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LAW AND ACCOUNTING COMMITTEE
SUMMARY OF CURRENT FASB DEVELOPMENTS

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ACCOUNTING STANDARDS UPDATE NO. 2016-09 - SHARE-BASED PAYMENT TRANSACTIONS

In March, 2016, the FASB issued Accounting Standards Update No. 2016-09, Compensation – Stock Compensation (Topic 718), *Improvements to Employee Share-Based Payment Account.* This update simplifies accounting for share-based payment arrangements for the following: (i) income tax accounting; (ii) classification of awards; (iii) classification of cash flows and the statement of cash flows; (iv) estimating the term of an award by non-public entities and (v) the use of intrinsic value by non-public entities for all awards classified as liabilities upon initial adoption.

The amendments shall be effective for public entities for annual periods beginning after December 15, 2016 and interim periods within such reporting period. For all other entities, the update is effective for annual periods beginning after December 15, 2017 and interim period beginning after December 15, 2018.

ACCOUNTING STANDARDS UPDATE NO. 2016-08 - REVENUE RECOGNITION – PRINCIPAL VERSUS AGENT CONSIDERATIONS

In March 2016, the FASB issued Accounting Standards Update No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal Versus Agent Considerations (Reporting Revenue Gross versus Net).* The update amends current guidance for situations in which a second party is involved in providing goods or services to a customer. In such situations, the reporting entity must determine whether its promise constitutes a promise to provide the goods or services (acting as a principal) or to arrange for them to be provided (acting as an agent). A principal should recognize the gross amount of consideration to which it expects to be entitled. An agent should recognize the fee or commission to which it is entitled. The determination must be made for each specified good or service. As such, an entity could be a principal for one or more good or service, and an agent for another good or service, in the same contract. The effective date and transition requirements are identical with Update 2014-09, as modified by Update No. 2015-14.

ACCOUNTING STANDARDS UPDATE NO. 2016-07 - EQUITY METHOD OF ACCOUNTING

In March 2016, the FASB issued Accounting Standards Update No. 2016-07, *Investments – Equity Method and Joint Ventures (Topic 323): Simplifying the Equity Method of Accounting.* This update eliminates the requirement that for an investment accounted for under the equity method as a result of increased level of ownership, the entity must account for the difference between the investment cost and the investor's proportionate share of investee's net assets as an adjustment to investment income. Instead, the investment may be accounted for by adding the cost of acquiring the additional interest to the current basis of the previously held interest. As such, a retroactive adjustment is not required. Under prior GAAP, the entity would have to perform step-by-step analysis as if the equity method had been in effect the entire time the entity held the investment. The amendments were effective for all entities for fiscal years, and interim periods within these years, beginning after December 15, 2016.

ACCOUNTING STANDARDS UPDATE NO. 2016–06 – DERIVATIVES AND HEDGING

In March 2016, the FASB issued Accounting Standards Update No. 2016–06, Derivatives and Hedging (Topic 815), *Contingent Put and Call Options in Debt Instruments, a Consensus of the FASB Emerging Issues Tax Task Force.* This update serves to clarify the steps required with assessing (for purposes of accelerating repayment and a debt instrument) whether call and put options are clearly and closely related to the economic characteristics of their debt host. This update is effective for public entities for financial statements for years beginning after December 15, 2016 and for interim periods within such fiscal years. For all other entities, the amendments are effective for financial statements for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018.

ACCOUNTING STANDARDS UPDATE NO. 2016-05 - DERIVATIVES AND HEDGING

In March 2016, the FASB issued *Accounting Standards Update No. 2016-05, Derivatives and Hedging (Topic 815), Derivative Contract Novations on Existing Hedge Accounting Relationships, a consensus of the FASB Emerging Issues Task Force.* The update clarifies that if there is a change in the counter-party to a derivative instrument that has been designated as a hedging instrument, this does not require a re-designation of that hedge accounting relationship if all other criteria are met. These amendments can be applied prospectively or retroactively. The amendments are effective for financial statements for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018.

ACCOUNTING STANDARDS UPDATE NO. 2016–04–LIABILITY–EXTINGUISHMENT OF LIABILITIES

In March 2016, the FASB issued Accounting Standards Update No. 2016–04, *Liabilities–Extinguishment of Liabilities (Subtopic 405–20), Recognition of Breakage Fee for Certain Prepayments Stored Value Products, a Consensus of the FASB Emerging Issues Task Force.* This update provides that liabilities related to the sale of prepaid store valued cards are financial liabilities. The amendments are effective for public companies for fiscal year financial statements beginning

after December 15, 2017 and interim periods within those years. For most other entities, the amendments are effective for fiscal years beginning after December 15, 2018 and interim periods beginning after December 15, 2019.

ACCOUNTING STANDARDS UPDATE NO. 2016-03 - EFFECTIVE DATES – PRIVATE COMPANY COUNSEL

In March 2016, the FASB issued Accounting Standards Update No. 2016-03, *Intangibles – Goodwill and Other (Topic 350), Business Combinations (Topic 805), Consolidations (Topic 810), Derivatives and Hedging (Topic 815), Effective Date and Transition Guidance, a consensus of the Private Company Counsel.* Update No. 2016-03 provides for immediate effective dates for Updates No. 2014-2, 2014-03, 2014-07 and 2014-18, (via the removal of their effective dates). Additionally, private companies would not have to perform a preferability assessment when they elect the accounting alternatives. Any subsequent change would then require a preferability assessment.

ACCOUNTING STANDARDS UPDATE NO. 2016-02 - LEASES

On February 25, 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases (Topic 842).* The following is a summary of certain key provisions of the Update:

- Definition of a Lease
    - A contract that conveys the right to contract for the use of property, plant or equipment for a period of time, in exchange for consideration.
    - Lessee has to both (i) obtain economic benefits from use of assets and (ii) direct the use of the asset.
    - A contract does not contain a lease if an asset is incidental to the delivery of specified services.
    - If the structure of the transaction does not constitute a lease, then its proper accounting is governed by another standard.
- Scope of the Update
    - Except as provided below, all leases and subleases that transfer right to control the use of property.
    - The following are not within the scope of the standard:
        - Leases for the right to explore for minerals, oil and gas, etc.
        - Leases of assets under construction

      - Leases of biological assets
      - Leases of intangible assets
      - Leases of inventory

