

Section B—Conforming Amendments Related to Leases: Amendments to the *FASB Accounting Standards Codification*[®]

Amendments to Master Glossary

8. Supersede the following Master Glossary terms, with a link to transition paragraph 842-10-65-1.

- Active Use of the Property
- Bargain Purchase Option
- Bargain Renewal Option
- Capital Lease
- Construction Period Lease Payments
- Contingent Rentals
- Fair Value of Leased Property
- Heat Supply (or Burn-Up) Contracts
- Indirectly Related to the Leased Property
- Minor
- Noncancelable Lease Term
- Normal Leaseback
- Original Lessee
- Profit or Loss on Sale
- Property Improvements or Integral Equipment
- Sale-Leaseback Accounting
- Substantially All
- Wrap Lease Transaction

9. Amend the following Master Glossary terms, with a link to transition paragraph 842-10-65-1, as follows:

Delayed Equity Investment

In **{add glossary link}** leveraged lease **{add glossary link}** transactions that have been structured with terms such that the **{add glossary link}** lessee's **{add glossary link}** rent payments begin one to two years after **{add glossary link}** lease inception **{add glossary link}**, equity contributions the **{add glossary link}** lessor **{add glossary link}** agrees to make (in the lease agreement or a separate binding **{add glossary link}** contract **{add glossary link}**) that are used

to service the nonrecourse debt during this brief period. The total amount of the lessor's contributions is specifically limited by the agreements.

Direct Financing Lease

From the perspective of a **lessor**, a **lease** that meets all of the conditions in paragraph 842-10-25-2 but meets the criteria in paragraph 842-10-25-3(b).

Estimated Economic Life

Either the period during which the property over which an asset is expected to be economically usable by one or more users or the number of production or similar units expected to be obtained from an asset by one or more users, with normal repairs and maintenance, for the purpose for which it was intended at lease inception, without limitation by the lease term.

Incremental Borrowing Rate

The rate of interest that, at lease inception, the lessee would have incurred to pay to borrow on a collateralized basis over a similar term an amount equal to the funds necessary to purchase the lease payments in a similar economic environment. This definition does not proscribe the lessee's use of a secured borrowing rate as its incremental borrowing rate if that rate is determinable, reasonable, and consistent with the financing that would have been used in the particular circumstances.

Interest Cost

Interest cost includes interest recognized on obligations having explicit interest rates, interest imputed on certain types of payables in accordance with Subtopic 835-30, and interest related to a **capital lease** determined in accordance with Topic 842. With respect to obligations having explicit interest rates, interest cost includes amounts resulting from periodic amortization of discount or premium and issue costs on debt.

Lease

An agreement conveying a contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment (an identified asset) and/or depreciable assets usually for a stated period of time in exchange for consideration.

Lease Term

The fixed noncancelable lease term plus all of the following, except as noted in the following paragraph: The noncancelable period for which a lessee has the right to use an underlying asset, together with all of the following:

- a. ~~Periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option-All periods, if any, covered by **bargain renewal options**.~~
- b. ~~Periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option-All periods, if any, for which failure to renew the lease imposes a **penalty** on the lessee in such amount that a renewal appears, at lease inception, to be reasonably assured~~
- c. ~~Periods covered by an option to extend (or not to terminate) the lease in which exercise of the option is controlled by the **lessor**.All periods, if any, covered by ordinary renewal options during which any of the following conditions exist:

 - 1. ~~A guarantee by the lessee of the lessor's debt directly or **indirectly related to the leased property** is expected to be in effect.~~
 - 2. ~~A loan from the lessee to the lessor directly or indirectly related to the leased property is expected to be outstanding.~~~~
- d. ~~All periods, if any, covered by ordinary renewal options preceding the date as of which a **bargain purchase option** is exercisable~~
- e. ~~All periods, if any, representing renewals or extensions of the lease at the lessor's option.~~

~~The lease term shall not be assumed to extend beyond the date a bargain purchase option becomes exercisable.~~

Leveraged Lease

~~From the perspective of a {add glossary link}lessor{add glossary link}, a {add glossary link}lease{add glossary link} that meets all of the conditions in paragraph 840-10-25-43(e)was classified as a leveraged lease in accordance with the leases guidance in effect before the effective date and for which the **commencement date** is before the effective date.~~

~~From the perspective of a lessor, a lease that meets conditions in paragraph 840-10-25-43(e).~~

Minimum Lease Payments

~~The guidance beginning in paragraph 840-10-25-4 defines what constitutes minimum lease payments under the minimum lease payments criterion in paragraph 840-10-25-1(d) from the perspective of a lessee and a lessor. Minimum lease payments comprise the payments that the lessee is obligated to make or can be required to make in connection with the leased property, excluding both of the following:~~

- a. Contingent rentals
- b. Any guarantee by the lessee of the lessor's debt and the lessee's obligation to pay (apart from the rental payments) executory costs such as insurance, maintenance, and taxes in connection with the leased property.

If the lease contains a bargain purchase option, only the minimum rental payments over the lease term and the payment called for by the bargain purchase option are required to be included in the minimum lease payments. Otherwise, minimum lease payments include all of the following:

- a. The minimum rental payments called for by the lease over the lease term.
- b. Any guarantee of the residual value at the expiration of the lease term, whether or not payment of the guarantee constitutes a purchase of the leased property or of rental payments beyond the lease term by the lessee (including a third party related to the lessee) or a third party unrelated to either the lessee or the lessor, provided the third party is financially capable of discharging the obligations that may arise from the guarantee. If the lessor has the right to require the lessee to purchase the property at termination of the lease for a certain or determinable amount, that amount is required to be considered a lessee guarantee of the residual value. If the lessee agrees to make up any deficiency below a stated amount in the lessor's realization of the residual value, the residual value guarantee to be included in the minimum lease payments is required to be the stated amount, rather than an estimate of the deficiency to be made up.
- c. Any payment that the lessee must make or can be required to make upon failure to renew or extend the lease at the expiration of the lease term, whether or not the payment would constitute a purchase of the leased property. Note that the definition of lease term includes all periods, if any, for which failure to renew the lease imposes a penalty on the lessee in an amount such that renewal appears, at lease inception, to be reasonably assured. If the lease term has been extended because of that provision, the related penalty is not included in minimum lease payments.
- d. Payments made before the beginning of the lease term. The lessee is required to use the same interest rate to accrete payments to be made before the beginning of the lease term that it uses to discount lease payments to be made during the lease term.
- e. Fees that are paid by the lessee to the owners of the special-purpose entity for structuring the lease transaction. Such fees are required to be included as part of minimum lease payments (but not included in the fair value of the leased property).

Lease payments that depend on a factor directly related to the future use of the leased property, such as machine hours of use or sales volume during the lease term, are contingent rentals and, accordingly, are excluded from minimum lease payments in their entirety. However, lease payments that depend on an existing index or rate, such as the Consumer Price Index or the prime interest rate, are required to be included in minimum lease payments based on the index or rate existing at lease inception; any increases or decreases in lease payments that result from subsequent changes in the index or rate are contingent rentals and, thus, affect the determination of income as accruable.

Operating Lease

From the perspective of a **{add glossary link}** lessee **{add glossary link}**, any **{add glossary link}** lease **{add glossary link}** other than a **capital lease** **finance lease**.

From the perspective of a **{add glossary link}** lessor **{add glossary link}**, any lease that meets the conditions in paragraph 840-10-25-43(d) other than a **sales-type lease** or a **direct financing lease**.

Penalty

Any requirement that is imposed or can be imposed on the **{add glossary link}** lessee **{add glossary link}** by the **{add glossary link}** lease **{add glossary link}** agreement or by factors outside the lease agreement to do any of the following:

- a. Disburse cash
- b. Incur or assume a liability
- c. Perform services
- d. Surrender or transfer an asset or rights to an asset or otherwise forego an economic benefit, or suffer an economic detriment. Factors to consider in determining whether an economic detriment may be incurred include, but are not limited to, all of the following:
 1. The uniqueness of purpose or location of the **property underlying asset**
 2. The availability of a comparable replacement **property asset**
 3. The relative importance or significance of the **property underlying asset** to the continuation of the lessee's line of business or service to its customers
 4. The existence of leasehold improvements or other assets whose value would be impaired by the lessee vacating or discontinuing use of the **leased property underlying asset**
 5. Adverse tax consequences
 6. The ability or willingness of the lessee to bear the cost associated with relocation or replacement of the **leased property underlying asset** at market rental rates or to tolerate other parties using the **leased property underlying asset**.

Interest Rate Implicit in the Lease

The **discount rate of interest that, at a given date, that causes the aggregate present value at the beginning of the lease term of (a) the minimum {add glossary link} lease payments {add glossary link} and (b) the amount that a lessor expects to derive from the underlying asset following the end of the lease term (as described in paragraph 840-10-25-4), excluding that portion of the payments representing executory costs to be paid by the lessor, together with any profit thereon and the unguaranteed residual value, accruing to the benefit of the lessor to be equal to the sum of (1) the {add glossary link} fair value {add glossary link} of the underlying asset leased property to the lessor at lease inception, minus any**

~~related investment tax credit retained by the lessor and expected to be realized by him; the lessor and (2) any deferred initial direct costs of the lessor. If the lessor is not entitled to any excess of the amount realized on disposition of the property over a guaranteed amount, no unguaranteed residual value would accrue to its benefit.~~

Sales-Type Lease

From the perspective of a **{add glossary link}lessor{add glossary link}**, a **{add glossary link}lease{add glossary link}** that meets ~~either one or more of the conditions~~criteria in paragraph ~~840-10-25-43(a)~~842-10-25-2.

Sublease

A transaction in which an underlying asset ~~a leased property~~ is re-leased by the original ~~{add glossary link}lessee{add glossary link}~~ (or intermediate lessor) to a third ~~party,~~party (the sublessee) and the original (or head) {add glossary link}lease{add glossary link} agreement between the lessor and the lessee ~~two original parties~~ remains in effect.

10. Add the following new Master Glossary terms, with a link to transition paragraph 842-10-65-1, as follows:

Commencement Date of the Lease (Commencement Date)

The date on which a **lessor** makes an **underlying asset** available for use by a **lessee**. See paragraphs 842-10-55-19 through 55-21 for implementation guidance on the commencement date.

Consideration in the Contract

See paragraph 842-10-15-35 for what constitutes the consideration in the **contract** for **lessees** and paragraph 842-10-15-39 for what constitutes consideration in the contract for **lessors**.

Discount Rate for the Lease

For a **lessee**, the discount rate for the **lease** is the **rate implicit in the lease** unless that rate cannot be readily determined. In that case, the lessee is required to use its **incremental borrowing rate**.

For a **lessor**, the discount rate for the lease is the rate implicit in the lease.

Effective Date of the Modification

The date that a **lease modification** is approved by both the **lessee** and the **lessor**.

Finance Lease

From the perspective of a **lessee**, a **lease** that meets one or more of the criteria in paragraph 842-10-25-2.

Initial Direct Costs

Incremental costs of a **lease** that would not have been incurred if the lease had not been obtained.

Lease Liability

A **lessee's** obligation to make the **lease payments** arising from a **lease**, measured on a discounted basis.

Lease Modification

A change to the terms and conditions of a **contract** that results in a change in the scope of or the consideration for a **lease** (for example, a change to the terms and conditions of the contract that adds or terminates the right to use one or more underlying assets or extends or shortens the contractual lease term).

Lease Payments

See paragraph 842-10-30-5 for what constitutes lease payments from the perspective of a **lessee** and a **lessor**.

Lease Receivable

A **lessor's** right to receive **lease payments** arising from a **sales-type lease** or a **direct financing lease** plus any amount that a lessor expects to derive from the underlying asset following the end of the **lease term** to the extent that it is guaranteed by the **lessee** or any other third party unrelated to the lessor, measured on a discounted basis.

Lessee

An entity that enters into a **contract** to obtain the right to use an **underlying asset** for a period of time in exchange for consideration.

Lessor

An entity that enters into a **contract** to provide the right to use an **underlying asset** for a period of time in exchange for consideration.

Net Investment in the Lease

For a **sales-type lease**, the sum of the **lease receivable** and the **unguaranteed residual asset**.

For a **direct financing lease**, the sum of the lease receivable and the unguaranteed residual asset, net of any deferred selling profit.

Period of Use

The total period of time that an asset is used to fulfill a **contract** with a customer (including the sum of any nonconsecutive periods of time).

Residual Value Guarantee

A guarantee made to a **lessor** that the value of an **underlying asset** returned to the lessor at the end of a **lease** will be at least a specified amount.

Right-of-Use Asset

An asset that represents a **lessee's** right to use an **underlying asset** for the **lease term**.

Selling Profit or Selling Loss

At the **commencement date**, selling profit or selling loss equals:

- a. The **fair value** of the **underlying asset** or the sum of (1) the **lease receivable** and (2) any **lease payments** prepaid by the lessee, if lower; minus
- b. The carrying amount of the underlying asset net of any **unguaranteed residual asset**; minus
- c. Any deferred **initial direct costs** of the lessor.

Short-Term Lease

A **lease** that, at the **commencement date**, has a **lease term** of 12 months or less and does not include an option to purchase the **underlying asset** that the **lessee** is reasonably certain to exercise.

Standalone Price

The price at which a customer would purchase a component of a **contract** separately.

Underlying Asset

An asset that is the subject of a **lease** for which a right to use that asset has been conveyed to a **lessee**. The underlying asset could be a physically distinct portion of a single asset.

Unguaranteed Residual Asset

The amount that a **lessor** expects to derive from the **underlying asset** following the end of the **lease term** that is not guaranteed by the **lessee** or any other third party unrelated to the lessor, measured on a discounted basis.

Variable Lease Payments

Payments made by a **lessee** to a **lessor** for the right to use an **underlying asset** that vary because of changes in facts or circumstances occurring after the **commencement date**, other than the passage of time.

11. Add the following Master Glossary term to Subtopic 954-470 as follows:

Advance Refunding

A transaction involving the issuance of new debt to replace existing debt with the proceeds from the new debt placed in trust or otherwise restricted to retire the existing debt at a determinable future date or dates.

Amendments to Subtopic 205-40

12. Amend paragraph 205-40-55-3(b), with a link to transition paragraph 842-10-65-1, as follows:

Presentation of Financial Statements—Going Concern

Implementation Guidance and Illustrations

> > Examples of Adverse Conditions and Events

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

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

Amendments to Subtopic 210-20

13. Amend paragraph 210-20-15-3, with a link to transition paragraph 842-10-65-1, as follows:

Balance Sheet—Offsetting

Scope and Scope Exceptions

> Other Considerations

210-20-15-3 The general principle of a **right of setoff** involves only two parties, and exceptions to that general principle shall be limited to practices specifically permitted by the Subtopics listed in this paragraph. Various accounting Subtopics specify accounting treatments in circumstances that result in offsetting or in a presentation in a statement of financial position that is similar to the effect of offsetting. The guidance in this Subtopic does not modify the accounting treatment in the particular circumstances prescribed by any of the following Subtopics:

- a. ~~Paragraphs 840-30-35-32 through 35-52~~ Subtopic 842-50 (**{add glossary link}** leveraged leases **{add glossary link}**)
- b. Subtopic 715-30 (accounting for pension plan assets and liabilities)
- c. Subtopic 715-60 (accounting for plan assets and liabilities)
- d. Subtopic 740-10 (net tax asset or liability amounts reported)
- dd. Paragraphs 815-10-45-1 through 45-7 (derivative instruments with the right to reclaim cash collateral or the obligation to return cash collateral)
- e. Subtopics 940-320 (trade date accounting for trading portfolio positions) and 910-405 (advances received on construction contracts)
- f. Paragraph 942-305-45-1 (reciprocal balances with other banks).

14. Amend paragraph 210-20-60-4, with a link to transition paragraph 842-10-65-1, as follows:

Relationships

> Leases

210-20-60-4 For guidance on **{add glossary link}** leveraged leases **{add glossary link}**, see ~~Section 842-50-35~~ paragraphs 840-30-35-32 through 35-52.

