur infrequently will be retained and will be expanded to include items that are both unusual in nature and infrequently occurring.

Amendments to the XBRL Taxonomy

The amendments to the *FASB Accounting Standards Codification*® in this Accounting Standards Update require changes to the U.S. GAAP Financial Reporting Taxonomy (Taxonomy). Those changes, which will be incorporated into the proposed 2016 Taxonomy, are available for public comment through [ASU Taxonomy Changes](#) provided at www.fasb.org, and finalized as part of the annual release process starting in September 2015.