- Lessee Accounting
  - Lessee will recognize a right of use asset for all leases except short-term leases.
  - Lessees would apply one or two accounting approaches: (i) a financing approach or (ii) operating lease approach.
  - For Finance Leases:
    - Initially recognize a liability to make lease payments and a right of use asset, both measured at present value of lease payments.
    - The liability will be subsequently measured using the effective interest method.
    - Right of use asset will be amortized on a systematic basis that reflects the pattern of consumption, resulting in greater total expense in earlier years.
    - Recognize interest expense and amortization expense separately in the income statement.
  - For Operating Leases:
    - Initially recognize a liability to make lease payments and a right of use asset, both measured at present value of the lease payments.
    - Measure the liability to make lease payments using the effective interest method.
    - Recognize lease expense as one amount in the income statement.
- Lessor Accounting
  - Lessor would account for lease under one of three approaches: (i) sales type leases; (ii) direct financing lease; or (iii) operating lease.
    - Sales Types

- Transfers ownership of underlying asset at end of term.
- Lessor is reasonably certain to exercise a purchase option.
- Lease term is for 75% or more of economic life of the underlying asset.
- Present value of minimum lease payments plus guaranteed residual value equals or exceeds 90% of the fair value of the leased asset.

- Direct Financing
  - Lease does not doesn't meet any of the above criteria, but meets both of the following:
    - Present value of lease payments and any guaranteed residual value equals or exceeds substantially all of the fair value of the underlying asset; and
    - It is probable that the lessor will collect lease payments plus any residual value guarantee.
- Operating lease
  - Lease that doesn't meet any of the above criteria.
- For sales-type or direct financing leases:
  - The net investment in lease is recognized as an asset (lease receivable plus unguaranteed residual asset).
  - De-recognize underlying assets.
  - Selling profit is recognized at inception of lease and interest income recognized over lease term.
- For operating leases:
  - Lessor continues to recognize underlying assets.
  - Lease income recognized over straight-line basis.
  - If the lessee acquires less than an insignificant portion of the leased asset, then the lessor should account for the

underlying asset and recognize lease income over the lease term (i.e., similar to current operating lease format).

- Deferred profit is not recognized until the residual asset is sold or re-leased to another lessee.

- A lessor's lease of investment property would not be treated under the receivable and residual approach. In such cases, the lessor should continue to recognize the underlying asset and recognize lease income over the lease term.

- Subleases

  - The head lease and the sublease should be accounted for as separate transactions. Sublessors utilize lease accounting on the head lease and lessor accounting on sublease.

- Lease Term

  - The lease term would be the non-cancellable base period plus any periods for which it is reasonably certain that options will be exercised to extend the lease term.

- Accounting for Purchase Options

  - The exercise of a purchase option should be included in the computation of a lessee's liability for lease payments if the lessee is reasonably certain to exercise the purchase option.

- Short-Term Leases

  - A short-term lease is a lease with a maximum possible term of 12 months or less.

  - Lessees have the option to elect to account for all short-term leases of a portfolio asset class by recognizing lease payments in profit or loss on a straight line basis, rather than by recognizing a lease asset or liability.

- Contract Modifications

  - Lessees will revise lease accounting if:

    - There is change in assessment of the lease term.

        - There is change in assessment of whether lessee will exercise the purchase option.
        - There is change in amount probably owed by lessee to satisfy a residual value guarantee.
        - A contingency is resolved.

- Real Estate
    - The update removes the specific guidance for leases of real estate in current GAAP.
- Sale and Leaseback
    - Seller-lessee should follow guidance in ASC 606, Revenue from Contracts with Customers.
    - If a sale has occurred, the transaction should be accounted for as a sale and then a separate leaseback.
    - If sale has not occurred, then the contract should be accounted for as a financing.
- Transition Guidance
    - Modified Retrospective Transition
    - Lessees must recognize a right of use asset and a lease liability for all operating leases based on present value of remaining minimum lease payments.
- Potential Effects of this Update:
    - The lessee's balance sheet will "grow" due to the recognition of an asset and liability for all previously accounted for operating leases.
    - Because of the required recognition of a liability, the lessee's leverage ratios will decrease.
    - Lessee's interest coverage ratios computed on an earnings basis will decrease.
    - Any lessee measures involving EBIT or EBITDA will improve since portions of the lease payments will now be characterized as interest expense and depreciation expense.

- Operating cash flow for a lessee will improve since payments for leased assets will be classified as financing activities rather than operating activities.

- For leases previously accounted for as operating leases, the lessor's balance sheet will grow under the proposals. Consequently, the lessor's ratios will also be affected.

- For leases accounted for as direct financing leases, the effect on lessors will depend on the specific characteristics of the lease.

- Loan covenants, financing agreements, and regulatory requirements could be affected.

The effective date for public companies will be for years beginning after December 15, 2018, and for interim periods within such years. The standard will be effective a year later for private companies, and for interim periods beginning after December 15, 2020.

ACCOUNTING STANDARDS UPDATE NO. 2016-1 - FINANCIAL INSTRUMENTS – CLASSIFICATION AND MEASUREMENT

On January 5, 2016, the FASB issued Accounting Standards Update 2016-1, *Financial Instruments – Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Liabilities.* This update proposes to classify and measure most financial instruments depending on (i) the business model in which they are managed and (ii) their contractual cash flow characteristics.

The major provisions are as follows:

- Equity investments, other than those accounted for (i) under the equity method of accounting or (ii) in consolidation, will be measured at fair value with changes in fair value recognized in net income.

- Equity investments without readily determinable fair values will quantitatively assess impairment.

- Non-public entities will not be required to disclose fair value of financial instruments measured at amortized cost.

- Public entities will not be required to disclose methods and assumptions used to estimate fair value financial instruments measured at amortized cost.

- Public entities will be required to apply exit price approach for the measurement of disclosures of fair value of financial instruments.

- A portion of total change in fair value and liability attributable to instrument – separate credit risks must be presented in other comprehensive income for liabilities measured at fair value.

- The category and form of financial assets and liabilities must be separately presented on the balance sheet.

This update will be effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within such years. The effective date for all other entities will be for fiscal years beginning after December 15, 2018 and interim periods within fiscal years beginning after December 15, 2019.