Amendments to Subtopic 230-10

15. Amend paragraph 230-10-50-4, with a link to transition paragraph 842-10-65-1, as follows:

Statement of Cash Flows—Overall

Disclosure

> Noncash Investing and Financing Activities

230-10-50-4 Examples of noncash investing and financing transactions are converting debt to equity; acquiring assets by assuming directly related liabilities, such as purchasing a building by incurring a mortgage to the seller; obtaining a **right-of-use asset** in exchange for a **lease liability**~~an asset by entering into a capital lease~~; obtaining a building or investment asset by receiving a gift; and exchanging noncash assets or liabilities for other noncash assets or liabilities.

16. Amend paragraphs 230-10-55-10 through 55-11, 230-10-55-13, 230-10-55-15, and 230-10-55-19 through 55-20, with a link to transition paragraph 842-10-65-1, as follows:

Implementation Guidance and Illustrations

> Illustrations

>> Example 1: Direct and Indirect Method for a Manufacturing Entity

230-10-55-10 The following is a statement of cash flows for the year ended December 31, 19X1, for Entity A, a U.S. corporation engaged principally in manufacturing activities. This statement of cash flows illustrates the direct method of presenting cash flows from operating activities, as encouraged in paragraph 230-10-45-25.

Entity A
Consolidated Statement of Cash Flows
For the Year Ended December 31, 19X1
Increase (Decrease) in Cash and Cash Equivalents

Cash flows from operating activities:		
Cash received from customers	\$ 13,850	
Cash paid to suppliers and employees	(12,000)	
Dividend received from affiliate	20	
Interest received	55	
Interest paid (net of amount capitalized)	(220)	
Income taxes paid	(325)	
Insurance proceeds received	15	
Cash paid to settle lawsuit for patent infringement	(30)	
Net cash provided by operating activities		\$ 1,365
Cash flows from investing activities:		
Proceeds from sale of facility	600	
Payment received on note for sale of plant	150	
Capital expenditures	(1,000)	
Payment for purchase of Entity B, net of cash acquired	(925)	
Net cash used in investing activities		(1,175)
Cash flows from financing activities:		
Net borrowings under line-of-credit agreement	300	
Principal payments under finance capital lease obligation	(125)	
Proceeds from issuance of long-term debt	400	
Proceeds from issuance of common stock	500	
Dividends paid	(200)	
Net cash provided by financing activities		875
Net increase in cash and cash equivalents		1,065
Cash and cash equivalents at beginning of year		600
Cash and cash equivalents at end of year		\$ 1,665

Reconciliation of net income to net cash provided by operating activities:

Net income		\$ 760
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	\$ 445	
Provision for losses on accounts receivable	200	
Gain on sale of facility	(80)	
Undistributed earnings of affiliate	(25)	
Payment received on installment note receivable for sale of inventory	100	
Change in assets and liabilities net of effects from purchase of Entity B:		
Increase in accounts receivable	(215)	
Decrease in inventory	205	
Increase in prepaid expenses	(25)	
Decrease in accounts payable and accrued expenses	(250)	
Increase in interest and income taxes payable	50	
Increase in deferred taxes	150	
Increase in other liabilities	50	
Total adjustments		605
Net cash provided by operating activities		\$ 1,365

230-10-55-11 The supplemental schedule of noncash **investing** and **financing activities** is as follows.

Entity A purchased all of the capital stock of Entity B for \$950. In conjunction with the acquisition, liabilities were assumed as follows.

Fair value of assets acquired	\$ 1,580
Cash paid for the capital stock	<u>(950)</u>
Liabilities assumed	<u>\$ 630</u>

A ~~finance capital~~ lease obligation of \$850 was incurred when Entity A entered into a lease for new equipment.

Additional common stock was issued upon the conversion of \$500 of long-term debt.

230-10-55-12 The disclosure of accounting policy is as follows.

For purposes of the statement of cash flows, the entity considers all highly liquid debt instruments purchased with a maturity of three months or less to be **cash equivalents**.

230-10-55-13 The following is Entity A's statement of cash flows for the year ended December 31, 19X1, prepared using the indirect method, as described in paragraph 230-10-45-28.

Entity A
Consolidated Statement of Cash Flows
For the Year Ended December 31, 19X1
Increase (Decrease) in Cash and Cash Equivalents

Cash flows from operating activities:		
Net income		\$ 760
Depreciation and amortization	\$ 445	
Provision for losses on accounts receivable	200	
Gain on sale of facility	(80)	
Undistributed earnings of affiliate	(25)	
Payment received on installment note receivable for sale of inventory	100	
Change in assets and liabilities net of effects from purchase of Entity B:		
Increase in accounts receivable	(215)	
Decrease in inventory	205	
Increase in prepaid expenses	(25)	
Decrease in accounts payable and accrued expenses	(250)	
Increase in interest and income taxes payable	50	
Increase in deferred taxes	150	
Increase in other liabilities	50	
Total adjustments	605	
Net cash provided by operating activities		1,365
Cash flows from investing activities:		
Proceeds from sale of facility	600	
Payment received on note for sale of plant	150	
Capital expenditures	(1,000)	
Payment for purchase of Entity B, net of cash acquired	(925)	
Net cash used in investing activities		(1,175)
Cash flows from financing activities:		
Net borrowings under line-of-credit agreement	300	
Principal payments under finance capital lease obligation	(125)	
Proceeds from issuance of long-term debt	400	
Proceeds from issuance of common stock	500	
Dividends paid	(200)	
Net cash provided by financing activities		875
Net increase in cash and cash equivalents		1,065
Cash and cash equivalents at beginning of year		600
Cash and cash equivalents at end of year		\$1,665

230-10-55-14 The following table illustrates the supplemental disclosures of cash flow information.

Cash paid during the year for:

Interest (net of amount capitalized)	\$ 220
Income taxes	325

230-10-55-15 The supplemental schedule of noncash investing and financing activities is as follows.

Entity A purchased all of the capital stock of Entity B for \$950. In conjunction with the acquisition, liabilities were assumed as follows.

Fair value of assets acquired	\$ 1,580
Cash paid for the capital stock	<u>(950)</u>
Liabilities assumed	<u>\$ 630</u>

A ~~finance capital~~ lease obligation of \$850 was incurred when Entity A entered into a lease for new equipment.

Additional common stock was issued upon the conversion of \$500 of long-term debt.

230-10-55-19 The following summarizes financial information for the current year for Entity A, which provides the basis for the statements of cash flows presented in paragraphs 230-10-55-10 through 55-18.

Entity A
Consolidated Statement of Financial Position

	<u>1/1/X1</u>	<u>12/31/X1</u>	<u>Change</u>
Assets:			
Cash and cash equivalents	\$ 600	\$ 1,665	\$ 1,065
Accounts receivable (net of allowance for losses of \$600 and \$450)	1,770	1,940	170
Notes receivable	400	150	(250)
Inventory	1,230	1,375	145
Prepaid expenses	110	135	25
Investments	250	275	25
Property, plant, and equipment, at cost	6,460	8,460	2,000
Accumulated depreciation	<u>(2,100)</u>	<u>(2,300)</u>	<u>(200)</u>
Property, plant, and equipment, net	4,360	6,160	1,800
Intangible assets	<u>40</u>	<u>175</u>	<u>135</u>
Total assets	<u>\$ 8,760</u>	<u>\$ 11,875</u>	<u>\$ 3,115</u>
Liabilities:			
Accounts payable and accrued expenses	\$ 1,085	\$ 1,090	\$ 5
Interest payable	30	45	15
Income taxes payable	50	85	35
Short-term debt	450	750	300
Finance lease obligation	-	725	725
Long-term debt	2,150	2,425	275
Deferred taxes	375	525	150
Other liabilities	<u>225</u>	<u>275</u>	<u>50</u>
Total liabilities	<u>4,365</u>	<u>5,920</u>	<u>1,555</u>
Stockholders' equity:			
Capital stock	2,000	3,000	1,000
Retained earnings	<u>2,395</u>	<u>2,955</u>	<u>560</u>
Total stockholders' equity	<u>4,395</u>	<u>5,955</u>	<u>1,560</u>
Total liabilities and stockholders' equity	<u>\$ 8,760</u>	<u>\$ 11,875</u>	<u>\$ 3,115</u>

Entity A
Consolidated Statement of Income
For the Year Ended December 31, 19X1

Sales	\$ 13,965
Cost of sales	(10,290)
Depreciation and amortization	(445)
Selling, general, and administrative expenses	(1,890)
Interest expense	(235)
Equity in earnings of affiliate	45
Gain on sale of facility	80
Interest income	55
Insurance proceeds	15
Loss from patent infringement lawsuit	(30)
Income before income taxes	1,270
Provision for income taxes	(510)
Net income	\$ 760

230-10-55-20 The following transactions were entered into by Entity A during 19X1 and are reflected in the preceding financial statements:

- a. Entity A wrote off \$350 of accounts receivable when a customer filed for bankruptcy. A provision for losses on accounts receivable of \$200 was included in Entity A's selling, general, and administrative expenses.
- b. Entity A collected the third and final annual installment payment of \$100 on a note receivable for the sale of inventory and collected the third of four annual installment payments of \$150 each on a note receivable for the sale of a plant. Interest on these notes through December 31 totaling \$55 was also collected.
- c. Entity A received a dividend of \$20 from an affiliate accounted for under the equity method of accounting.
- d. Entity A sold a facility with a book value of \$520 and an original cost of \$750 for \$600 cash.
- e. Entity A constructed a new facility for its own use and placed it in service. Accumulated expenditures during the year of \$1,000 included capitalized interest of \$10.
- f. Entity A entered into a ~~capital~~-lease for new equipment with a fair value of \$850. The entity classified the lease as a finance lease. Principal payments under the lease obligation totaled \$125.

- g. Entity A purchased all of the capital stock of Entity B for \$950 in a business combination. The fair values of Entity B's assets and liabilities at the date of acquisition are presented below.

Cash	\$ 25
Accounts receivable	155
Inventory	350
Property, plant, and equipment	900
Patents	80
Goodwill	70
Accounts payable and accrued expenses	(255)
Long-term note payable	(375)
Net assets acquired	<u><u>\$950</u></u>

- h. Entity A borrowed and repaid various amounts under a line-of-credit agreement in which borrowings are payable 30 days after demand. The net increase during the year in the amount borrowed against the line-of-credit totaled \$300.
- i. Entity A issued \$400 of long-term debt securities.
- j. Entity A's provision for income taxes included a deferred provision of \$150.
- k. Entity A's depreciation of property, plant, and equipment and amortization of right-of-use assets arising from a finance lease totaled \$430, and amortization of intangible assets totaled \$15.
- l. Entity A's selling, general, and administrative expenses included an accrual for incentive compensation of \$50 that has been deferred by executives until their retirement. The related obligation was included in other liabilities.
- m. Entity A collected insurance proceeds of \$15 from a business interruption claim that resulted when a storm precluded shipment of inventory for one week.
- n. Entity A paid \$30 to settle a lawsuit for patent infringement.
- o. Entity A issued \$1,000 of additional common stock of which \$500 was issued for cash and \$500 was issued upon conversion of long-term debt.
- p. Entity A paid dividends of \$200.

Amendments to Subtopic 255-10

17. Amend the heading preceding paragraph 255-10-55-6 and paragraphs 255-10-55-8 and 255-10-55-11 and its related heading and add paragraph 255-10-55-

7A and its related heading, with a link to transition paragraph 842-10-65-1, as follows:

Changing Prices—Overall

Implementation Guidance and Illustrations

> > > The Unguaranteed Residual Value of Property Owned by a Lessor and Leased under ~~Direct Financing, Sales-type, and Leveraged Leases~~

255-10-55-6 The unguaranteed residual value is included with the minimum lease payments, at present value, in the net investment in the lease.

255-10-55-7 The minimum lease payments are monetary items because they are claims to fixed sums of money. The residual value is not a claim to a fixed sum of money, so it is a nonmonetary item. Some assets and liabilities, of which the net investment in the lease is a good example, are combinations of claims to (or obligations of) fixed amounts and claims to (or obligations of) variable amounts. Ideally, those claims should be separated for purposes of classifying them as monetary and nonmonetary. However, if the information necessary to make the separation is not available or is impracticable to obtain, such items need not be divided into monetary and nonmonetary components and would be classified according to their dominant element. If the net investment in leases is principally claims to fixed amounts, it would be classified as monetary; it would be classified as nonmonetary if it is principally claims to residuals.

> > > The Unguaranteed Residual Asset Arising from Sales-Type and Direct Financing Leases

255-10-55-7A The lease receivable arising from a sales-type lease or a direct financing lease is a monetary item because it is a claim to a fixed sum of money. The unguaranteed residual asset arising from a sales-type lease or a direct financing lease is not a claim to a fixed sum of money, so it is a nonmonetary item. Some assets and liabilities, of which the net investment in the lease is a good example, are combinations of claims to (or obligations of) fixed amounts and claims to (or obligations of) variable amounts. Because the net investment in a sales-type or direct financing lease is predominantly a claim to a fixed sum of money, it should be classified as monetary. In accordance with Subtopic 842-30, a lessor includes the unguaranteed residual asset as part of its net investment in the lease. Consequently, the unguaranteed residual asset is accounted for in the same manner as a monetary item so long as it is part of the net investment in the lease. If the lessor sells the lease receivable but retains an interest in the unguaranteed residual asset, the remaining unguaranteed residual asset is accounted for as a nonmonetary item after the sale of the lease receivable.

> > > Investment Tax Credits That Are Deferred by a Lessor as Part of the Unearned Income of a Leveraged Lease

255-10-55-8 Under paragraph ~~840-30-35-33~~842-50-35-2, the deferred investment tax credit related to the ~~leased asset~~underlying asset is subtracted from rentals receivable and estimated residual value as part of the calculation of the lessor's investment in the ~~leveraged lease~~leveraged lease. The ~~lessor's investment in a leveraged lease~~, including the deferred investment tax credit related to the leveraged lease, is presented as one amount in the balance sheet. As indicated in ~~the preceding paragraph~~ 255-10-55-7, the investment in a leveraged lease would be classified as monetary or nonmonetary according to its dominant element.

255-10-55-9 As indicated in the table in paragraph 255-10-55-1, a deferred investment tax credit should be classified as nonmonetary but, if it is part of an investment in a leveraged lease and if the information necessary to separate its elements is not available or is impracticable to obtain, the investment would be classified according to its dominant element.

> > > Portion of the Carrying Amount of Lessors' Assets Leased under Noncancellable Operating Leases That Represent Claims to Fixed Sums of Money

255-10-55-10 These assets are carried at depreciated **historical cost** under generally accepted accounting principles (GAAP) and are classified with or near property, plant, and equipment, which are nonmonetary.

255-10-55-11 The classification of a ~~lease~~lease as an operating lease under ~~paragraph 840-10-25-1~~paragraphs 842-10-25-2 through 25-3 indicates that the ~~lessee has not obtained control of the nonmonetary underlying asset as a result of the lease has not transferred substantially all of the benefits and risks incident to ownership to the lessee~~. Thus, the economic significance of the asset continues to depend heavily on the value of the future lease rentals, residual values, and associated costs that do not represent fixed sums of money. Therefore, an asset subject to an operating lease should be classified as nonmonetary.

Amendments to Subtopic 270-10

18. Add paragraph 270-10-50-6A and its related heading, with a link to transition paragraph 842-10-65-1, as follows:

Interim Reporting—Overall

Disclosure

> Leases

270-10-50-6A A lessor shall disclose a table of all lease-related income items in its interim financial statements (see paragraph 842-30-50-5 for lease-related income items).