ACCOUNTING STANDARDS UPDATE NO. 2015-17 - ACCOUNTING FOR INCOME TAXES – DEFERRED TAXES

In November 2015, the FASB issued Accounting Standards Update No. 2015-17, *Income Taxes (Topic 740) – Balance Sheet Classification of Deferred Taxes.* The update requires that all deferred tax assets and liabilities should be classified as non-current in the balance sheet. The update's purpose is part of the goal of reducing cost and complexity in financial reporting, as many constituents have complained about the cost and relevance of separating deferred taxes between current and non-current. The update is effective for public entities for all annual periods beginning after December 15, 2016 and for interim periods within such annual periods. For private entities, the update is effective for annual periods beginning after December 15, 2017, and for interim within annual periods beginning after December 15, 2018.

ACCOUNTING STANDARDS UPDATE NO. 2015-16 - BUSINESS COMBINATIONS – MEASUREMENT PERIOD ADJUSTMENTS

In September, 2015, the FASB issued Accounting Standards Update No. 2015-16, *Business Combinations (Topic 505), Simplifying the Accounting for Measurement-Period Adjustments.* This update eliminates the requirement of a retrospective adjustment to prior period statements for measurement period adjustments. Consequently, the acquiring company would recognize adjustments to provisional amounts in the reporting period in which the adjustments are determined. An entity must present separately on the face of the income statement or disclose in notes the amount that would have been recorded in previous reporting periods.

The effective date for public entities will be for annual periods, and interim periods within such periods, beginning after December 15, 2015. For all other entities, the effective date will be for fiscal years beginning after December 15, 2016 and interim periods within fiscal years beginning after December 15, 2017. Early adoption will be permitted.

ACCOUNTING STANDARDS UPDATE NO. 2015-15 – PRESENTATION OF DEBT ISSUANCE COSTS

In August, 2015, the FASB issued Accounting Standards Update No. 2015-15, *Interest – Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Cost Associated with Line of Credit Arrangements, Amendments to SEC Paragraph Pursuant to Staff Announcement at June 18, 2015 EITF Meeting*. This update amends SEC guidance regarding the presentation and subsequent measurement of debt issuance costs associated with line of credit arrangements.

ACCOUNTING STANDARDS UPDATE NO. 2015-14 – REVENUE RECOGNITION DEFERRAL

In August, 2015, the FASB issued Accounting Standards Update No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*. This update defers the effective date of Update No. 2014-09 by one year. Accordingly, public entities should apply the guidance of Update No. 2014-09 to annual reporting periods beginning after December 15, 2017, including interim periods within such period. Early application will be allowed only for reporting periods beginning after December 15, 2016. All other entities should apply the standard for periods beginning after December 15, 2018 and interim reporting periods within annual reporting periods beginning after December 15, 2019.

ACCOUNTING STANDARDS UPDATE NO. 2015-13 – DERIVATIVES AND HEDGING

In August, 2015, the FASB issued Accounting Standards Update No. 2015-13, *Derivatives and Hedging (Topic 815): Application of the Normal Purchase and Normal Sales Scope Exception to Certain Electricity Contracts with Nodal Energy Markets, a consensus of the FASB Emerging Issues Task Force*. This update provides the use of locational marginal pricing by the independent system operator does not result in the contract's failure to meet the physical delivery criteria of the normal purchases and normal sales exception. Consequently, an entity may designate the contract as a normal purchase or sale if the physical delivery criterion is met. These amendments would be applied prospectively.

ACCOUNTING STANDARDS UPDATE NO. 2015-12 – PLAN ACCOUNTING

In August, 2015, the FASB issued Accounting Standards Update No. 2015-12, *Plan Accounting: Defined Contribution Pension Plans (Topic 962); Health and Welfare Benefit Plans (Topic 965): Fully Benefit Responsive Investment Contracts; Plan Accounting; Defined Benefit Pension Plans (Topic 960); Health and Welfare Benefit Plans (Topic 965); Plan Investment Disclosures; Plan Accounting; Defined Benefit Pension Plans (Topic 960): Defined Contribution Pension Plans (Topic 962): Health and Welfare Benefit Plans (Topic 965): Measurement Date Practical Expedient; each a Consensus of the Emerging Issues Task Force*. This update simplifies some aspects of pension plan accounting. It is effective for fiscal years beginning after December 15, 2015 for parts 1 and 2 with a retrospective application. Part 3 is also effective for fiscal years beginning after December 15, 2015, but on a prospective basis.

ACCOUNTING STANDARDS UPDATE NO. 2015-11 - INVENTORY

In July 2015, the FASB issued Accounting Standards Update No. 2015-11, *Inventory (Topic 330)-Simplifying the Measurement of Inventory.* The purpose of this update is to simplify the measurement of inventory by providing that the inventory will be measured at the lower of cost or net realizable value, for inventory measured at other than LIFO or the retail method. This eliminates the requirement that the other factors of replacement cost and net realizable value less normal profit margin should also be taken into account. The update is a response to criticisms that the definition of "market" often leads to different outcomes. The update will be applied prospectively and the effective date for public entities will be for annual periods beginning after December 15, 2016 and for interim periods within those annual periods. For all other entities, the effective date will be for fiscal years beginning after December 15, 2016, and for interim periods beginning after December 15, 2017. Early adoption is permitted.

ACCOUNTING STANDARDS UPDATE NO. 2015-10 – TECHNICAL CORRECTIONS

In June, 2015, the FASB issued Accounting Standards Update No. 2015-10, *Technical Corrections and Improvements.* This update provides some technical corrections and improvements to the codification. It is effective immediately.

ACCOUNTING STANDARDS UPDATE NO. 2015-09 – INSURANCE

In May, 2015, the FASB issued Accounting Standards Update No. 2015-09, *Financial Services Insurance (Topic 944): Disclosures about Short Duration Contracts.* This update provides for insurance companies to enhance their disclosures concerning their liability for unpaid claims and claim adjustment expenses for short-term contracts. The update is effective for public entities for periods beginning after December 15, 2015, and for interim periods within annual periods beginning after December 15, 2016. For all other entities, the effective date is for annual periods beginning after December 15, 2016 and for interim periods beginning after December 15, 2017.

ACCOUNTING STANDARDS UPDATE NO. 2015-08 – PUSHDOWN ACCOUNTING

In May, 2015, the FASB issued Accounting Standards Update No. 2015-08, *Business Combinations (Topic 805): Pushdown Accounting – Amendments to SEC Paragraphs Pursuant to Staff Accounting Bulletin No. 115.* This update removes all SEC guidance regarding pushdown accounting from the codification, consistent with Accounting Standards Update No. 2014-17 and Staff Accounting Bulletin No. 115.

ACCOUNTING STANDARDS UPDATE NO. 2015-07 – FAIR VALUE MEASUREMENT

In May, 2015, the FASB issued Accounting Standards Update No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent), a Consensus of the Emerging Issues Task Force.* This update provides that

investments will no longer be categorized in the fair value hierarchy for which fair value is measured at net asset value, or its equivalent, pursuant to the practical expedient approach. Additionally, this update provides that an entity is only required to make applicable disclosures if the investment is measured at fair value (as opposed to being eligible for valuation at fair value under current standards). Update No. 2015-07 should be applied for public entities for fiscal years beginning after December 15, 2015 and interim periods within those years, and, for all other entities, for fiscal years beginning after December 15, 2016.

ACCOUNTING STANDARDS UPDATE NO. 2015-06 – EARNINGS PER SHARE

In May, 2015, the FASB issued Accounting Standards Update No. 2015-06, *Earnings Per Share (Topic 260): Effect on Historical Earnings Per Unit of Master Limited Partnership Dropdown Transactions, a consensus of the Emerging Issues Task Force.* This update provides that in the context of calculating historical earnings per unit under the two-class method, earnings and losses of a transferred business before the dropdown date should be allocated entirely to the general partner's interest. This update is effective for fiscal years beginning after December 15, 2015 and for interim periods within those fiscal years.

ACCOUNTING STANDARDS UPDATE NO. 2015-05 - INTANGIBLES – GOODWILL

In April 2015, the FASB issued Accounting Standards Update No. 2015-05, *Intangibles – Goodwill and Other, Internal Use Software (Subtopic 350-40) – Customer's Accounting for Fees Paid in a Cloud Computing Arrangement.* This update provides guidance concerning whether a cloud computing arrangement includes a software license. If a software license is included, then the software license element will be accounted for as an acquisition of a software license. If a software license is not included, then the arrangement would be accounted for as a service contract. This update does not change current accounting for software licenses or service contracts by a customer or vendor under current GAAP.

The update will be effective for public entities for annual periods, including interim periods within such periods, beginning after December 15, 2015. For nonpublic entities, the amendments will be effective for annual periods beginning after December 15, 2015 and interim periods beginning after December 16, 2015. The amendments can be applied respectively or retroactively.

ACCOUNTING STANDARDS UPDATE NO. 2015-04 - COMPENSATION – PLAN ASSETS

In April 2015, the FASB issued Accounting Standards Update No. 2015-04, *Compensation-Retirement Benefits (Topic 715), Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets.* The update allows an employer with a non-month-end fiscal year to measure defined benefit plan assets and obligations as of the month-end closest to such fiscal year end.

The update is effective for public entities for fiscal years beginning after December 15, 2015 and for interim periods within such years. For all other entities, the update is effective for fiscal years beginning after December 15, 2016, and interim periods within such years beginning after December 15, 2017.

ACCOUNTING STANDARDS UPDATE NO. 2015-03 - DEBT ISSUANCE COST

In April, 2015, the FASB issued Accounting Standards Update No. 2015-03, *Interest-Imputation of Interest (Subtopic 850-30), Simplifying the Presentation of Debt Issuance Cost.* The update provides that debt issuance costs would be presented in the balance sheet as a direct deduction from the carrying amount of the liability. Currently, such costs are reported as a deferred charge. The update is effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. For nonpublic entities, the effective date is for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016.

REVENUE RECOGNITION

On May 28, 2014, the FASB issued Accounting Standards Update, No. 2014-09, *Revenue Recognition (Topic 605), Revenue from Contracts with Customers.* The core objectives of this update are (i) eliminating inconsistencies in current rules; (ii) creating a single framework; (iii) standardizing revenue recognition practice; (iv) improving usefulness of disclosures; and (v) making financial statements easier to prepare.

The update only applies to contracts with customers. A customer is a contract party for purposes of acquiring goods and services.

The overriding principles are as follows:

- Revenue should be recognized in a manner that reflects the transfer of goods or services.
- The consideration expected to be received should be equal to the revenue recognized.

The following five steps would be applied in analyzing revenue recognition:

- **Step 1** - Identify the contract with a customer.
  - Contracts are considered on an individual basis but would be combined if (i) they were negotiated as a package, (ii) the amount of consideration depends on the price or performance of the other, or (iii) all goods and services are considered part of a single obligation.

  - A contract modification would be approved when it created enforceable rights and obligations. For example, before a change order would affect revenue recognition, the change order must create an enforceable right.

  - A contract modification is a separate contract if the modification increases the scope because of the addition of distinct promised goods or services and the price of contract increases by an amount that reflects the standalone price of the additional goods or services.

- **Step 2** - Identify the separate performance obligations in the contract.

  - Each promised good or service is accounted for separately if it is distinct. A good or service is distinct if the entity regularly sells it separately, or the customer can benefit from the good or service on its own or with other resources available.

  - If the good or service is not distinct, an entity would combine the good or service until the bundle of goods or services is distinct (obviously, this may mean that all contracted goods and services for a particular contract are treated as a single performance obligation).

  - A good or service should be accounted for as a distinct good or service if the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer. Factors in determining whether a good or service is distinct include:

    - Whether the entity provides a significant service of integrating the good or service into the bundle of goods or services that the customer has contracted.

    - Whether the customer is able to purchase the good or service without affecting the other goods or services in the contract.

    - Whether the good or service significantly modifies or customizes another good or service in the contract.

    - Whether the good or service is part of a series of consecutively delivered goods or services promised in the contract, the performance obligations are satisfied over time and the entity uses the same method for measuring progress of the transfer of the goods or services.

- **Step 3** - Determine the transaction price (the amount to which an entity expects to be entitled).

  - The transaction price (and correspondingly, revenue) is not adjusted for customer credit risk. This is a reversal from the 2010 Exposure Draft.

  - Effect of credit risk (such as a price concession) must be considered in determining if there is an impairment loss.

  - The transaction price is reassessed at each reporting date.

  - The transaction price should include the minimum amount of variable consideration that is expected to be received and that would not result in a subsequent revenue reversal.

  - If the contract has a financing component, then the consideration should be adjusted to reflect the time value of money.

  - Non-cash consideration should be measured at fair value.

  - If an entity expects to pay consideration to a customer, the entity would account for the consideration as a reduction of the transaction price (unless payment is in exchange for a distinct good or service).

  - If a sale involves a loan, the entity would consider a customer's credit risk.