Amendments to Subtopic 274-10

19. Amend paragraph 274-10-50-2(m), with a link to transition paragraph 842-10-65-1, as follows:

Personal Financial Statements—Overall

Disclosure

274-10-50-2 Personal financial statements disclosures shall include, but are not limited to, all of the following:

- m. Noncancellable commitments that do not have the characteristics discussed in paragraph 274-10-35-13, ~~for example, operating leases.~~

Amendments to Subtopic 310-10

20. Amend paragraph 310-10-35-13, with a link to transition paragraph 842-10-65-1, as follows:

Receivables—Overall

Subsequent Measurement

> > Loans That Are Identified for Evaluation or That Are Individually Considered Impaired

> > > Applicability

310-10-35-13 This guidance applies to all creditors. It addresses the accounting by creditors for impairment of a loan by specifying how allowances for credit losses related to certain loans shall be determined. The accounting for impaired loans

shall be consistent among all creditors and for all types of lending except for loans that are measured at **fair value** or at the lower of cost or fair value in accordance with specialized industry practice. Therefore, this guidance applies to all loans that are identified for evaluation, uncollateralized as well as collateralized, except the following:

- a. Large groups of smaller-balance homogeneous loans that are collectively evaluated for impairment. Those loans may include but are not limited to credit card, residential mortgage, and consumer installment loans.
- b. Loans that are measured at fair value or at the lower of cost or fair value, for example, in accordance with Topic 948 or other specialized industry practice.
- c. Subparagraph superseded by Accounting Standards Update No. 2016-02, Leases as defined in Topic 840.
- d. Debt securities as defined in Topic 320.

This guidance does not address when a creditor should record a direct write-down of an impaired loan, nor does it address how a creditor should assess the overall adequacy of the allowance for credit losses.

21. Amend paragraph 310-10-40-5, with a link to transition paragraph 842-10-65-1, as follows:

Derecognition

Acquisition, Development, and Construction Arrangements

310-10-40-5 If a financial institution was the seller of the property at the initiation of the project, the entity shall apply the guidance in paragraphs 360-10-40-3A through 40-3B. However, if the sale is part of a ~~sale leaseback sale and leaseback~~ transaction, gain recognition, if any, should be determined by reference to ~~Section 360-20-40~~ Subtopic 842-40.

22. Amend paragraph 310-10-55-14, with a link to transition paragraph 842-10-65-1, as follows:

Implementation Guidance and Illustrations

> Illustrations

> > Meaning of *Financing Receivable*

310-10-55-13 This implementation guidance addresses the meaning of the term **financing receivable**.

310-10-55-14 All of the following are examples of financing receivables:

- a. Loans
- b. Trade accounts receivable
- c. Notes receivable
- d. Credit cards
- e. Receivables relating to a lessor's right(s) to payment(s) from a **leveraged lease** ~~lease other than an operating lease~~ that should be recognized as ~~an asset~~ assets in accordance with paragraph 842-10-65-1(z) ~~the following paragraphs:~~
 1. Subparagraph superseded by Accounting Standards Update No. 2016-02, Paragraph 840-30-25-8 (for leveraged leases)
 2. Subparagraph superseded by Accounting Standards Update No. 2016-02, Paragraph 840-30-25-7 (for direct financing leases)
 3. Subparagraph superseded by Accounting Standards Update No. 2016-02, Paragraph 840-30-25-6 (for sales type leases)
- f. **Lease receivables arising from sales-type leases or direct financing leases.**

Amendments to Subtopic 310-20

23. Amend paragraph 310-20-15-1, with a link to transition paragraph 842-10-65-1, as follows:

Receivables—Nonrefundable Fees and Other Costs

Scope and Scope Exceptions

> Entities

310-20-15-1 The guidance in this Subtopic applies to entities as follows:

- a. All paragraphs apply to both lenders and purchasers.
- b. Subparagraph superseded by Accounting Standards Update No. 2016-02, Paragraphs 310-20-25-2 through 25-3 and 310-20-35-2 through 35-3 and the definition of **direct loan origination costs** apply to lessors in determining the net amount of initial direct costs as that term is used in Topic 840.

Amendments to Subtopic 310-30

24. Amend paragraph 310-30-15-2, with a link to transition paragraph 842-10-65-1, as follows:

Receivables—Loans and Debt Securities Acquired with Deteriorated Credit Quality

Scope and Scope Exceptions

> Transactions

310-30-15-2 The guidance in this Subtopic applies to all loans with evidence of deterioration of credit quality since origination acquired by **completion of a transfer** for which it is **probable**, at acquisition, that the investor will be unable to collect all **contractually required payments receivable**, except for any of the following:

- a. Loans that are measured at **fair value** if all changes in fair value are included in earnings or, for an NFP, loans that are measured at fair value if all changes in fair value are included in the statement of activities and included in the performance indicator if a performance indicator is presented. Examples include those loans classified as trading securities under Topic 320 and Subtopic 948-310.
- b. Mortgage loans classified as held for sale under paragraph 948-310-35-1.
- c. ~~Subparagraph superseded by Accounting Standards Update No. 2016-02. Leases as defined in Topic 840. Only contracts that are classified by the purchaser as leases under that Topic meet this exclusion. The distinction between purchasing a lease and purchasing a stream of cash flows must be drawn to determine applicability of this Section.~~
- d. Loans acquired in a business combination accounted for at historical cost, including business combinations of two or more NFPs, the acquisition of a for-profit business entity by an NFP, and combinations of two or more mutual entities.
- e. Loans held by liquidating banks (financial reporting by liquidating banks is discussed in Topic 942).
- f. Revolving credit agreements, such as credit cards and home equity loans, if at the acquisition date the borrower has **revolving privileges**.
- g. Loans that are a transferor's interests (see Subtopic 325-40).

Amendments to Subtopic 310-40

25. Amend paragraph 310-40-15-11(a), with a link to transition paragraph 842-10-65-1, as follows:

Receivables—Troubled Debt Restructurings by Creditors

Scope and Scope Exceptions

> Other Considerations

> > Troubled Debt Restructuring

310-40-15-11 For purposes of this Subtopic, none of the following are considered troubled debt restructurings:

- a. **Lease modifications** ~~Changes in lease agreements~~ (for guidance, see Topic 842840)

Amendments to Subtopic 323-740

26. Amend paragraph 323-740-25-3, with a link to transition paragraph 842-10-65-1, as follows:

Investments—Equity Method and Joint Ventures—Income Taxes

Recognition

Qualified Affordable Housing Project Investments

323-740-25-3 A liability shall be recognized for delayed equity contributions that are unconditional and legally binding. A liability also shall be recognized for equity contributions that are contingent upon a future **event** when that contingent event becomes probable. Topic 450 and paragraph ~~842-50-55-2840-30-55-15~~ provide additional guidance on the accounting for delayed equity contributions.

Amendments to Subtopic 340-10

27. Amend paragraph 340-10-60-1, with a link to transition paragraph 842-10-65-1, as follows:

Other Assets and Deferred Costs—Overall

Relationships

> Receivables

340-10-60-1 For accounting for nonrefundable fees and costs associated with lending, committing to lend, or purchasing a group of loans ~~and for accounting for fees and initial direct costs associated with leasing~~, see Subtopic 310-20.

Amendments to Subtopic 360-10

28. Amend paragraph 360-10-05-1, with a link to transition paragraph 842-10-65-1, as follows:

Property, Plant, and Equipment—Overall

Overview and Background

General

360-10-05-1 The Property, Plant, and Equipment Topic includes the following ~~Subtopics~~Subtopic:

- a. Overall
- b. ~~Real Estate Sales Sale Leaseback Accounting Subparagraph~~ superseded by Accounting Standards Update No. 2016-02.

29. Amend paragraph 360-10-15-4, with a link to transition paragraph 842-10-65-1, as follows:

Scope and Scope Exceptions

Impairment or Disposal of Long-Lived Assets

> Transactions

360-10-15-4 The guidance in the Impairment or Disposal of Long-Lived Assets Subsections applies to the following transactions and activities:

- a. Except as indicated in (b) and the following paragraph, all of the transactions and activities related to recognized long-lived assets of an entity to be held and used or to be disposed of, including:
 1. **Right-of-use assets of lessees**~~Capital leases of lessees~~
 2. Long-lived assets of lessors subject to operating leases
 3. Proved oil and gas properties that are being accounted for using the successful-efforts method of accounting
 4. Long-term prepaid assets.
- b. The following transactions and activities related to assets and liabilities that are considered part of an **asset group** or a **disposal group**:
 1. If a long-lived asset (or assets) is part of a group that includes other assets and liabilities not covered by the Impairment or Disposal of Long-Lived Assets Subsections, the guidance in the Impairment or Disposal of Long-Lived Assets Subsections applies to the group. In those situations, the unit of accounting for the long-lived asset is its group. For a long-lived asset or assets to be held and used, that group is referred to as an asset group. For a long-lived asset or assets to be disposed of by sale or otherwise, that group is referred to as a disposal group. Examples of liabilities included in a disposal group are legal obligations that transfer with a long-lived asset, such as certain environmental obligations, and obligations that, for business reasons, a potential buyer would prefer to settle when assumed as part of a group, such as warranty obligations that relate to an acquired customer base.
 2. The guidance in the Impairment or Disposal of Long-Lived Assets Subsections does not change generally accepted accounting principles (GAAP) applicable to those other individual assets (such as accounts receivable and inventory) and liabilities (such as accounts payable, long-term debt, and asset retirement obligations) not covered by the Impairment or Disposal of Long-Lived Assets Subsections that are included in such groups.

30. Amend paragraph 360-10-30-8, with a link to transition paragraph 842-10-65-1, as follows:

Initial Measurement

> Other Asset Acquisition Concepts

> > Accounting for Leases

360-10-30-8 See Subtopic ~~840-30~~842-20 for guidance related to assets acquired under a ~~capital~~ lease.

31. Amend paragraph 360-10-40-2 and its related heading, with a link to transition paragraph 842-10-65-1, as follows:

Derecognition

> Sale of Leased ~~Property~~Assets

360-10-40-2 Paragraph ~~840-20-40-5~~ states that if a sale to a third party of property subject to an operating lease (or of property that is leased by or intended to be leased by the third party purchaser to another party) is not to be recorded as a sale the entity has not transferred control over the promised asset to the third party in accordance with paragraph ~~606-10-25-30~~, the transaction shall be accounted for as a borrowing. To determine when an asset subject to a lease shall be derecognized, an entity shall apply the following paragraphs in Topic 606 on revenue from contracts with customers:

- a. Paragraphs 606-10-25-1 through 25-8 on the existence of a contract
- b. Paragraph 606-10-25-30 on when an entity satisfies a **performance obligation** by transferring control of an asset.

32. Amend paragraph 360-10-55-43, with a link to transition paragraph 842-10-65-1, as follows:

[Note: Paragraph **360-10-45-9** is shown for context.]

Other Presentation Matters

Impairment or Disposal of Long-Lived Assets

> Long-Lived Assets Classified as Held for Sale

> > Initial Criteria for Classification as Held for Sale

360-10-45-9 A long-lived asset (disposal group) to be sold shall be classified as held for sale in the period in which all of the following criteria are met:

- a. Management, having the authority to approve the action, commits to a plan to sell the asset (disposal group).

- b. The asset (disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (disposal groups). (See Examples 5 through 7 [paragraphs 360-10-55-37 through 55-41], which illustrate when that criterion would be met.)
- c. An active program to locate a buyer and other actions required to complete the plan to sell the asset (disposal group) have been initiated.
- d. The sale of the asset (disposal group) is probable, and transfer of the asset (disposal group) is expected to qualify for recognition as a completed sale, within one year, except as permitted by paragraph 360-10-45-11. (See Example 8 [paragraph 360-10-55-43], which illustrates when that criterion would be met.) The term *probable* refers to a future sale that is likely to occur.
- e. The asset (disposal group) is being actively marketed for sale at a price that is reasonable in relation to its current fair value. The price at which a long-lived asset (disposal group) is being marketed is indicative of whether the entity currently has the intent and ability to sell the asset (disposal group). A market price that is reasonable in relation to fair value indicates that the asset (disposal group) is available for immediate sale, whereas a market price in excess of fair value indicates that the asset (disposal group) is not available for immediate sale.
- f. Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Implementation Guidance and Illustrations

Impairment or Disposal of Long-Lived Assets

> Illustrations

>> Example 8: Proposed Disposition Not Expected to Qualify as Completed Sale

360-10-55-43 This Example illustrates the classification as held for sale of a long-lived asset (disposal group) in accordance with the criterion in paragraph 360-10-45-9(d). The following illustrates situations in which that criterion would not be met:

- a. An entity that is a commercial leasing and finance company is holding for sale or lease equipment that has recently come off lease and the ultimate form of a future transaction (sale or lease) has not yet been determined.
- b. An entity commits to a plan to sell an asset that is in use and lease back that asset; however, a property that is in use, and the transfer of the property asset will not be accounted for as a sale and leaseback

~~transaction because the buyer-lessor does not obtain control of the asset based on the guidance in paragraphs 842-40-25-1 through 25-3 sale-leaseback through which the seller-lessee will retain more than a minor portion of the use of the property. The property asset would continue to be classified as held and used following the appropriate guidance in Sections 360-10-35, 360-10-45, and 360-10-50. If at the date of the sale-leaseback the fair value of the property is less than its undepreciated cost, a loss would be recognized immediately up to the amount of the difference between undepreciated cost and fair value in accordance with paragraphs 840-40-25-3(e) and 840-40-30-3.~~

Amendments to Subtopic 360-20

33. Supersede Subtopic 360-20, Property, Plant, and Equipment—Real Estate Sales, with a link to transition paragraph 842-10-65-1.

[On the effective date of the amendments in FASB Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, the title of Subtopic 360-20 will be amended as follows: Property, Plant, and Equipment—Real Estate Sales—Sale-Leaseback Accounting.]

Amendments to Subtopic 410-20

34. Amend paragraphs 410-20-15-2 through 15-3, with a link to transition paragraph 842-10-65-1, as follows:

Asset Retirement and Environmental Obligations—Asset Retirement Obligations

Scope and Scope Exceptions

> Transactions

410-20-15-2 The guidance in this Subtopic applies to the following transactions and activities:

- a. **Legal obligations** associated with the **retirement** of a tangible long-lived asset that result from the acquisition, construction, or development and (or) the normal operation of a long-lived asset, including any legal obligations that require **disposal** of a replaced part that is a component of a tangible long-lived asset.

- b. An environmental remediation liability that results from the normal operation of a long-lived asset and that is associated with the retirement of that asset. The fact that partial settlement of an obligation is required or performed before full retirement of an asset does not remove that obligation from the scope of this Subtopic. If environmental contamination is incurred in the normal operation of a long-lived asset and is associated with the retirement of that asset, then this Subtopic will apply (and Subtopic 410-30 will not apply) if the entity is legally obligated to treat the contamination.
- c. A conditional obligation to perform a retirement activity. Uncertainty about the timing of settlement of the **asset retirement obligation** does not remove that obligation from the scope of this Subtopic but will affect the measurement of a liability for that obligation (see paragraph 410-20-25-10).
- d. Obligations of a **{add glossary link}** lessor **{add glossary link}** in connection with an **underlying asset** ~~leased property~~ that meet the provisions in (a). ~~Paragraph 840-10-25-16 requires that lease classification tests performed in accordance with the requirements of Subtopic 840-10 incorporate the requirements of this Subtopic to the extent applicable.~~
- e. The costs associated with the retirement of a specified asset that qualifies as historical waste equipment as defined by EU Directive 2002/96/EC. (See paragraphs 410-20-55-23 through 55-30 and Example 4 [paragraph 410-20-55-63] for illustration of this guidance.) Paragraph 410-20-55-24 explains how the Directive distinguishes between new and historical waste and provides related implementation guidance.

410-20-15-3 The guidance in this Subtopic does not apply to the following transactions and activities:

- a. Obligations that arise solely from a plan to sell or otherwise dispose of a long-lived asset covered by Subtopic 360-10.
- b. An environmental remediation liability that results from the improper operation of a long-lived asset (see Subtopic 410-30). Obligations resulting from improper operations do not represent costs that are an integral part of the tangible long-lived asset and therefore should not be accounted for as part of the cost basis of the asset. For example, a certain amount of spillage may be inherent in the normal operations of a fuel storage facility, but a catastrophic accident caused by noncompliance with an entity's safety procedures is not. The obligation to clean up the spillage resulting from the normal operation of the fuel storage facility is within the scope of this Subtopic. The obligation to clean up after the catastrophic accident results from the improper use of the facility and is not within the scope of this Subtopic.
- c. Activities necessary to prepare an asset for an alternative use as they are not associated with the retirement of the asset.