- **Step 4** - Allocate the transaction price to separate performance obligations in the contract.

  - If there are multiple performance obligations, allocate the transaction price to each separate performance obligation based on relative stand-alone selling prices. If there are no separate observable selling prices, the entity should estimate them. Methods used to estimate would include: (i) adjusted market measurement approach; (ii) expected cost plus a margin approach; or (iii) a residual approach.

  - If an entity gives discounts to a customer, and selling prices indicate evidence of a separate performance obligation to which discounts should be allocated, then the discount should be allocated to these performance obligations, as opposed to all performance obligations.

  - The residual approach for allocating price of a good or service should be used if the stand-alone price is variable or uncertain and also for contracts when there are two or more goods or services that have highly variable prices, but at least one of the other goods or services has a stand-alone price that is not highly variable.

- **Step 5** - Recognize revenue when (or as) the entity satisfies a performance obligation.
  - Defined by when the customer obtains control of that good or service.
  - Indications of transfer of control include the following: (i) the entity has the present right to payment for the asset; (ii) the customer has legal title to the asset; (iii) the entity has transferred physical possession of the asset; (iv) the customer has significant risks and rewards of ownership of the asset; (v) the customer has accepted the asset.
  - If a performance obligation is satisfied over time, then a method of measuring progress, such as outputs or inputs, would be determined.
  - For variable consideration, recognize revenue when the entity is reasonably assured of being entitled to the consideration in exchange for a performance obligation. Both of these criteria must be met for an entity to be reasonably assured of variable consideration: (i) the entity has experience with similar types of performance obligations and (ii) the entity's experience is predictive of the amount of consideration to which the entity is entitled.
  - A performance obligation will be deemed satisfied over time (in such case, control is transferred over time) if at least one of the following tests is met.
    - The asset created does not have an alternative use and the entity has a contractual right to payment for performance to date. The assessment of alternative use will be made at the inception of the contract.
    - The customer consumes the benefits of the service performance as throughout the process, and another entity would not have to substantially re-perform such work.
    - The customer controls the asset as it is being produced or enhanced.
  - If performance obligation is satisfied over time, the entity would be required to recognize revenue over time. This could result in an entity recognizing revenue before the product is delivered.

The standard was supposed to apply to public entities for annual reporting periods beginning after December 15, 2016, including interim reporting periods therein. The effective date for nonpublic entities was supposed to be for annual reporting periods beginning after December 31, 2017 and interim periods after that date. Early application was prohibited, and the standard would be applied retrospectively.

In subsequent rediliberations, the FASB has decided to clarify guidance for:

- Sales tax reporting
- Contract modifications
- Transition disclosures
- Non-cash consideration
- Collectability
- Identifying performance obligations
- Licenses

Accounting Standards Update No. 2015-14 delayed the effective date for one year. The Boards have decided to keep the method for assessing the likelihood of collectability. The Board has also affirmed its decision that in determining whether a contract exists, collectively should be assessed.

NOTES TO FINANCIAL STATEMENTS

On September 24, 2015, the FASB issued Proposed Accounting Standards Update No. 2015-310, *Notes to Financial Statements (Topic 235), Assessing Whether Notes are Material.* The main provisions are as follows:

- Omitting disclosures of immaterial information would not constitute an accounting error.

- Materiality is defined in legal terms.

- Materiality is applied quantitatively and qualitatively, both individually and in the aggregate.

These amendments would be effective upon issuance. Comments were due on December 8, 2015.

CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING

On September 24, 2015, the FASB issued Proposed Accounting Standards Update No. 2015-300, *Proposed Amendments to the Statement of Financial Accounting – Conceptual Framework and Financial Reporting – Chapter 3: Qualitative Characteristics of Useful Financial Information.* The proposed amendments would eliminate any inconsistency between the framework and the legal definition of materiality by making it clear that the meaning of materiality is a legal concept. The U.S. Supreme Court's definition of materiality would be incorporated by reference to the codification.

Comments were due on December 8, 2015.

REVENUE RECOGNITION – NARROW SCOPE IMPROVEMENTS

On September 30, 2015, the FASB issued Proposed Accounting Standards Update No. 2015-320, *Revenue from Contracts with Customers (Topic 606), Narrow Scope Improvements and Practical Expedients*. This proposed update provides clarifying guidance that the Transition Resource Group raised following the issuance of the Revenue Recognition Standard. Specifically, the guidance addresses: (i) objectives of the collectability criterion; (ii) presentation of sales taxes collected from customers; (iii) measurement and receipt of non-cash consideration; (iv) contract modifications and complex contracts at transition and completed contracts at transition; and (v) disclosure of effects of the change in the period of adoption. The comment period ended November 16, 2015.

The effective date would be identical with the effective date for Accounting Standards Update No. 2014-09. On January 6, 2016, the Board directed its staff to draft a final update.

REVENUE RECOGNITION – CLARIFICATION – PERFORMANCE OBLIGATIONS AND LICENSING

In May, 2015, the FASB issued Proposed Accounting Standards Update No. 2015-250, *Revenue from Contracts with Customers (Topic 606): Identify Performance Obligations and Licensing*. This proposed update would clarify issues regarding guidance for (i) identifying promised goods or services in the context of identifying performance obligations within a contract and (ii) concerning the determination of whether an entity's promise to grant a license provides either the right to access or use the intellectual property. The comment deadline ended June 30, 2015.

INSURANCE CONTRACTS

In July 2013, the FASB issued a Proposed Accounting Standards Update – No. 203-290, *Insurance Contracts (Topic 834)*. This update represents a significant overhaul to the manner of accounting for insurance contracts.

Insurance contracts would be measured by either (i) the building block approach or (ii) the premium allocation approach. The building block approach would typically apply to life annuity and long-term health contracts. The premium allocation approach would generally apply to property, liability and short-term health contracts.

Modifications from current GAAP would include the following:

- Current insurance accounting applies only to insurance entities, whereas the proposed guidance would apply to any entity issuing an insurance contract.
- Assumptions concerning the contract are usually fixed at inception under current GAAP, whereas the update would require expected cash flows to be measured each reporting period.

- Liability under the premium allocation approach would be based on probability weighted expected cash outflows, as opposed to best estimate of expected cash outflows under current GAAP.

- The margin for contracts accounted for in the building block approach would generally be presented in financial statements, as opposed to include as a part of the insurance contract liabilities under the current long duration model.

Comments were due on October 25, 2013. The FASB held a series of public round tables in late 2013. The FASB subsequently began redeliberations and decided that the project's emphasis should be on targeted improvements to existing GAAP. Decisions during the rediliberations include:

- Requiring underwriters of property and casualty, healthcare and other short-term insurance policies to disclose more information about their estimates of liabilities from incurred and paid claims.

- Disclosures about life insurance liabilities and assumptions used to calculate such liabilities.

- Requiring insurance entities to update all assumptions regarding calculations of liabilities for future benefits at least annually during the fourth quarter of each year.

- All years in claims development table and associated history of claims should be presented as supplementary information.

- For each year presented in the claims development table, the amount of IBNR plus expected developed and reported claims should be disclosed.

On July 24, 2015, the FASB decided that cash flow assumptions should be updated using a retrospective approach and discount rate assumptions should be updated using an immediate approach. On October 28, 2015, the Board decided that the liability for future policy benefits for participating life insurance contracts would be calculated on basis of expected future cash flows.

At its February 24, 2016 meeting, the Board decided as follows:

- Presentation

    - Carrying amount should be presented as a separate line item.

    - Change in fair value should be reported as separate line item.

- Disclosures
  - Specific disclosures about future policy benefits
  - Liability for policyholder's account balances
  - Market risks
  - Separate account liabilities
  - Deferred acquisition costs

The Board is continuing redeliberations.

GOODWILL FOR PUBLIC ENTITIES AND NOT-FOR-PROFITS

The FASB added this project to its agenda on November 25, 2013. This topic was addressed at Board meetings on February 12, 2014 and March 26, 2014. At its March 26, 2014 meeting, the Board decided to consider the following four alternatives to account for goodwill after a business combination:

- Amortize goodwill over ten years, or less than 10 years if another useful life is more appropriate. Goodwill would be tested only when a triggering event occurs, and the test would be either at the entity level or reporting unit level.
- Amortize goodwill over its useful life not to exceed a maximum number of years.
- Write-off goodwill at the acquisition date.
- Account for goodwill under a nonamortization approach that uses a simplified impairment test.

On October 28, 2015, the FASB decided to move forward in phases. Initially, the Board will simplify the impairment test. The FASB decided to simplify the test by eliminating the second step (quantification) from the impairment test. Secondly, the Board intends to work with IASB to address any common issues.

On January 26, 2016 the Board met and decided as follows:

- The impairment test will be simplified by removing the requirement to perform a hypothetical purchase price allocation when carrying value exceeds its fair value (i.e., step two of current GAAP impairment model).
- Entities should apply same impairment model for reporting units with either (i) positive carrying amount or (ii) zero or negative carrying amount.

- No changes will be made for current GAAP presentation requirements.

- Additional disclosures will be required for those with zero or negative carrying amounts.

- Simplified impairment measures will be adopted prospectively.

The staff is working on a proposed accounting standards update.

CLARIFYING THE DEFINITION OF A BUSINESS

On November 23, 2015, the FASB issued Proposed Accounting Standards Update, *Business Combinations (Topic 805), Clarifying the Definition of a Business.* The three elements of a business are inputs, processes and outputs. At a minimum, an input and a substantive process that contribute to the ability to create outputs will be necessary for a business to exist. For the latter to exist, an entity should possess an organized work force that can perform a process that is critical to develop or convert into outputs. If all but a de minimis amount of the fair value of the transferred set of activities and assets is represented by one asset, this indicates that the transferred set constitutes an asset instead of a business. The comment period ended January 22, 2016.

FINANCIAL INSTRUMENTS – CREDIT IMPAIRMENT

On December 20, 2012, the FASB issued an Exposure Draft, Proposed Accounting Standards Update, *Financial Instruments – Credit Losses* (Subtopic 825-15). Under current GAAP, credit losses are recognized when probable. This Exposure Draft proposes to require an entity to determine impairment by estimating the amount of contractual cash flows not expected to be collected on financial assets held at the reporting date. Entities would be prohibited from estimating expected credit losses solely on the basis of the most likely outcome. Instead, entities would consider historical loss experiences with similar assets, reasonable forecasts, and current conditions. The Board would determine an effective date when the proposals are finalized. Comments were due on April 30, 2013, but the FASB extended the comment period to May 31, 2013. The Board subsequently decided to reconsider the Exposure Draft.

During the rediliberations, the FASB has determined as follows:

- In estimating a credit loss, all contractual cash flows should be considered, and the risk of loss should be considered, even if remote.

- An entity would apply the current expected credit losses model ("CECL") for financial assets measured at amortized cost.

- If a security is classified as available for sale, then it is excluded from the CECL Model.

- An entity should consider historical average loss experience forecasts for future periods beyond that which entity is able to make reasonable forecasts.

- An entity should consider all contractual cash flows over the life of the asset.

- An entity may develop an estimate of credit losses using a discounted cash flow method or other methods it develops.

- The FASB will forgo write-off guidance in the proposed update and maintain existing write-off principles in GAAP. An entity would write-off an asset in the period in which it is deemed uncollectable.

- For assets classified as "available for sale," an allowance approach would be used (allowing an entity to recognize reversals).

- Significant disclosures will be required.

- Transition disclosures will be required in each interim financial statement in the year of change and the annual financial statement in the period of change.

- Fair value floor will be incorporated into credit loss model for "available for sale" securities.

The FASB intended to issue a final update in the first quarter of 2016. At its November 11, 2015 meeting, the FASB decided the effective date for public entities that are an "SEC filers" will be for fiscal years beginning after December 15, 2018 and interim periods within those years. For non-public entities, the effective date will be for fiscal years beginning after December 15, 2019, and for interim periods within these years. Accordingly, community banks (that are non-SEC filers) will have an additional year to comply.

The FASB continued its re-deliberations on December 21, 2015 and discussed accounting for purchased financial assets with credit deterioration. The Board agreed that if the method for estimating the allowance for credit losses does not use discounted future expected cash flows, then the allowance should be based on the par amount of the asset. If the method does take into account discounted future expected cash flows, then the entity should use the discount rate that equates the purchase price with the present value of future cash flows.

Deliberations are continuing.

ACCOUNTING FOR FINANCIAL INSTRUMENTS – HEDGE ACCOUNTING

On February 9, 2011, the FASB issued a Discussion Paper, *Invitation to Comment – Selected Issues about Hedge Accounting, Soliciting Comments on the IASB's Exposure Draft, Hedge Accounting.* The FASB's purpose in issuing this Discussion Paper was to solicit comments on the IASB's proposed revisions to hedge accounting. Written comments were requested by April 25, 2011.