- d. Historical waste held by private households. (The guidance in this paragraph does not pertain to an asset retirement obligation in the scope of this Subtopic.) For guidance on accounting for historical electronic equipment waste held by private households for obligations associated with Directive 2002/96/EC on Waste Electrical and Electronic Equipment adopted by the European Union, see Subtopic 720-40.
- e. Obligations of a **{add glossary link}**lessee**{add glossary link}** in connection with an underlying asset~~leased property~~, whether imposed by a **{add glossary link}**lease**{add glossary link}** agreement or by a party other than the lessor, that meet the definition of either ~~minimum~~ **{add glossary link}**lease payments**{add glossary link}** or **variable lease payments**~~contingent rentals~~ in Subtopic 842-10~~paragraphs 840-40-25-4 through 25-7~~. Those obligations shall be accounted for by the lessee in accordance with the requirements of Subtopic ~~842-10~~**840-40**. However, if obligations of a lessee in connection with an underlying asset~~leased property~~, whether imposed by a lease agreement or by a party other than the lessor, meet the provisions in paragraph 410-20-15-2 but do not meet the definition of either ~~minimum~~ lease payments or **variable lease payments**~~contingent rentals~~ in Subtopic 842-10~~paragraphs 840-40-25-4 through 25-7~~, those obligations shall be accounted for by the lessee in accordance with the requirements of this Subtopic.
- f. An obligation for asbestos removal that results from the other-than-normal operation of an asset. Such an obligation may be subject to the provisions of Subtopic 410-30.
- g. Costs associated with complying with funding or assurance provisions. Paragraph 410-20-35-9 otherwise addresses the measurement effects of funding and assurance provisions.
- h. Obligations associated with maintenance, rather than retirement, of a long-lived asset.
- i. The cost of a replacement part that is a component of a long-lived asset.

35. Amend paragraph 410-20-55-44, with a link to transition paragraph 842-10-65-1, as follows:

Implementation Guidance and Illustrations

> Illustrations

> > Example 2: Recognition and Measurement

> > > Case D: Conditional with Low Likelihood of Enforcement

410-20-55-44 This Case illustrates a timber lease in which the **{add glossary link}**lessor**{add glossary link}** has an option to require the **{add glossary link}**

~~link} lessee {add glossary link} to settle an asset retirement obligation. Assume an entity enters into a five-year {add glossary link} lease {add glossary link} agreement that grants it the right to harvest timber on a tract of land and that agreement grants the lessor an option to require that the lessee reforest the underlying land at the end of the {add glossary link} lease term {add glossary link}. Based on past history, the lessee believes that the likelihood that the lessor will exercise that option is low. Rather, at the end of the lease, the lessor will likely accept the land without requiring reforestation. The lessee estimates that there is only a 10 percent probability that the lessor will elect to enforce reforestation. Paragraph ~~840-10-45-15~~ 842-10-15-1 explains that Topic ~~842840~~ does not apply to leases of biological assets, including timber lease agreements concerning the rights to explore for or to exploit **natural resources** such as timber.~~

Amendments to Subtopic 420-10

36. Amend paragraph 420-10-05-2, with a link to transition paragraph 842-10-65-1, as follows:

Exit or Disposal Cost Obligations—Overall

Overview and Background

420-10-05-2 Those costs include, but are not limited to, the following:

- a. Involuntary employee termination benefits pursuant to a one-time benefit arrangement that, in substance, is not an ongoing benefit arrangement or an individual deferred compensation contract
- b. Costs to terminate a contract that is not a ~~capital~~ {add glossary link} lease {add glossary link}
- c. Other associated costs, including costs to consolidate or close facilities and relocate employees.

37. Amend paragraph 420-10-15-3, with a link to transition paragraph 842-10-65-1, as follows:

Scope and Scope Exceptions

> Transactions

420-10-15-3 The guidance in the Exit or Disposal Cost Obligations Topic applies to the following transactions and activities:

- a. Termination benefits provided to current employees that are involuntarily terminated under the terms of a benefit arrangement that, in substance,

is not an ongoing benefit arrangement or an individual deferred compensation contract (referred to as **one-time employee termination benefits**)

- b. Costs to terminate a contract that is not a ~~capital lease~~ **lease** (add glossary link) (see paragraphs 420-10-25-11 through 25-13 for further description of contract termination costs and paragraph ~~842-20-40-1840-30-40-4~~ for terminations of a ~~capital lease~~)
- c. Costs to consolidate facilities or relocate employees
- d. Costs associated with a disposal activity covered by Subtopic 205-20
- e. Costs associated with an exit activity, including exit activities associated with an entity newly acquired in a business combination or an **acquisition by a not-for-profit entity**.

38. Amend paragraph 420-10-25-11, with a link to transition paragraph 842-10-65-1, as follows:

Recognition

> Contract Termination Costs

420-10-25-11 For purposes of this Subtopic, costs to terminate ~~an operating lease or other a~~ contract (excluding leases within the scope of Topic 842) are either of the following:

- a. Costs to terminate the contract before the end of its term
- b. Costs that will continue to be incurred under the contract for its remaining term without economic benefit to the entity.

39. Supersede paragraph 420-10-30-8, with a link to transition paragraph 842-10-65-1, as follows:

Initial Measurement

> Contract Termination Costs

~~**420-10-30-8** Paragraph superseded by Accounting Standards Update No. 2016-02. If the contract is an operating lease, the fair value of the liability at the **cease-use date** shall be determined based on the remaining lease rentals, adjusted for the effects of any prepaid or deferred items recognized under the lease, and reduced by estimated sublease rentals that could be reasonably obtained for the property, even if the entity does not intend to enter into a sublease. Remaining lease rentals shall not be reduced to an amount less than zero.~~

40. Supersede paragraphs 420-10-55-11 through 55-15 and their related heading, with a link to transition paragraph 842-10-65-1, as follows:

Implementation Guidance and Illustrations

> Illustrations

>> **Example 4: Costs to Terminate an Operating Lease**

420-10-55-11 Paragraph superseded by Accounting Standards Update No. 2016-02. This Example illustrates the guidance in paragraphs 420-10-25-11 through 25-13 and paragraphs 420-10-30-7 through 30-9 related to terminating an operating lease at the **cease use date** and after the cease use date.

420-10-55-12 Paragraph superseded by Accounting Standards Update No. 2016-02. An entity leases a facility under an operating lease that requires the entity to pay lease rentals of \$100,000 per year for 10 years. After using the facility for five years, the entity commits to an exit plan. In connection with that plan, the entity will cease using the facility in 1 year (after using the facility for 6 years), at which time the remaining lease rentals will be \$400,000 (\$100,000 per year for the remaining term of 4 years). In accordance with paragraphs 420-10-30-7 through 30-9, a liability for the remaining lease rentals, reduced by actual (or estimated) sublease rentals, would be recognized and measured at its fair value at the cease use date (as illustrated in the following paragraph). In accordance with paragraphs 420-10-35-1 through 35-4, the liability would be adjusted for changes, if any, resulting from revisions to estimated cash flows after the cease use date, measured using the credit adjusted risk free rate that was used to measure the liability initially (as illustrated in paragraph 420-10-55-15).

420-10-55-13 Paragraph superseded by Accounting Standards Update No. 2016-02. Based on market rentals for similar leased property, the entity determines that if it desired, it could sublease the facility and receive sublease rentals of \$300,000 (\$75,000 per year for the remaining lease term of 4 years). However, for competitive reasons, the entity decides not to sublease the facility (or otherwise terminate the lease) at the cease use date. The fair value of the liability at the cease use date is \$89,427, estimated using an expected present value technique. The expected net cash flows of \$100,000 (\$25,000 per year for the remaining lease term of 4 years) are discounted using a credit adjusted risk free rate of 8 percent. In this case, a risk premium is not considered in the present value measurement. Because the lease rentals are fixed by contract and the estimated sublease rentals are based on market prices for similar leased property for other entities having similar credit standing as the entity, there is little uncertainty in the amount and timing of the expected cash flows used in estimating fair value at the cease use date and any risk premium would be insignificant. In other circumstances, a risk premium would be appropriate if it is significant. Thus, a liability (expense) of \$89,427 would be recognized at the cease use date.

420-10-55-14 Paragraph superseded by Accounting Standards Update No. 2016-02. Accretion expense would be recognized after the cease use date in accordance

with the guidance beginning in paragraph 420-10-35-1 and in paragraph 420-10-45-5. (The entity will recognize the impact of deciding not to sublease the property over the period the property is not subleased. For example, in the first year after the cease-use date, an expense of \$75,000 would be recognized as the impact of not subleasing the property, which reflects the annual lease payment of \$100,000 net of the liability extinguishment of \$25,000.)

~~420-10-55-15 Paragraph superseded by Accounting Standards Update No. 2016-02. At the end of one year, the competitive factors referred to above are no longer present. The entity decides to sublease the facility and enters into a sublease. The entity will receive sublease rentals of \$250,000 (\$83,333 per year for the remaining lease term of 3 years), negotiated based on market rentals for similar leased property at the sublease date. The entity adjusts the carrying amount of the liability at the sublease date to \$46,388 to reflect the revised expected net cash flows of \$50,000 (\$16,667 per year for the remaining lease term of 3 years), which are discounted at the credit-adjusted risk-free rate that was used to measure the liability initially (8 percent). Accretion expense would be recognized after the sublease date in accordance with the guidance beginning in paragraph 420-10-35-1 and in paragraph 420-10-45-5.~~

Amendments to Subtopic 440-10

41. Amend paragraphs 440-10-25-1 through 25-2, with a link to transition paragraph 842-10-65-1, as follows:

Commitments—Overall

Recognition

Unconditional Purchase Obligations

440-10-25-1 Depending on its terms, an **unconditional purchase obligation** can be subject to the guidance in Topic ~~842840~~, to the guidance in Topic 815, or to neither.

440-10-25-2 The guidance in Section ~~842-10-15840-10-15~~ and paragraph ~~840-10-55-26~~ shall be applied first to determine whether an unconditional purchase obligation is within the scope of Topic ~~840842~~.

42. Amend paragraphs 440-10-50-1 and 440-10-50-3, with a link to transition paragraph 842-10-65-1, as follows:

Disclosure

General

440-10-50-1 Notwithstanding more explicit disclosures required elsewhere in this Codification, all of the following situations shall be disclosed in financial statements:

- a. Unused letters of credit
- b. ~~Leases~~ ~~Long-term leases~~ (see ~~Section 842-20-50~~ ~~Sections 840-10-50, 840-20-50, and 840-30-50~~)
- c. Assets pledged as security for loans
- d. Pension plans (see Section 715-20-50)
- e. The existence of cumulative preferred stock dividends in arrears
- f. Commitments, including:
 1. A commitment for plant acquisition
 2. An obligation to reduce debts
 3. An obligation to maintain working capital
 4. An obligation to restrict dividends.

Unconditional Purchase Obligations

440-10-50-3 Future ~~minimum~~ ~~{add glossary link}~~ lease payments ~~{add glossary link}~~ under ~~{add glossary link}~~ leases ~~{add glossary link}~~ that meet the conditions in paragraph 440-10-50-2 need not be disclosed in accordance with ~~the following~~ paragraph 440-10-50-4 or paragraph 440-10-50-6 if those future ~~minimum~~ lease payments are disclosed in accordance with Section 842-20-50 ~~the Lessees Subsections of Sections 840-10-50; 840-20-50; and 840-30-50.~~

43. Amend paragraphs 440-10-60-12 through 60-13, with a link to transition paragraph 842-10-65-1, as follows:

Relationships

> Leases

440-10-60-12 For commitments under leases ~~lease agreements~~, see Topic 842-840.

440-10-60-13 For nuclear fuel leases structured as **take-or-pay contracts**, see paragraph ~~840-10-55-7~~ 842-10-55-1.

Amendments to Subtopic 450-10

44. Amend paragraph 450-10-60-8, with a link to transition paragraph 842-10-65-1, as follows:

Contingencies—Overall

Relationships

> Leases

450-10-60-8 For variable lease paymentscontingent rentals, see paragraphs 842-20-55-1 through 55-2~~paragraph 840-10-25-35~~.

Amendments to Subtopic 450-20

45. Amend paragraphs 450-20-60-15 through 60-16, with a link to transition paragraph 842-10-65-1, as follows:

Contingencies—Loss Contingencies

Relationships

> Leases

450-20-60-15 For variable lease paymentscontingent rent, see paragraphs 842-20-55-1 through 55-2~~paragraph 840-10-25-35~~.

450-20-60-16 For the classification effects of a provision in a lease that requires lessee indemnifications for environmental contamination caused by the lessee during its use of the property, see paragraph ~~840-10-25-12~~842-10-55-15.

Amendments to Subtopic 450-30

46. Amend paragraph 450-30-60-5, with a link to transition paragraph 842-10-65-1, as follows:

Contingencies—Gain Contingencies

Relationships

> Leases

450-30-60-5 For a lessor's accounting for income from variable lease paymentscontingent rental income, see paragraphs 842-30-25-2 (for sales-type

leases), 842-30-25-9 (for **direct financing leases**), and 842-30-25-11 (for **operating leases**) paragraph 840-10-50-5.

Amendments to Subtopic 460-10

47. Amend paragraph 460-10-15-7, with a link to transition paragraph 842-10-65-1, as follows:

Guarantees—Overall

Scope and Scope Exceptions

> Transactions

> > Transactions That Are Excluded from the Scope of This Topic

460-10-15-7 The guidance in this Topic does not apply to the following types of guarantee contracts:

- a. A guarantee or an indemnification that is excluded from the scope of Topic 450 (see paragraph 450-20-15-2—primarily employment-related guarantees)
- b. A lessee's guarantee of the residual value of the ~~leased property~~ **underlying asset** at the expiration of the **lease term under Topic 842**, ~~if the lessee (guarantor) accounts for the lease as a capital lease under Subtopic 840-30~~
- c. A contract that meets the characteristics in paragraph 460-10-15-4(a) but is accounted for as **variable lease payments** ~~contingent rent under Topic 842 Subtopic 840-30~~
- d. A guarantee (or an indemnification) that is issued by either an insurance entity or a reinsurance entity and accounted for under Topic 944 (including guarantees embedded in either insurance contracts or investment contracts)
- e. A contract that meets the characteristics in paragraph 460-10-15-4(a) but provides for payments that constitute a vendor rebate (by the guarantor) based on either the sales revenues of, or the number of units sold by, the guaranteed party
- f. A contract that provides for payments that constitute a vendor rebate (by the guarantor) based on the volume of purchases by the buyer (because the underlying relates to an asset of the seller, not the buyer who receives the rebates)
- g. A guarantee or an indemnification whose existence prevents the guarantor from being able to either account for a transaction as the sale

- of an asset that is related to the guarantee's underlying or recognize in earnings the profit from that sale transaction
- h. A registration payment arrangement within the scope of Subtopic 825-20 (see Section 825-20-15)
 - i. A guarantee or an indemnification of an entity's own future performance (for example, a guarantee that the guarantor will not take a certain future action)
 - j. A guarantee that is accounted for as a **credit derivative** at fair value under Topic 815
 - k. A sales incentive program in which a manufacturer contractually guarantees to reacquire the equipment at a guaranteed price or guaranteed prices at a specified time, or at specified time periods (for example, the entity is obligated to reacquire the equipment or the entity is obligated at the **customer's** request to reacquire the equipment). That program shall be evaluated in accordance with Topic 606 on **revenue** from **contracts** with customers, specifically the implementation guidance on repurchase agreements in paragraphs 606-10-55-66 through 55-78.

For related implementation guidance, see Section 460-10-55.