The Board began rediliberations on February 25, 2015, and directed the staff to conduct additional research on various items. The Board met again on this issue on April 7, 2015, but did not make any decisions. As of its October 7, 2015 meeting, the FASB has decided as follows:

- Generally speaking, initial quantitative testing of all hedges will be required. An exception will be if the hedging relationship meets requirements.
- The qualification threshold of Topic 850 will retained for hedging relationships that require a quantitative assessment methodology.
- The change in fair value of derivative will be recorded in same income statement line as a hedged item for fair value hedges.
- In the case of cash-flow value hedges, change in fair value of the derivative will be recorded in other comprehensive income and reclassified to the same income statement line as the hedged item when the hedged item affects earnings.
- Disclosure for cumulative basis adjustments for fair value hedges will be required.
- For most net investment hedges, the entire change in fair value will be recorded in the cumulative translation adjustment section of other comprehensive income.
- Entities will recognize in net income the change in fair value excluded from the assessment of hedge effectiveness for a cash flow hedge.

The staff is working on a proposed Accounts Standards Update.

DISCLOSURE FRAMEWORK

On July 12, 2012, the FASB issued an *Invitation to Comment, Disclosure Framework.* Comment letters were due on November 16, 2012. At its February 13, 2013 meeting, the FASB discussed the comments received and considered next steps. At its June 19, 2013 meeting, the FASB decided to separate the entity's decision process and the Board's decision process into two separate issues. On November 12, 2013, the FASB met further to address the role of notes, disclosures, forward-looking information, and other considerations. The role of this project is to improve the effectiveness of disclosures in notes in the financial statements. The project is comprised of the Board's Decision Process and the Entity's Decision Process. The FASB has subsequently decided to consider potential modifications in the following areas: (i) fair value measurement; (ii) defined benefit plans; (iii) income taxes and (iv) inventory. Additionally, disclosure requirements for interim reporting are being considered. Each one of these topics is being separately considered.

NOT-FOR-PROFIT FINANCIAL REPORTING – FINANCIAL STATEMENTS

In April 2015, the FASB issued Proposed Accounting Standards Update No. 2015-230, *Not-for-Profit Entities (Topic 958) and Healthcare Entities (Topic 954): Presentation of Financial Statements of Not-for-Profit Entities.* The purposes of the proposed update are to (i) simplify net asset classification and (ii) enhance reporting of financial performance.

The proposed update would include the following changes:

- Require presentation of two classes of net assets: (i) those with donor restrictions and (ii) those without donor restrictions. This would be a change from the current requirement to present three categories.

- Change classification of underwater donor-restricted endowment funds.

- Require disclosure of quantitative and qualitative information about the liquidity of assets.

- Require presentation on a statement of activities of change in two classes of net assets.

Comments were due on August 30, 2015. During the redeliberations, the Board has decided to divide the reconsideration into two categories: (i) issues that are not dependent on other projects and (ii) issues that will require more time to resolve because they have not been previously considered or are closely related to issues addressed in other projects.

On December 11, 2015, the Board began redeliberations of the proposed update. The Board decided as follows:

- Not-for-profit entities will not be required to use the direct method of presenting operating cash flows.

- There will be two classes of net assets.

- The aggregate amount by which endorsement funds are underwater will be classified under net assets.

- Internal transfers will be appropriately disaggregated and described by type.

The Board has directed its staff to draft a final update.

INVESTMENT COMPANIES - DISCLOSURES

On October 21, 2011, the FASB issued an Exposure Draft, *Financial Services – Investment Companies (Topic 946), Amendments to the Scope, Measurement and Disclosure Requirements.* These proposed amendments affect the scope, measurement, presentation, and disclosure requirements for investment companies in GAAP. These amendments:

- Amend the investment company definition.
- Require an investment company to consolidate another investment company or an investment property entity if it holds a controlling financial interest.
- Amend the financial statements for situations in which an investment company has consolidated a less than wholly owned investment company.
- Prohibits an investment company that is able to exercise significant influence over another investment company from using the equity method of accounting.
- Require additional disclosures.

The comment period ended February 15, 2012, and the Board held a series of redeliberations. The Board has decided that an investment company should measure all controlling financial interests in another investment company at fair value, rather than consolidating both subsidiaries.

During the redeliberations, the Board has determined as follows:

- An investment company should have all of the following characteristics: (i) multiple investments; (ii) multiple investors; (iii) investors that are not related to the parent entity or the investment manager; and (iv) ownership interests in the form of equity or partnership interests.
- A mortgage REIT that meets the requirements to be an investment company should follow investment company guidelines.
- Disclosures would be required for: (i) investments in unconsolidated investment companies; and (ii) the first level of investments in another investment company.
- Certain disclosures would be required about each investment exceeding 5 percent of the reporting entity's net assets.

On December 4, 2014, the FASB issued an Exposure Draft, *Financial Services – Investment Companies (Topic 946), Disclosures about Investments in Other Investment Companies.* This Exposure Draft provides that investment companies regulated under the Investment Company Act of

1940 should disclose information about funds exceeding 5 percent of its net assets in a manner similar to requirements for investment companies not regulated by the 1940 Act. The comment period ended February 17, 2015.

ACCOUNTING FOR GOVERNMENT ASSISTANCE

On November 12, 2015, the FASB issued Proposed Accounting Standards Update No. 2015-340, *Government Assistance (Topic 832) Disclosures by Business Entities about Government Assistance.* The update provides that disclosures should be required regarding contracts in which an entity receives value or benefit from the government. The term "government" will include domestic and foreign local, regional and national governments, along with related entities. Disclosures will be required about: (i) the type of arrangements; (ii) accounting for the assistance; and (iii) effect on financial statements of receiving party. Receiving entities will be required to disclose: (i) information about nature of assistance; (ii) line items affected by assistance; (iii) terms and conditions of commitments; (iv) amount of government assistance received but not directly recognized. The FASB decided to exclude contracts from this proposal if: (i) the government is legally required to provide the assistance to an entity simply because it met eligibility requirements or (ii) the government is a customer. The update would apply to public and private entities. The comment period ended February 10, 2016.