48. Amend paragraph 460-10-25-1, with a link to transition paragraph 842-10-65-1, as follows:

Recognition

460-10-25-1 The following types of guarantees are not subject to the recognition provisions of this Subsection:

- a. A guarantee that is accounted for as a derivative instrument at fair value under Topic 815.
- b. A product **warranty** or other guarantee for which the **underlying** is related to the performance (regarding function, not price) of nonfinancial assets that are owned by the guaranteed party (see paragraph 460-10-15-9 for related guidance).
- c. A guarantee issued in a business combination or an **acquisition by a not-for-profit entity** that represents contingent consideration (as addressed in Subtopics 805-30 and 958-805).
- d. A guarantee for which the guarantor's obligation would be reported as an equity item rather than a liability under generally accepted accounting principles (GAAP) (see Topics 480 and 505).
- e. A guarantee by an original **{add glossary link}**lessee**{add glossary link}** that has become secondarily liable under a new **{add glossary link}**lease**{add glossary link}** that relieved the original lessee from being the primary obligor (that is, principal debtor) under the original lease, as discussed in paragraph ~~840-30-40-58~~42-20-40-3. This exception shall

not be applied by analogy to other secondary obligations ~~that are not accounted for under that paragraph.~~

- f. A guarantee issued either between parents and their subsidiaries or between corporations under common control.
- g. A parent's guarantee of its subsidiary's debt to a third party (whether the parent is a corporation or an individual).
- h. A subsidiary's guarantee of the debt owed to a third party by either its parent or another subsidiary of that parent.

49. Amend paragraph 460-10-30-2, with a link to transition paragraph 842-10-65-1, as follows:

Initial Measurement

> Fair Value Objective

460-10-30-2 Except as indicated in paragraphs 460-10-30-3 through 30-4, the objective of the initial measurement of a guarantee liability is the fair value of the guarantee at its inception. For example:

- a. If a guarantee is issued in a standalone arm's-length transaction with an unrelated party, the liability recognized at the inception of the guarantee shall be the premium received or receivable by the guarantor as a practical expedient.
- b. If a guarantee is issued as part of a transaction with multiple elements with an unrelated party (such as in conjunction with selling an asset ~~or entering into an operating lease~~), the liability recognized at the inception of the guarantee should be an estimate of the guarantee's fair value. In that circumstance, a guarantor shall consider what premium would be required by the guarantor to issue the same guarantee in a standalone arm's-length transaction with an unrelated party as a practical expedient.
- c. If a guarantee is issued as a contribution to an unrelated party, the liability recognized at the inception of the guarantee shall be measured at its fair value, consistent with the requirement to measure the contribution made at fair value, as prescribed in Section 720-25-30. For related implementation guidance, see paragraph 460-10-55-14.

50. Amend paragraphs 460-10-55-17 and 460-10-55-23, with a link to transition paragraph 842-10-65-1, as follows:

Implementation Guidance and Illustrations

> Implementation Guidance

>> Scope Guidance—Guarantees Outside the Scope of This Topic Entirely

>>> Guarantees That Prevent Sale Accounting

460-10-55-17 The following are examples of contracts ~~is an example of a contract that are~~ outside the scope of this Topic because ~~they are~~ it is of the type described in paragraph 460-10-15-7(g):

- a. ~~Subparagraph superseded by Accounting Standards Update No. 2016-02. A seller's guarantee of the return of a buyer's investment or return on investment of a real estate property as discussed in paragraph 360-20-40-41 for real estate sale leaseback transactions.~~
- b. ~~Subparagraph superseded by Accounting Standards Update No. 2016-02. A seller's guarantee of a specified level of operations of a real estate property, as discussed in paragraphs 360-20-40-42 through 40-44 for real estate sale leaseback transactions.~~
- c. A transaction that involves sale of a marketable security to a third-party buyer with the buyer having an option to put the security back to the seller at a specified future date or dates for a fixed price, if the existence of the put option prevents the transferor from accounting for the transaction as a sale, as described in paragraphs 860-20-55-20 through 55-23.
- d. ~~Subparagraph superseded by Accounting Standards Update No. 2016-02. A seller-lessee's residual value guarantee if that guarantee results in the seller-lessee deferring profit from the sale greater than or equal to the gross amount of the guarantee (see paragraphs 840-40-55-26 through 55-28).~~
- e. Subparagraph superseded by Accounting Standards Update No. 2014-09.

>>> Recognition and Measurement Guidance—Overall Guidance

460-10-55-23 Although paragraph 460-10-25-4 does not prescribe a specific account, the following illustrate a guarantor's offsetting entries when it recognizes the liability at the inception of the guarantee:

- a. If the guarantee were issued in a standalone transaction for a premium, the offsetting entry would be consideration received (such as cash or a receivable).
- b. If the guarantee were issued in conjunction with the sale of assets, a product, or a business, the overall proceeds (such as the cash received or receivable) would be allocated between the consideration being remitted to the guarantor for issuing the guarantee and the proceeds from the sale. That allocation would affect the calculation of the gain or loss on the sale transaction.
- c. If the guarantee were issued in conjunction with the formation of a partially owned business or a venture accounted for under the equity

method, the recognition of the liability for the guarantee would result in an increase to the carrying amount of the investment.

- d. ~~Subparagraph superseded by Accounting Standards Update No. 2016-02. If a residual value guarantee were provided by a lessee guarantor when entering into an operating lease, the offsetting entry (representing a payment in kind made by the lessee when entering into the operating lease) would be reflected as prepaid rent, which would be accounted for under Section 840-20-25.~~
- e. If a guarantee were issued to an unrelated party for no consideration on a standalone basis (that is, not in conjunction with any other transaction or ownership relationship), the offsetting entry would be to expense.

51. Amend paragraphs 460-10-60-3, 460-10-60-16 through 60-18, 460-10-60-20 through 60-24, and 460-10-60-32 and supersede paragraphs 460-10-60-19, 460-10-60-25 through 60-27, 460-10-60-29 through 60-31, and 460-10-60-33, with a link to transition paragraph 842-10-65-1, as follows:

Relationships

> Property, Plant, and Equipment

460-10-60-3 For a seller's guarantee of a return of the buyer's investment in real estate or a seller's guarantee of a return on that investment for an extended period, see ~~paragraph 360-20-40-41~~ Subtopic 842-40 for ~~real estate sale leaseback sale and leaseback~~ transactions.

> Leases

460-10-60-16 For the effect on the ~~{add glossary link}~~lease term~~{add glossary link}~~ of a provision or condition that in substance is a guarantee of a ~~{add glossary link}~~lessor's~~{add glossary link}~~ debt or a loan to a lessor by the ~~{add glossary link}~~lessee~~{add glossary link}~~ that is related to the underlying asset~~leased property~~ but is structured in such a manner that it does not represent a direct guarantee or loan, see the definition of ~~{remove glossary link}~~lease term~~{remove glossary link}~~.

460-10-60-17 For the effects on ~~minimum~~~~{add glossary link}~~lease payments~~{add glossary link}~~ of a guarantee by the lessee of the lessor's debt, see paragraph 842-10-30-6~~840-10-25-5~~.

460-10-60-18 For the effects on ~~minimum~~lease payments of a guarantee by the lessee of the residual value of the ~~leased property~~underlying asset at the expiration of the lease term, see paragraphs 840-10-25-6 and 840-10-55-8 through 55-40842-10-30-5 and 842-10-55-34 through 55-36.

~~460-10-60-19 Paragraph superseded by Accounting Standards Update No. 2016-02. For allocation of a residual value or first loss guarantee to minimum lease payments in leases involving land and building(s), see paragraphs 840-10-25-21 through 25-22.~~

~~460-10-60-20 For a determination of whether a residual value guarantee is subject to the requirements of Topic 815, see paragraph 840-10-45-20~~842-10-15-43.

~~460-10-60-21 For the classification of a lease that includes a commitment by a lessor to guarantee performance of the leased property underlying asset in a manner more extensive than a typical product warranty or to effectively protect the lessee from obsolescence of the leased property underlying asset, see paragraphs 840-10-25-42 through 25-43~~842-10-55-32 through 55-33.

~~460-10-60-22 For a manufacturer's guarantee of the resale value of equipment to the purchaser, see paragraphs 840-10-55-12 through 55-25~~842-30-55-1 through 55-15.

~~460-10-60-23 For a lessee's indemnification for environmental contamination, see paragraph 840-10-25-13~~842-10-55-15.

~~460-10-60-24 For a guarantee by a lessee of the leased property's underlying asset's residual value in an operating lease transaction, see paragraph 840-20-30-4~~paragraphs 842-10-30-5 and 842-10-55-34 through 55-36.

~~460-10-60-25 Paragraph superseded by Accounting Standards Update No. 2016-02. For a guarantee by a lessee of the leased property's residual value in a capital lease transaction, see Section 840-30-35.~~

~~460-10-60-26 Paragraph superseded by Accounting Standards Update No. 2016-02. For classification of a lease that contains an entity's unsecured guarantee of its own lease payments, see paragraph 840-40-25-15.~~

~~460-10-60-27 Paragraph superseded by Accounting Standards Update No. 2016-02. For classification of a lease that contains an unsecured guarantee of the lease payments of one member of a consolidated group by another member of the consolidated group, see paragraph 840-40-25-16.~~

~~460-10-60-28 Paragraph superseded by Accounting Standards Update No. 2012-04.~~

~~460-10-60-29 Paragraph superseded by Accounting Standards Update No. 2016-02. For an indemnification or guarantee of an owner lessor against third party claims relating to construction completion in a sale leaseback transaction, see paragraph 840-40-55-9.~~

~~460-10-60-30 Paragraph superseded by Accounting Standards Update No. 2016-02. For an indemnification or guarantee of an owner lessor against third party damage claims other than claims caused by or resulting from the lessee's own~~

~~actions or failures to act while in possession or control of the construction project in a sale leaseback transaction, see paragraph 840-40-55-15.~~

~~**460-10-60-31** Paragraph superseded by Accounting Standards Update No. 2016-02. For an indemnification or guarantee by the seller-lessee to a party other than the owner-lessor in a sale leaseback transaction, see paragraph 840-40-55-15.~~

~~**460-10-60-32** For a guarantee by the seller-lessee of the leased property's underlying asset's residual value in a sale leaseback sale and leaseback transaction, see paragraph 840-40-55-26/842-40-55-19.~~

~~**460-10-60-33** Paragraph superseded by Accounting Standards Update No. 2016-02. For the effect of providing an independent third-party guarantee of the lease payments in a sale leaseback transaction, see paragraph 840-40-25-14.~~

Amendments to Subtopic 470-10

52. Amend paragraph 470-10-60-4, with a link to transition paragraph 842-10-65-1, as follows:

Debt—Overall

Relationships

> Leases

~~**470-10-60-4** For guidance on the classification of obligations under capital **{add glossary link}** leases **{add glossary link}**, see paragraphs 840-30-45-1 through 45-3/842-20-45-1 through 45-4.~~

Amendments to Subtopic 470-60

53. Amend paragraph 470-60-15-11, with a link to transition paragraph 842-10-65-1, as follows:

Debt—Troubled Debt Restructurings by Debtors

Scope and Scope Exceptions

> Other Considerations

> > Troubled Debt Restructuring

470-60-15-11 For purposes of this Subtopic, none of the following are considered troubled debt restructurings:

- a. **Lease modifications**~~Changes in lease agreements~~ (for guidance, see Topic ~~842~~**840**)
- b. Changes in employment-related agreements, for example, pension plans and deferred compensation contracts
- c. Unless they involve an agreement between debtor and creditor to restructure, neither of the following:
 - 1. Debtors' failures to pay trade accounts according to their terms
 - 2. Creditors' delays in taking legal action to collect overdue amounts of interest and principal.

Amendments to Subtopic 606-10

54. Amend paragraph 606-10-15-2(a), with a link to transition paragraph 842-10-65-1, as follows:

Revenue from Contracts with Customers—Overall

Scope and Scope Exceptions

> Transactions

606-10-15-2 An entity shall apply the guidance in this Topic to all **contracts** with **customers**, except the following:

- a. Lease contracts within the scope of Topic ~~842~~**840**, Leases.

55. Amend paragraphs 606-10-55-68, 606-10-55-72, and 606-10-55-407, with a link to transition paragraph 842-10-65-1, as follows:

Implementation Guidance and Illustrations

> Implementation Guidance

> > Repurchase Agreements

> > > A Forward or a Call Option

606-10-55-68 If an entity has an obligation or a right to repurchase the asset (a forward or a call option), a **customer** does not obtain control of the asset because

the customer is limited in its ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset even though the customer may have physical possession of the asset. Consequently, the entity should account for the **contract** as either of the following:

- a. A **{add glossary link}lease{add glossary link}** in accordance with Topic ~~842-840~~ on leases, if the entity can or must repurchase the asset for an amount that is less than the original selling price of the asset unless the contract is part of a sale and leaseback~~sale-leaseback~~ transaction. If the contract is part of a sale and leaseback~~sale-leaseback~~ transaction, the entity should account for the contract as a financing arrangement and not as a sale and leaseback~~transaction~~sale-leaseback in accordance with Subtopic ~~842-40840-40~~.
- b. A financing arrangement in accordance with paragraph 606-10-55-70, if the entity can or must repurchase the asset for an amount that is equal to or more than the original selling price of the asset.

>>> A Put Option

606-10-55-72 If an entity has an obligation to repurchase the asset at the **customer's** request (a put option) at a price that is lower than the original selling price of the asset, the entity should consider at contract inception whether the customer has a significant economic incentive to exercise that right. The customer's exercising of that right results in the customer effectively paying the entity consideration for the right to use a specified asset for a period of time. Therefore, if the customer has a significant economic incentive to exercise that right, the entity should account for the agreement as a lease in accordance with Topic ~~842-840~~ on leases unless the contract is part of a sale and leaseback~~sale-leaseback~~ transaction. If the contract is part of a sale and leaseback~~sale-leaseback~~ transaction, the entity should account for the contract as a financing arrangement and not as a sale and leaseback~~transaction~~sale-leaseback in accordance with Subtopic ~~842-40840-40~~.

> Illustrations

>> Repurchase Agreements

>>> Example 62—Repurchase Agreements

>>>> Case B—Put Option: Lease

606-10-55-405 Instead of having a call option, the contract includes a put option that obliges the entity to repurchase the asset at the customer's request for

\$900,000 on or before December 31, 20X7. The market value is expected to be \$750,000 on December 31, 20X7.

606-10-55-406 At the inception of the contract, the entity assesses whether the customer has a significant economic incentive to exercise the put option, to determine the accounting for the transfer of the asset (see paragraphs 606-10-55-72 through 55-78). The entity concludes that the customer has a significant economic incentive to exercise the put option because the repurchase price significantly exceeds the expected market value of the asset at the date of repurchase. The entity determines there are no other relevant factors to consider when assessing whether the customer has a significant economic incentive to exercise the put option. Consequently, the entity concludes that control of the asset does not transfer to the customer because the customer is limited in its ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

606-10-55-407 In accordance with paragraphs 606-10-55-72 through 55-73, the entity accounts for the transaction as a lease in accordance with Topic ~~842~~840 on leases.

Amendments to Subtopic 610-10

56. Amend paragraph 610-10-05-1, with a link to transition paragraph 842-10-65-1, as follows:

Other Income—Overall

Overview and Background

610-10-05-1 The Other Income Topic specifies standards of financial accounting and reporting for income recognized that is not in a **contract** with a **customer** within the scope of Topic 606 on **revenue** from contracts with customers, other Topics (such as Topic ~~842~~840 on leases and Topic 944 on insurance), or in accordance with other revenue or income recognition guidance.

Amendments to Subtopic 610-20

57. Amend paragraph 610-20-15-3, with a link to transition paragraph 842-10-65-1, as follows:

Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets

Scope and Scope Exceptions

> Other Considerations

610-20-15-3 The guidance in this Subtopic does not apply to the following:

- a. The derecognition of a nonfinancial asset, including an in substance nonfinancial asset, in a **contract** with a **customer**, see Topic 606 on revenue from contracts with customers
- b. The derecognition of a subsidiary or group of assets that constitutes a **business** or **nonprofit activity** (excluding an in substance nonfinancial asset), see Section 810-10-40 on consolidation
- c. ~~Real estate sale leaseback~~ Sale and leaseback transactions, see ~~Subtopics 360-20 and 840-40~~ Subtopic 842-40 on leases
- d. A conveyance of oil and gas mineral rights, see Subtopic 932-360 on extractive activities
- e. A transfer of a nonfinancial asset to another entity in exchange for a noncontrolling ownership interest in that entity, see the guidance on exchanges of a nonfinancial asset for a noncontrolling ownership interest in Section 845-10-30.

Amendments to Subtopic 740-10

58. Amend paragraph 740-10-25-3(c), with a link to transition paragraph 842-10-65-1, as follows:

Income Taxes—Overall

Recognition

740-10-25-2 Other than the exceptions identified in the following paragraph, the following basic requirements are applied in accounting for income taxes at the date of the financial statements:

- a. A tax liability or asset shall be recognized based on the provisions of this Subtopic applicable to tax positions, in paragraphs 740-10-25-5 through 25-17, for the estimated taxes payable or refundable on tax returns for the current and prior years.
- b. A **deferred tax liability** or **asset** shall be recognized for the estimated future tax effects attributable to **temporary differences** and **carryforwards**.

740-10-25-3 The only exceptions in applying those basic requirements are:

- c. The pattern of recognition of after-tax income for **{add glossary link}** leveraged leases **{add glossary link}** or the allocation of the purchase price in a purchase business combination to acquired leveraged leases as required by Subtopic ~~842-50840-30~~

59. Amend paragraphs 740-10-55-156 and 740-10-55-158, with a link to transition paragraph 842-10-65-1, as follows:

Implementation Guidance and Illustrations

> Illustrations

> > Example 20: Interaction of Loss Carryforwards and Temporary Differences

740-10-55-156 This Example illustrates the guidance in paragraph 740-10-55-37 for the interaction of loss carryforwards and temporary differences that will result in net deductible amounts in future years. This Example has the following assumptions:

- The financial loss and the loss reported on the tax return for an entity's first year of operations are the same.
- In Year 2, a gain of \$2,500 from a transaction that is a sale for tax purposes but does not meet the sale recognition criteria for financial reporting purposes ~~a sale and leaseback for financial reporting~~ is the only difference between pretax financial income and taxable income.

740-10-55-157 Financial and taxable income in this Example are as follows.

	Financial Income	Taxable Income
Year 1: Income (loss) from operations	<u>\$ (4,000)</u>	<u>\$ (4,000)</u>
Year 2: Income (loss) from operations	<u>\$ -</u>	<u>\$ -</u>
Taxable gain on sale		<u>2,500</u>
Taxable income before loss carryforward		<u>2,500</u>
Loss carryforward from Year 1		<u>(4,000)</u>
Taxable income		<u>\$ -</u>

740-10-55-158 The \$4,000 operating loss carryforward at the end of Year 1 is reduced to \$1,500 at the end of Year 2 because \$2,500 of it is used to reduce taxable income. The \$2,500 reduction in the loss carryforward becomes \$2,500 of

deductible temporary differences that will reverse and result in future tax deductions when the sale occurs (that is, control of the asset transfers to the buyer-
lessor) lease payments are made. The entity has no deferred tax liability to be offset by those future tax deductions, the future tax deductions cannot be realized by loss carryback because no taxes have been paid, and the entity has had pretax losses for financial reporting since inception. Unless positive evidence exists that is sufficient to overcome the negative evidence associated with those losses, a valuation allowance is recognized at the end of Year 2 for the full amount of the deferred tax asset related to the \$2,500 of deductible temporary differences and the remaining \$1,500 of operating loss carryforward.

60. Amend paragraph 740-10-60-4, with a link to transition paragraph 842-10-65-1, as follows:

Relationships

> Leases

740-10-60-4 For the specific requirements for accounting for income taxes related to **{add glossary link}** leveraged leases**{add glossary link}**, see Subtopic 842-50840-30.

Amendments to Subtopic 740-270

61. Amend paragraph 740-270-30-15, with a link to transition paragraph 842-10-65-1, as follows:

Income Taxes—Interim Reporting

Initial Measurement

> Exclusion of Items from Estimated Annual Effective Tax Rate

> > Certain Tax Credits

740-270-30-15 Further, paragraphs 842-50-30-1 and 842-50-35-3 through 35-4
840-30-30-14 and 840-30-35-34 through 35-35 require that investment tax credits related to leases that are accounted for as **{add glossary link}** leveraged leases**{add glossary link}** shall be deferred and accounted for as return on the net investment in the leveraged leases in the years in which the net investment is positive and explains that the use of the term *years* is not intended to preclude application of the accounting described to shorter periods. If an entity accounts for

investment tax credits related to leveraged leases in accordance with those paragraphs for interim periods, those investment tax credits shall not be taken into account in estimating the annual effective tax rate.

Amendments to Subtopic 805-10

62. Amend paragraph 805-10-55-44, with a link to transition paragraph 842-10-65-1, as follows:

Business Combinations—Overall

Implementation Guidance and Illustrations

> Illustrations

> > Example 5: Illustration of Disclosure Requirements

805-10-55-44 Paragraph 805-20-50-1(b)

The fair value of the financial assets acquired includes receivables under ~~capital leases~~ sales-type leases or direct financing leases of data networking equipment with a fair value of \$2,000. The gross amount due under the contracts is \$3,100, of which \$450 is expected to be uncollectible.

Amendments to Subtopic 805-20

63. Amend paragraphs 805-20-25-5, 805-20-25-8 through 25-9, 805-20-25-11 through 25-12, and 805-20-25-16 through 25-17, add paragraphs 805-20-25-10A and 805-20-25-28A through 25-28B and their related heading, and supersede paragraph 805-20-25-13, with a link to transition paragraph 842-10-65-1, as follows:

Business Combinations—Identifiable Assets and Liabilities, and Any Noncontrolling Interest

Recognition

> Recognition Principle

> > Recognition Conditions

805-20-25-5 Paragraphs 805-20-25-11 through ~~25-12~~ 25-13 provide guidance on recognizing operating leases and paragraphs 805-20-55-2 through 55-45 provide

guidance on recognizing ~~other~~ intangible assets. Paragraphs 805-20-25-17 through ~~25-28-25-28B~~ specify the types of identifiable assets and liabilities that include items for which this Subtopic and Subtopic 805-740 provide limited exceptions to the recognition principle and conditions in paragraphs 805-20-25-1 through 25-3.

> > **Classifying or Designating Identifiable Assets Acquired and Liabilities Assumed in a Business Combination**

805-20-25-6 At the acquisition date, the acquirer shall classify or designate the identifiable assets acquired and liabilities assumed as necessary to subsequently apply other GAAP. The acquirer shall make those classifications or designations on the basis of the contractual terms, economic conditions, its operating or accounting policies, and other pertinent conditions as they exist at the acquisition date.

805-20-25-8 This Section provides the following two exceptions to the principle in paragraph 805-20-25-6:

- a. Classification of a lease ~~of an acquiree contract as either an operating lease or a capital lease shall be~~ in accordance with the guidance in paragraph ~~840-10-25-27~~842-10-55-11.
- b. Classification of a contract written by an entity that is in the scope of Subtopic 944-10 as an insurance or reinsurance contract or a deposit contract. The acquirer shall classify ~~those contracts that contract~~ on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the acquisition date). **[Content amended as shown and moved from below]**

~~The acquirer shall classify those contracts on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the acquisition date).~~ **[Content amended and moved to (b) above]**

> **Recognizing Particular Assets Acquired and Liabilities Assumed**

805-20-25-9 Guidance on recognizing identifiable intangible assets, including ~~operating leases and~~ reacquired rights, follows.

> > **Identifiable Intangible Assets**

805-20-25-10 The acquirer shall recognize separately from goodwill the identifiable intangible assets acquired in a business combination. An intangible asset is identifiable if it meets either the separability criterion or the contractual-legal criterion described in the definition of identifiable. Additional guidance on applying that definition is provided in paragraphs 805-20-25-14 through 25-15, 805-20-55-2 through 55-45, and Example 1 (see paragraph 805-20-55-52). For guidance on the recognition and subsequent measurement of a **defensive intangible asset**, see Subtopic 350-30.

805-20-25-10A An identifiable intangible asset may be associated with a lease ~~an operating~~ **{add glossary link}**, which may be evidenced by market participants' willingness to pay a price for the lease even if it is at market terms. For example, a lease of gates at an airport or of retail space in a prime shopping area might provide entry into a market or other future economic benefits that qualify as identifiable intangible assets, such as a customer relationship. In that situation, the acquirer shall recognize the associated identifiable intangible asset(s) in accordance with paragraph 805-20-25-10. **[Content amended as shown and moved from paragraph 805-20-25-13]**

> > Operating Leases

805-20-25-11 The acquirer shall recognize ~~no~~ assets or liabilities related to an ~~operating lease~~ **{add glossary link}** in which the acquiree is the ~~lessee~~ **{add glossary link}** ~~except~~—as required by paragraphs 805-20-25-12 through 25-13 ~~805-20-25-10A and 805-20-25-28A~~.

805-20-25-12 Regardless of whether the acquiree is the lessee or the ~~lessor~~ **{add glossary link}**, the acquirer shall determine whether the terms of each of an acquiree's operating leases are favorable or unfavorable compared with the market terms of leases of the same or similar items at the acquisition date. ~~If the acquiree is a lessor, the~~ The acquirer shall recognize an intangible asset if the terms of an operating lease are favorable relative to market terms and a liability if the terms are unfavorable relative to market terms. If the acquiree is a lessee, the acquirer shall adjust the measurement of the acquired **right-of-use asset** for any favorable or unfavorable terms in accordance with paragraph 805-20-30-24.

805-20-25-13 ~~Paragraph superseded by Accounting Standards Update No. 2016-02. An identifiable intangible asset may be associated with an operating lease, which may be evidenced by market participants' willingness to pay a price for the lease even if it is at market terms. For example, a lease of gates at an airport or of retail space in a prime shopping area might provide entry into a market or other future economic benefits that qualify as identifiable intangible assets, such as a customer relationship. In that situation, the acquirer shall recognize the associated identifiable intangible asset(s) in accordance with paragraph 805-20-25-10. **[Content amended and moved to paragraph 805-20-25-10A]**~~

> Exceptions to the Recognition Principle

805-20-25-16 This Topic provides limited exceptions to the recognition and measurement principles applicable to business combinations. Paragraphs 805-20-25-17 through ~~25-28~~25-28B specify the types of identifiable assets and liabilities that include items for which this Subtopic provides limited exceptions to the recognition principle in paragraph 805-20-25-1. The acquirer shall apply the specified GAAP or the specified requirements rather than that recognition principle to determine when to recognize the assets or liabilities identified in paragraphs 805-20-25-17 through ~~25-28~~25-28B. That will result in some items being recognized either by applying recognition conditions in addition to those in paragraphs 805-20-25-2 through 25-3 or by applying the requirements of other GAAP, with results that differ from applying the recognition principle and conditions in paragraphs 805-20-25-1 through 25-3.

805-20-25-17 Guidance is presented on all of the following exceptions to the recognition principle:

- a. Assets and liabilities arising from contingencies
- b. Income taxes
- c. Employee benefits
- d. Indemnification assets.
- e. Leases.

> > Leases

805-20-25-28A The acquirer shall recognize assets and liabilities arising from leases of an acquiree in accordance with Topic 842 on leases (taking into account the requirements in paragraph 805-20-25-8(a)).

805-20-25-28B For leases for which the acquiree is a lessee, the acquirer may elect, as an accounting policy election by class of underlying asset and applicable to all of the entity's acquisitions, not to recognize assets or liabilities at the acquisition date for leases that, at the acquisition date, have a remaining lease term of 12 months or less. This includes not recognizing an intangible asset if the terms of an operating lease are favorable relative to market terms or a liability if the terms are unfavorable relative to market terms.

64. Amend paragraphs 805-20-30-10 through 30-12 and add paragraphs 805-20-30-24 through 30-25 and their related headings, with a link to transition paragraph 842-10-65-1, as follows:

Initial Measurement

> Exceptions to the Measurement Principle

805-20-30-10 Paragraph 805-20-25-16 notes that the Business Combinations Topic provides limited exceptions to the recognition and measurement principles

applicable to business combinations. Paragraphs 805-20-30-12 through ~~30-2530-23~~ specify the types of identifiable assets and liabilities that include items for which this Subtopic provides limited exceptions to the paragraph 805-20-30-1 measurement principle. The acquirer shall apply the specified GAAP or the specified requirements rather than that measurement principle to determine how to measure the assets or liabilities identified in paragraphs 805-20-30-12 through ~~30-2530-23~~. That will result in some items being measured at an amount other than their acquisition-date fair values.

805-20-30-11 As noted ~~at~~ in paragraph ~~805-20-25-17~~~~805-20-25-16~~, income taxes, employee benefits, ~~and~~ indemnification assets, and leases are also exceptions to the recognition principle in paragraph 805-20-25-1.

805-20-30-12 Guidance is presented on all of the following exceptions to the measurement principle:

- a. Income taxes
- b. Employee benefits
- c. Indemnification assets
- d. Reacquired rights
- e. Share-based payment awards
- f. Assets held for sale
- g. Certain assets and liabilities arising from contingencies.
- h. Leases.

> > Measurement of Lease Assets and Lease Liabilities Arising from Leases in Which the Acquiree Is the Lessee

805-20-30-24 For leases in which the acquiree is a lessee, the acquirer shall measure the lease liability at the present value of the remaining lease payments, as if the acquired lease were a new lease of the acquirer at the acquisition date. The acquirer shall measure the **right-of-use asset** at the same amount as the lease liability as adjusted to reflect favorable or unfavorable terms of the lease when compared with market terms.

> > Measurement of Assets and Liabilities Arising from Leases in Which the Acquiree Is the Lessor

805-20-30-25 For leases in which the acquiree is a lessor of a **sales-type lease** or a **direct financing lease**, the acquirer shall measure its **net investment in the lease** as the sum of both of the following (which will equal the fair value of the **underlying asset** at the acquisition date):

- a. The lease receivable at the present value, discounted using the rate implicit in the lease, of the following, as if the acquired lease were a new lease at the acquisition date:
 1. The remaining lease payments

2. The amount the lessor expects to derive from the underlying asset following the end of the lease term that is guaranteed by the lessee or any other third party unrelated to the lessor.
- b. The **unguaranteed residual asset** as the difference between the fair value of the underlying asset at the acquisition date and the carrying amount of the lease receivable, as determined in accordance with (a), at that date.

The acquirer shall take into account the terms and conditions of the lease in calculating the acquisition-date fair value of an underlying asset that is subject to a sales-type lease or a direct financing lease by the acquiree-lessor.

65. Amend paragraph 805-20-35-6, with a link to transition paragraph 842-10-65-1, as follows:

Subsequent Measurement

> Additional Guidance on Subsequent Measurement of Assets Acquired, Liabilities Assumed or Incurred, and Any Noncontrolling Interests in a Business Combination

805-20-35-6 Leasehold improvements acquired in a business combination shall be amortized over the shorter of the useful life of the assets ~~or a term that includes required lease periods and renewals that are deemed to be reasonably assured (as used in the definition of **lease term**)~~ and the remaining **lease term** at the date of acquisition. However, if the lease transfers ownership of the underlying asset to the lessee, or the lessee is reasonably certain to exercise an option to purchase the underlying asset, the lessee shall amortize the leasehold improvements to the end of their useful life.

66. Amend paragraph 805-20-50-1(b), with a link to transition paragraph 842-10-65-1, as follows:

Disclosure

> Business Combinations Occurring during a Current Reporting Period or after the Reporting Date but before the Financial Statements Are Issued

805-20-50-1 Paragraph 805-10-50-1 identifies one of the objectives of disclosures about a **business combination**. To meet that objective, the **acquirer** shall disclose all of the following information for each business combination that occurs during the reporting period:

- b. For acquired receivables not subject to the requirements of Subtopic 310-30, all of the following:

1. The **fair value** of the receivables (unless those receivables arise from sales-type leases or direct financing leases by the lessor for which the acquirer shall disclose the amounts recognized as of the acquisition date)
2. The gross contractual amounts receivable
3. The best estimate at the acquisition date of the contractual cash flows not expected to be collected.

The disclosures shall be provided by major class of receivable, such as loans, net investment in sales-type or direct financing leases in accordance with Subtopic 842-30 on leases—lessor~~840-30~~, and any other class of receivables.