LIABILITIES & EQUITY – TARGETED IMPROVEMENTS

On November 5, 2014 the FASB added a project to make targeted improvements to simplify accounting guidelines related to financial instruments with characteristics of debt and equity. On September 16, 2015, the Board analyzed the accounting for equity – linked instruments with a "down-round" feature. If a financial instrument is classified as equity, the "down-round" feature will be recognized as a deemed dividend. If a financial instrument is classified as a liability, the "down-round" feature will be recognized as a charge to income.

The Board has directed its staff to direct a Proposal Accounting Standards Update.

INCOME TAXES – INTRA-ENTITY ASSET TRANSFERS

In January 2015, the FASB issued Proposed Accounting Standards Update No. 2015-200, *Income Taxes (Topic 740) – Intra-Entity Transfers.* The proposed update would eliminate the current exception that prohibits the recognition of current and deferred income tax consequences for intra-entity asset transfers until the asset has been sold to an outside party. The effective date for public entities would be for annual periods, including interim periods within those annual periods, beginning after December 15, 2016. For nonpublic entities, the effective date would be for annual periods beginning after December 15, 2017. Early adoption will not be allowed for public entities.

The comment deadline was May 29, 2015. On October 5, 2015, the Board directed its staff to perform additional research and outreach.

DERIVATIVES AND HEDGING

In February 2015, the FASB issued Proposed Accounting Standard update No. 2015-220, *Derivatives and Hedging (Topic 815) – Disclosures about Hybrid Financial Instruments with Bifurcated Embedded Derivatives.* The proposed update would amend current guidance regarding disclosures about hybrid financial instruments with embedded derivatives. Under certain conditions, embedded derivatives are required to be measured separately from their host contracts. The issue is that there is no information that allows the user to link the host contract and the embedded derivative. This proposed update would require the disclosure of information that links the embedded derivative and the host contract.

An effective date has not been proposed. Comments were due by April 30, 2015.

SIMPLIFYING THE BALANCE SHEET CLASSIFICATION OF DEBT

This project was added to the FASB agenda on August 13, 2014. On January 28, 2015, the Board met and decided that a debt is noncurrent if one of the following criteria is present as of the balance sheet date: (i) the contractual settlement date is at least 12 months after the balance sheet date or (ii) the entity can contractually defer the settlement of the liability for a period of 12 months or longer after the balance sheet date. The scope of the guidance will apply to all debt arrangements. On July 29, 2015, the Board decided that convertible debt instruments and liability-classified mandatorily redeemable financial instruments would be included in the scope of the proposed guidance. Deliberations are continuing.

CLARIFYING CERTAIN EXISTING PRINCIPLES ON THE STATEMENT OF CASH FLOWS

On January 29, 2016, the FASB issued Proposed Accounting Standards Update, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments, a Consensus of the FASB Emerging Issues Task Force.* The proposed update addresses eight specific cash flows for which there is accounting diversity in current practice:

- Debt prepayment or debt extinguishment costs – classified as cash outflows for financing activities.

- Settlement of zero coupon bonds – cash payment attributable to interest would be classified as cash outflows from financing activities and the portion attributable to principle would be classified as cash outflows from operating activities.

- Contingent consideration payments made after a business combination – payments made up to the amount of contingent consideration liability recognized at the

acquisition date would be classified as financing activities, and any excess as operating activities.

- Proceeds from settlement of insurance claims – classified on the basis of the related insurance coverage.
- Proceeds from settlement of corporate owned life insurance policy – cash inflows from investing activities.
- Distributions received from equity method investments – presumed as returns on investment and classified as cash flows from operating activities.
- Beneficial interest in securitization transfers – cash receipts classified as cash inflows from investing activities.
- Separately identifiable cash flows – guidance as to whether separate or not.

The amendments would be applied retrospectively.

FINANCIAL PERFORMANCE REPORTING

The Board added this project to the agenda in January 2014. The objective is to review ways to improve relevance of information presented in the performance statement. At its July 24, 2015 meeting, the Board directed the staff to research other methods for distinguishing between earnings components.

DISCLOSURES ABOUT INTEREST INCOME ON PURCHASE DEBT SECURITIES AND LOANS.

On March 18, 2015, the Board voted to add this item to its agenda. Deliberations have not yet started.

ACCOUNTING FOR IDENTIFIABLE INTANGIBLE ASSETS IN BUSINESS COMBINATIONS.

In November 2014, the FASB added this project to its technical agenda. The purpose is to determine whether identifiable intangible assets acquired in a business combination should be accounted for as goodwill for public business entities and not-for-profit entities.

On October 28, 2015, the Board decided to reach out to international community and research differences in accounting between U.S. and international markets, and whether the difference is useful for investors.

ACCOUNTING FOR INTEREST INCOME ASSOCIATED WITH THE PURCHASE OF COLLECTABLE DEBT SECURITIES.

The Board voted to add this item to its agenda on September 16, 2015. The staff is performing research.

DISCLOSURE FRAMEWORK – FAIR VALUE

On December 3, 2015, the FASB issued Proposed Accounting Standards Update, *Fair Value Measurement (Topic 820), Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurements.* The proposed update would align the requirements to those contained in Exposure Draft No. 2014-200, Proposed Statement of Financial Accounting Concepts – Conceptual Frameworks for Financial Reporting – Chapter 8: Notes to Financial Statements.

The update would:

- Eliminate disclosures for (i) the reasons for transfers between level one and level two of the fair value hierarchy; (ii) the reason behind timing of transfers between levels; and (iii) level three measurement valuation policies and procedures.
- For private companies, eliminate reconciliation of opening balances to closing balances for recurring level three measurements.
- Add certain disclosure requirements for public companies.

The comment deadline ended February 29, 2016.

DISCLOSURE FRAMEWORK – DEFINED BENEFIT PENSION AND POST RETIREMENT PLANS

On January 26, 2016 the FASB issued Proposed Accounting Standards Update, *Compensation Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20), Changes to the Disclosure Requirements for Defined Benefit Plans.* The proposed update will remove certain disclosure requirements that are deemed inconsistent with FASB's proposed concepts statements. Certain other disclosures would be added. The comment period ends April 25, 2016.

CONSOLIDATION - NOT-FOR-PROFIT ENTITIES

On December 16, 2015 the Board added a project to its agenda to clarify when a not-for-profit entity that serves as a general partner should consolidate a for-profit limited partnership. The staff is still conducting research.

NONEMPLOYEE SHARE BASED ACCOUNTING IMPROVEMENTS

The Board voted on December 16, 2015 to add this product to its agenda.