67. Amend paragraphs 805-20-55-2 and 805-20-55-31, with a link to transition paragraph 842-10-65-1, as follows:

Implementation Guidance and Illustrations

> Implementation Guidance

> > Recognition of Intangible Assets Separately from Goodwill

805-20-55-2 Paragraph 805-20-25-10 establishes that an intangible asset is identifiable if it meets either the separability criterion or the contractual-legal criterion described in the definition of identifiable. An **intangible asset** that meets the contractual-legal criterion is identifiable even if the asset is not transferable or separable from the **acquiree** or from other rights and obligations. For example:

- a. An acquiree leases a manufacturing facility to a lessee under an **{add glossary link}**operating lease**{add glossary link}** that has terms that are favorable relative to market terms. The lease terms explicitly prohibit transfer of the **{add glossary link}**lease**{add glossary link}** (through either sale or **{add glossary link}**sublease**{add glossary link}**). The amount by which the lease terms are favorable compared with the pricing of current market transactions for the same or similar items is an intangible asset that meets the contractual-legal criterion for recognition separately from **goodwill**, even though the **acquirer** cannot sell or otherwise transfer the lease contract. See also paragraphs 805-20-25-12 through 25-13.
- b. An acquiree owns and operates a nuclear power plant. The license to operate that power plant is an intangible asset that meets the contractual-legal criterion for recognition separately from goodwill, even if the acquirer cannot sell or transfer it separately from the acquired power plant. An acquirer may recognize the **fair value** of the operating license and the fair value of the power plant as a single asset for financial reporting purposes if the useful lives of those assets are similar.

- c. An acquirer owns a technology patent. It has licensed that patent to others for their exclusive use outside the domestic market, receiving a specified percentage of future foreign revenue in exchange. Both the technology patent and the related license agreement meet the contractual-legal criterion for recognition separately from goodwill even if selling or exchanging the patent and the related license agreement separately from one another would not be practical.

>> Examples of Intangible Assets That Are Identifiable

>>> Contract-Based Intangible Assets

805-20-55-31 Contract-based intangible assets represent the value of rights that arise from contractual arrangements. Customer contracts are one type of contract-based intangible asset. If the terms of a contract give rise to a liability (for example, if the terms of ~~a an operating lease~~ or customer contract are unfavorable relative to market terms), the acquirer recognizes it as a liability assumed in the business combination. Examples of contract-based intangible assets are:

- a. Licensing, royalty, standstill agreements #
- b. Advertising, construction, management, service or supply contracts #
- c. ~~Lease~~ Operating lease agreements of a lessor ~~(whether the acquirer is the lessee or the lessor)~~ #
- d. Construction permits #
- e. Franchise agreements #
- f. Operating and broadcast rights #
- g. Servicing contracts such as mortgage servicing contracts #
- h. Employment contracts #
- i. Use rights such as drilling, water, air, timber cutting, and route authorities.
#

Amendments to Subtopic 805-740

68. Amend paragraph 805-740-25-4, with a link to transition paragraph 842-10-65-1, as follows:

Business Combinations—Income Taxes

Recognition

805-740-25-4 Guidance on tax-related matters related to the portion of goodwill for which amortization is not deductible for tax purposes is in paragraphs 805-740-25-8 through 25-9; guidance on accounting for the acquisition of **{add glossary**

~~link}~~leveraged leases~~{add glossary link}~~ in a business combination is in ~~paragraph 840-30-30-15~~Subtopic 842-50; and guidance on the specific acquired temporary differences identified in paragraph 740-10-25-3(a) is referred to in that paragraph.

69. Amend paragraph 805-740-30-1, with a link to transition paragraph 842-10-65-1, as follows:

Initial Measurement

805-740-30-1 An **acquirer** shall measure a **deferred tax asset** or **deferred tax liability** arising from the assets acquired and liabilities assumed in a **business combination** in accordance with Subtopic 740-10. Discounting deferred tax assets or liabilities is prohibited for **temporary differences** (except for ~~{add glossary link}~~leveraged leases~~{add glossary link}~~, see Subtopic ~~842-50840-39~~) related to business combinations as it is for other temporary differences.

Amendments to Subtopic 810-10

70. Amend paragraph 810-10-25-56, with a link to transition paragraph 842-10-65-1, as follows:

Consolidation—Overall

Recognition

> > Variable Interest and Interests in Specific Assets of a VIE

810-10-25-56 Expected losses related to variable interests in specified assets are not considered part of the expected losses of the legal entity for purposes of determining the adequacy of the equity at risk in the legal entity or for identifying the primary beneficiary unless the specified assets constitute a majority of the assets of the legal entity. For example, expected losses absorbed by a guarantor of the residual value of ~~leased property underlying asset~~ are not considered expected losses of a VIE if the fair value of the ~~leased property underlying asset~~ is not a majority of the fair value of the VIE's total assets.

71. Amend paragraphs 810-10-50-2AD and 810-10-50-2AF, with a link to transition paragraph 842-10-65-1, as follows:

Consolidation—Overall

Disclosure

Variable Interest Entities

> Accounting Alternative

810-10-50-2AD A private company {add glossary link}lessee{add glossary link} that does not apply the requirements of the Variable Interest Entities Subsections to one or more {add glossary link}lessor{add glossary link} legal entities because it meets the criteria in paragraph 810-10-15-17A shall disclose the following:

- a. The amount and key terms of liabilities (for example, debt, environmental liabilities, and asset retirement obligations) recognized by the lessor legal entity that expose the private company lessee to providing financial support to the legal entity. For example, a private company lessee exposed to debt of the legal entity should disclose information such as the amount of debt, interest rate, maturity, pledged collateral, and guarantees associated with the debt.
- b. A qualitative description of circumstances (for example, certain commitments and contingencies) not recognized in the financial statements of the lessor legal entity that expose the private company lessee to providing financial support to the legal entity.

810-10-50-2AF In disclosing information about the lessor legal entity, a private company lessee shall present the disclosures in combination with the disclosures required by other guidance (for example, in Topics 460 on guarantees, 850 on related party disclosures, and ~~842840~~ on leases). Those disclosures could be combined in a single note or by including cross-references within the notes to financial statements.

72. Amend paragraphs 810-10-55-50, 810-10-55-78 through 55-80, 810-10-55-93, and 810-10-55-172 through 55-176, and 810-10-55-178 and their related heading, with a link to transition paragraph 842-10-65-1, as follows:

Implementation Guidance and Illustrations

Variable Interest Entities

> Illustrations

> > **Example 2: Calculation of Expected Losses If There Is No History of, nor Future Expectation of, Net Losses**

810-10-55-50 This Example illustrates the calculation of expected losses if a legal entity has no history of net losses and expects continued profitability. This Example has the following assumptions:

- a. On January 1, 2004, Entity A is formed to purchase a building, 95 percent of which is financed by debt and 5 percent by equity. The lenders will have recourse only to the building in the event that Entity A does not make the required debt payments.
- b. On the same day, Entity B enters into a five-year-market-rate lease for the building from Entity A that includes a guarantee of a portion of the building's residual value. The ~~sum of the~~ present value of the ~~minimum~~ **{add glossary link}** lease payments **{add glossary link}**, ~~including and~~ the residual value ~~guarantee~~ ~~guarantee~~, is less than ~~90 percent of~~ substantially all the fair value of the building.
- c. There are no other interests in Entity A.
- d. The appropriate discount rate is assumed to be 5 percent.

>> Example 3: Determining the Variability to Be Considered

810-10-55-55 The following Cases illustrate the application of the guidance in paragraphs 810-10-25-21 through 25-36 for determining the variability to be considered in the following situations:

- a. Financial VIE primarily financed by fixed-rate debt, holding investments in longer-term fixed-rate debt (Case A)
- b. Financial VIE primarily financed by fixed-rate debt, holding investments in longer-term fixed- and variable-rate debt (with a fixed-rate swap) (Case B)
- c. Financial VIE primarily financed by fixed-rate debt, holding investments in foreign-currency-denominated debt (with a currency swap) (Case C)
- d. Financial VIE primarily financed by floating-rate debt, holding investments in fixed-rate securities (Case D)
- e. Financial VIE financed by credit-linked notes holding highly rated floating-rate investments and a credit default swap (Case E)
- f. Retail-operating VIE (Case F)
- g. Lessor VIE (direct financing lease) with single lessee (operating lease) (Case G)
- h. VIE holding both a fixed-price forward contract to buy and a fixed-price forward contract to sell electricity (Case H).

810-10-55-56 Cases A–H share all of the following assumptions:

- a. All the entities are presumed to be VIEs.
- b. All variable interests are variable interests in the VIE (as a whole) rather than variable interests in specified assets of the VIE, based on the guidance in paragraphs 810-10-25-55 through 25-59.

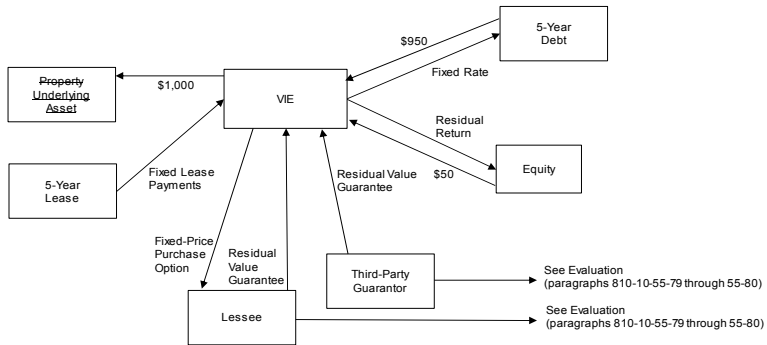
- c. A primary beneficiary has not been identified; however, the determination of the primary beneficiary should be made in accordance with the guidance in paragraphs 810-10-25-38A through 25-38G.

> > > Case G: Lessor VIE (Direct Financing Lease) with Single Lessee (Operating Lease)

810-10-55-78 A VIE is created and financed with \$950 of 5-year fixed-rate debt and \$50 of equity. The VIE uses the proceeds from the issuance to purchase ~~property~~an underlying asset to be leased to a {add glossary link}lessee{add glossary link} with a AA credit rating. The equity provides protection (up to \$50) to the debt related to both credit risk and interest rate risk because the debt is paid before any cash flows are available to the equity investors. The {add glossary link}lease{add glossary link} has a five-year term and is classified as a ~~direct finance lease~~direct financing lease by the {add glossary link}lessor{add glossary link} and as an {add glossary link}operating lease{add glossary link} by the lessee. The lessee is required to provide a first-loss residual value guarantee for the expected future value of the ~~leased property~~underlying asset at the end of five years, and it has a fixed-price purchase option to acquire the underlying asset~~property~~ for the same amount. A third-party residual value guarantor provides a very small additional residual value guarantee to the lessor. The governing documents for the VIE do not permit the VIE to buy additional assets or sell existing assets during the five-year holding period. The VIE was formed so that the lessee will have rights to occupy and use the ~~property~~underlying asset under an operating lease and retain substantially all of the risks and rewards from appreciation or depreciation in value of the ~~leased property~~underlying asset. The transaction was marketed to potential investors as an investment in a portfolio of AA-rated assets collateralized by ~~leased property~~an underlying asset that would provide a fixed-rate return to debt holders equivalent to AA-rated assets. The return to equity investors is expected to be slightly greater than the return provided to the debt investors because the equity is subordinated with respect to the obligation of the lessee to the VIE. The following diagram illustrates this situation.

CREATORS OF VARIABILITY

VARIABLE INTERESTS



810-10-55-79 The VIE is exposed to the following risks:

- Price risk with respect to changes in fair value of the underlying property asset
- Credit risk associated with possible default by the lessee of the property underlying asset with respect to the lease payments
- Interest rate risk associated with changes in the fair value of the future lease payments.

810-10-55-80 The following factors should be considered in the determination of the purpose(s) for which the VIE was created and in the determination of the variability the VIE is designed to create and pass along to its interest holders:

- Although the lease payments are fixed, the VIE was not designed to be exposed to interim changes in fair value of those lease payments due to interest rate risk because the VIE is not expected to sell the property underlying asset before maturity of the fixed-rate debt.
- The primary purpose for which the VIE was created was to provide the lessee with use of the property underlying asset for five years with substantially all of the rights and obligations of ownership.
- The residual value guarantee effectively transfers substantially all of the risk associated with the underlying property asset (that is, declines in value) to the lessee. Therefore, the variability that is transferred to that interest holder is strongly indicated as variability that the VIE is designed to create and pass along to its interest holders.
- The fixed-price purchase option effectively transfers substantially all of the rewards from the underlying property asset (that is, increases in value) to the lessee.
- The VIE is designed to be exposed to the risks associated with a cumulative change in fair value of the leased property underlying asset at

- the end of five years as well as credit risk from possible default by the lessee with regard to ~~minimum~~ lease payments.
- f. The VIE was marketed to potential investors as an investment in a portfolio of AA-rated assets collateralized by ~~leased property~~ an underlying asset that would provide a fixed-rate return to debt holders equivalent to AA-rated assets.
 - g. The role of the residual value guarantee and fixed-price purchase option in the design of the VIE, regardless of their legal form or accounting classification, dictates whether those interests shall be treated as creating risk for the VIE or absorbing risk from the VIE. Therefore, price risk with respect to changes in fair value of the underlying ~~property~~ asset is a relevant risk for the VIE, even though the lessor VIE records a net investment in the direct financing lease ~~receivable~~, rather than the ~~property~~ underlying asset itself, on its balance sheet for accounting purposes.

Based on this analysis, it can be determined that the VIE was designed to create and pass along the risk in (a) in ~~the preceding~~ paragraph 810-10-55-79 to the third-party guarantor and the lessee (with respect to the residual value guarantee and fixed-price purchase option) and the risk in (b) in ~~the preceding~~ paragraph 810-10-55-79 to the note and equity holders, all of which are the VIE's variable interest holders.

> > Example 5: Identifying a Primary Beneficiary

810-10-55-93 The following cases are provided solely to illustrate the application of the guidance in paragraphs 810-10-25-38A through 25-38J related to the identification of a primary beneficiary:

- a. Commercial mortgage-backed securitization (Case A)
- b. Asset-backed collateralized debt obligation (Case B)
- c. Structured investment vehicle (Case C)
- d. Commercial paper conduit (Case D)
- e. Guaranteed mortgage-backed securitization (Case E)
- f. Residential mortgage-backed securitization (Case F)
- g. ~~Property lease~~ Lease entity (Case G)
- h. Collaboration—Joint venture arrangement (Case H)
- i. Furniture manufacturing entity (Case I)
- j. Investment fund 1—Annual and performance-based fees and additional interests (Case J)
- k. Investment fund 2—Annual and performance-based fees and no additional interests (Case K)
- l. eCommerce Entity (Case L).

> > Case G: Property-Lease Entity

810-10-55-172 A VIE is created and financed with \$950 of 5-year fixed-rate debt and \$50 of equity. The VIE uses the proceeds from the issuance to purchase ~~property~~ an asset to be leased to a lessee with an AA credit rating. The equity is subordinate to the debt because the debt is paid before any cash flows are available to the equity investors. The lease has a five-year term and is classified as a direct ~~finance~~ financing lease by the lessor and as an operating lease by the lessee. The lessee, however, is considered the owner of the ~~property~~ underlying asset for tax purposes and, thus, receives tax depreciation benefits.

810-10-55-173 The lessee is required to provide a first-loss residual value guarantee for the expected future value of the ~~leased property~~ underlying asset at the end of five years (the option price) up to a specified percentage of the option price, and it has a fixed-price purchase option to acquire the ~~property~~ underlying asset for the option price. If the lessee does not exercise the fixed-price purchase option at the end of the lease term, the lessee is required to remarket the ~~property~~ underlying asset on behalf of the VIE. If the ~~property~~ underlying asset is sold for an amount less than the option price, the lessee is required to pay the VIE the difference between the option price and the sales proceeds, which is not to exceed a specified percentage of the option price. If the ~~property~~ underlying asset is sold for an amount greater than the option price, the lessee is entitled to the excess of the sales proceeds over the option price. A third-party residual value guarantor provides a very small additional residual value guarantee to the lessor VIE, which allows the lessor to achieve direct financing lease treatment.

810-10-55-174 The governing documents for the VIE do not permit the VIE to buy additional assets or sell existing assets during the five-year holding period, and the terms of the lease agreement and the governing documents for the VIE do not provide the equity holders with the power to direct any activities of the VIE. The VIE was formed so that the lessee would have rights to use the ~~property~~ underlying asset under an operating lease and would retain substantially all of the risks and rewards from appreciation or depreciation in value of the ~~leased property~~ underlying asset.

810-10-55-175 The transaction was marketed to potential investors as an investment in a portfolio of AA-rated assets collateralized by ~~leased property~~ an underlying asset that is leased that would provide a fixed-rate return to debt holders equivalent to AA-rated assets. The return to equity investors is expected to be slightly greater than the return to the debt investors because the equity is subordinated to the debt.

810-10-55-176 To evaluate the facts and circumstances and determine which reporting entity, if any, is the primary beneficiary of a VIE, paragraph 810-10-25-38A requires that a reporting entity determine the purpose and design of the VIE, including the risks that the VIE was designed to create and pass through to its variable interest holders. In making this assessment, the variable interest holders of the VIE determined the following:

- a. The primary purpose for which the VIE was created was to provide the lessee with use of the ~~property~~underlying asset for five years with substantially all of the rights and obligations of ownership, including tax benefits.
- b. The VIE was marketed to potential investors as an investment in a portfolio of AA-rated assets collateralized by ~~leased property~~an underlying asset that is leased that would provide a fixed-rate return to debt holders equivalent to AA-rated assets. The return to equity investors is expected to be slightly greater than the return to the debt investors because the equity is subordinated to the debt.
- c. The residual value guarantee effectively transfers substantially all of the risk associated with the underlying ~~property~~asset (that is, decreases in value) to the lessee and the fixed-price purchase option effectively transfers substantially all of the rewards from the underlying ~~property~~asset (that is, increases in value) to the lessee.
- d. The VIE is designed to be exposed to the risks associated with a cumulative change in fair value of the ~~leased property~~underlying asset at the end of five years as well as credit risk related to the potential default by the lessee of its contractually required lease payments.

810-10-55-177 The debt investors, the equity investors, and the lessee are the variable interest holders in the VIE.

810-10-55-178 Paragraph 810-10-25-38B requires that a reporting entity identify which activities most significantly impact the VIE's economic performance and determine whether it has the power to direct those activities. The economic performance of the VIE is significantly impacted by the fair value of the underlying ~~property~~asset and the credit of the lessee. The lessee's maintenance and operation of the ~~leased property~~underlying asset has a direct effect on the fair value of the underlying ~~property~~asset, and the lessee directs the remarketing of the ~~property~~underlying asset. The lessee also has the ability to increase the benefits it can receive and limit the losses it can suffer by the manner in which it uses the ~~property~~underlying asset and how it remarkets the ~~property~~underlying asset.

73. Amend paragraph 810-10-60-4, with a link to transition paragraph 842-10-65-1, as follows:

Relationships

> Leases

810-10-60-4 For ~~{add glossary link}~~leases~~{add glossary link}~~ sold by a manufacturer to a leasing subsidiary, see paragraph ~~840-30-45-4~~842-30-45-3.

Amendments to Subtopic 815-10

74. Amend paragraphs 815-10-15-63 and 815-10-15-79 through 15-81, with a link to transition paragraph 842-10-65-1, as follows:

Derivatives and Hedging—Overall

Scope and Scope Exceptions

> Instruments

> > Instruments Not within Scope

> > > Derivative Instruments That Impede Sale Accounting

815-10-15-63 A derivative instrument (whether freestanding or embedded in another contract) whose existence serves as an impediment to recognizing a related contract as a sale by one party or a purchase by the counterparty is not subject to this Subtopic. ~~For example, the existence of a guarantee of the residual value of a leased asset by the lessor may be an impediment to treating a contract as a sales type lease, in which case the contract would be treated by the lessor as an operating lease. Another~~ An example is the existence of a call option enabling a transferor to repurchase transferred assets that is an impediment to sales accounting under Topic 860. Such a call option on transferred financial assets that are not readily obtainable would prevent accounting for that transfer as a sale. The consequence is that to recognize the call option would be to count the same thing twice. The holder of the option already recognizes in its financial statements the assets that it has the option to purchase.

> > > Leases

815-10-15-79 Leases that are within the scope of Topic ~~842~~840 are not derivative instruments subject to this Subtopic, although a derivative instrument embedded in a lease may be subject to the requirements of paragraph 815-15-25-1.

> > > Residual Value Guarantees

815-10-15-80 Residual value guarantees that are subject to the requirements of Topic ~~842 on leases~~840 are not subject to the requirements of this Subtopic.

815-10-15-81 A third-party residual value guarantor shall consider the guidance in this Subtopic for all residual value guarantees that it provides to determine whether

they are derivative instruments and whether they qualify for any of the scope exceptions in this Subtopic. The guarantees described in paragraph ~~842-10-15-43~~~~840-10-15-20~~ for which the exceptions of paragraphs 460-10-15-7(b) and 460-10-25-1(a) do not apply are subject to the initial recognition, initial measurement, and disclosure requirements of Topic 460.

75. Amend paragraph 815-10-55-60, with a link to transition paragraph 842-10-65-1, as follows:

Implementation Guidance and Illustrations

> Implementation Guidance

> > Scope Application to Certain Contracts

> > > Take-or-Pay Contracts

815-10-55-60 Whether a **take-or-pay contract** is subject to this Subtopic depends on its terms. For example, if the product to be delivered is not readily convertible to cash and there is no net settlement option, the contract fails to meet the net settlement criterion in paragraph 815-10-15-83(c) and is not subject to the requirements of this Subtopic. In certain circumstances, a take-or-pay contract may represent or contain a lease that should be accounted for in accordance with Topic ~~842~~~~840~~. (Paragraph 815-10-15-79 explains that leases subject to that Topic are not subject to this Subtopic.)

Amendments to Subtopic 815-15

76. Amend paragraph 815-15-25-22 and its related heading, with a link to transition paragraph 842-10-65-1, as follows:

Derivatives and Hedging—Embedded Derivatives

Recognition

> > > Variable Lease Payments~~Contingent Rentals~~ Based on a Variable Interest Rate

815-15-25-22 The obligation to make future payments for the use of leased assets and the adjustment of those payments to reflect changes in a variable-interest-rate index are considered to be clearly and closely related. Thus, leases that include variable lease payments~~contingent rentals~~ based on changes in the prime rate

would not have the ~~contingent rental-related~~ embedded derivative that is related to the variable lease payment separated from the host contract.

77. Amend paragraphs 815-15-55-4 and 815-15-55-7 and the related heading, with a link to transition paragraph 842-10-65-1, as follows:

Implementation Guidance and Illustrations

> Implementation Guidance

>> Scope—Features Involving Certain Currencies—Certain Insurance Contracts

815-15-55-4 Insurance contracts are **financial instruments** that are not covered by the scope exception in paragraph 815-15-15-10 that applies to nonfinancial contracts; however, that paragraph applies to this situation in which a normal insurance contract involves payment in the functional currency of either of the two parties to the contract. The insurance contracts described in this guidance ~~are similar to operating leases, which are covered by the exception in paragraph 815-15-15-10, because neither contract gives~~ the insurance contracts do not give rise to a recognized asset or liability that would be measured under Subtopic 830-20 until an amount becomes receivable or payable under the contract. Therefore, as discussed in paragraph 815-15-15-20, the exception in paragraph 815-15-15-10 also applies to insurance contracts that involve payment of losses in the functional currency of either of the two parties to the contract.

>> Applying the Bifurcation Criteria

>>> Applying the Separate Instrument Criterion

>>>> Variable Lease Payments ~~Contingent Rentals~~ Based on Related Sales

815-15-55-7 Lease contracts that include variable lease payments ~~contingent rentals~~ based on certain sales of the lessee would not have the ~~contingent rental-related embedded derivative that is related to the variable lease payment~~ separated from the host contract because, under paragraph 815-10-15-59(d), a non-exchange-traded contract whose **underlying** is specified volumes of sales by one of the parties to the contract would not be subject to the requirements of Subtopic 815-10.

Amendments to Subtopic 815-20

78. Amend paragraph 815-20-55-11 and supersede paragraphs 815-20-55-73 and 815-20-55-198 and its related heading, with a link to transition paragraph 842-10-65-1, as follows:

Derivatives and Hedging—Hedging—General Implementation Guidance and Illustrations

> > > Application of the Definition of Firm Commitment

815-20-55-11 A firm commitment that represents an asset or liability that a specific accounting standard prohibits recognizing (such as a lessor's noncancellable~~noncancelable~~ operating lease or an unrecognized mortgage servicing right) may nevertheless be designated as the hedged item in a fair value hedge.

> > > Applicability of the Shortcut Method

815-20-55-73 Paragraph superseded by Accounting Standards Update No. 2016-02.~~Based on paragraph 815-20-55-71(c), the shortcut method cannot be applied to a cash flow hedge of the variability in lease payments for an interest rate-indexed operating lease because that lease is not a recognized interest-bearing asset or liability. Although a capital lease is reported as a leased asset and an interest-bearing obligation under Subtopic 840-30 (and thus the shortcut method could potentially be applied to a fair value hedge of a capital lease's exposure to interest rate risk), an operating lease is accounted for as an executory contract that is not recognized as an interest-bearing asset or liability.~~

>> Example 23: Use of Shortcut Method for Cash Flow Hedge of Variable-Rate Operating Lease

815-20-55-198 Paragraph superseded by Accounting Standards Update No. 2016-02.~~This Example addresses the application of the shortcut method as discussed beginning in paragraph 815-20-25-102. Assume that an entity leases property under a lease agreement that provides for rental payments indexed to changes in interest rates and accounted for as an operating lease. The payments on the lease agreement are reset quarterly based on changes in three-month LIBOR. To hedge the variability in expected future cash flows attributable to interest rate risk, the entity enters into a pay fixed, receive variable interest rate swap based on three-month LIBOR and designates the swap as the hedging instrument in a cash flow hedge of the variability in the lease payments. Assume that the term, notional amounts, repricing dates, and maturity on the operating lease and the interest rate swap match, and the fair value of the interest rate swap at the inception of the hedge is zero. The contract in this Example is a lease agreement with an escalation clause whose rental payments are dependent on LIBOR-based interest rate levels; the contract is not a recognized interest-bearing~~

~~financial instrument for accounting purposes. Thus, the shortcut method cannot be applied to the operating lease in the Example.~~

Amendments to Subtopic 820-10

79. Amend paragraph 820-10-15-2, with a link to transition paragraph 842-10-65-1, as follows:

Fair Value Measurement—Overall

Scope and Scope Exceptions

> Other Considerations

> > Topics and Subtopics Not within Scope

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

- a. To accounting principles that address share-based payment transactions (this includes Subtopic 505-50 and all Subtopics in Topic 718 except for 718-40, which is within the scope of Topic 820)
- b. To Sections, Subtopics, or Topics that require or permit measurements that are similar to fair value but that are not intended to measure fair value, including both of the following:
 1. Sections, Subtopics, or Topics that permit measurements that are determined on the basis of, or otherwise use, **standalone selling price**
 2. Topic 330.
- c. ~~Subparagraph superseded by Accounting Standards Update No. 2016-02. To accounting principles that address fair value measurements for purposes of lease classification or measurement in accordance with Topic 840. This scope exception does not apply to assets acquired and liabilities assumed in a business combination or an **acquisition by a not-for-profit entity** that are required to be measured at fair value in accordance with Topic 805, regardless of whether those assets and liabilities are related to leases.~~
- d. To the recognition and measurement of **revenue** from **contracts** with **customers** in accordance with Topic 606
- e. To the recognition and measurement of gains and losses upon the derecognition of nonfinancial assets in accordance with Subtopic 610-20.

Amendments to Subtopic 825-10

80. Amend paragraph 825-10-15-5, with a link to transition paragraph 842-10-65-1, as follows:

Financial Instruments—Overall

Scope and Scope Exceptions

Fair Value Option

> Instruments

825-10-15-5 No entity may elect the fair value option for any of the following financial assets and financial liabilities:

- a. An investment in a subsidiary that the entity is required to consolidate.
- b. An interest in a variable interest entity (VIE) that the entity is required to consolidate.
- c. Employers' and plans' obligations (or assets representing net overfunded positions) for pension benefits, other postretirement benefits (including health care and life insurance benefits), postemployment benefits, employee stock option and stock purchase plans, and other forms of deferred compensation arrangements, as defined in Topics 420; 710; 712; 715; 718; and 960.
- d. Financial assets and financial liabilities recognized under leases as defined in Subtopic ~~842-10-840-10~~ 842-10-840-10. (This exception does not apply to a guarantee of a third-party lease obligation or a contingent obligation arising from a cancelled lease.)
- e. Deposit liabilities, withdrawable on demand, of banks, savings and loan associations, credit unions, and other similar depository institutions.
- f. Financial instruments that are, in whole or in part, classified by the issuer as a component of shareholders' equity (including temporary equity) (for example, a convertible debt instrument with the scope of the Cash Conversion Subsections of Subtopic 470-20 or a convertible debt security with a noncontingent beneficial conversion feature).

81. Amend paragraph 825-10-50-8, with a link to transition paragraph 842-10-65-1, as follows:

Disclosure

> Applicability of This Subsection

> > Transactions

825-10-50-8 In part, this Subsection requires disclosures about fair value for all financial instruments, whether recognized or not recognized in the statement of financial position, except that the disclosures about fair value prescribed in paragraphs 825-10-50-10 through 50-16 are not required for any of the following:

- a. Employers' and plans' obligations for pension benefits, other postretirement benefits including health care and life insurance benefits, postemployment benefits, employee stock option and stock purchase plans, and other forms of deferred compensation arrangements (see Topics 710, 712, 715, 718, and 960)
- b. Substantively extinguished debt subject to the disclosure requirements of Subtopic 405-20
- c. Insurance contracts, other than financial guarantees (including financial guarantee insurance contracts within the scope of Topic 944) and investment contracts, as discussed in Subtopic 944-20
- d. Lease contracts as defined in Topic ~~842~~840 (a contingent obligation arising out of a cancelled lease and a guarantee of a third-party lease obligation are not lease contracts and are subject to the disclosure requirements in this Subsection)
- e. Warranty obligations (see Topic 450 and the Product Warranties Subsections of Topic 460)
- f. Unconditional purchase obligations as defined in paragraph 440-10-50-2
- g. Investments accounted for under the equity method in accordance with the requirements of Topic 323
- h. Noncontrolling interests and equity investments in consolidated subsidiaries (see Topic 810)
- i. Equity instruments issued by the entity and classified in stockholders' equity in the statement of financial position (see Topic 505)
- j. Receive-variable, pay-fixed interest rate swaps for which the simplified hedge accounting approach is applied (see Topic 815)
- k. **Fully benefit-responsive investment contracts** held by an employee benefit plan
- l. Investments in equity securities accounted for under the measurement guidance for equity securities without readily determinable fair values (see Topic 321)
- m. Trade receivables and payables due in one year or less
- n. Deposit liabilities with no defined or contractual maturities.

Amendments to Topic 840

82. Supersede Topic 840, Leases, with a link to transition paragraph 842-10-65-1.

Amendments to Subtopic 845-10

83. Supersede paragraph 845-10-30-20 and its related heading, with a link to transition paragraph 842-10-65-1, as follows:

Nonmonetary Transactions—Overall

Initial Measurement

Barter Credit Transactions

> ~~Transfers of Operating Leases for Barter Credits~~

~~**845-10-30-20** Paragraph superseded by Accounting Standards Update No. 2016-02. If an exchange involves the transfer or assumption of an operating lease for barter credits, impairment of that lease shall be measured as the amount of the remaining lease costs (discounted rental payments and unamortized leasehold improvements) in excess of the discounted amount of probable sublease rentals for the remaining lease term.~~

Amendments to Subtopic 853-10

84. Amend paragraph 853-10-25-2, with a link to transition paragraph 842-10-65-1, as follows:

Service Concession Arrangements—Overall

Recognition

> The Operating Entity's Rights over the Infrastructure

853-10-25-2 The infrastructure that is the subject of a service concession arrangement within the scope of this Topic shall not be recognized as property, plant, and equipment of the operating entity. Service concession arrangements within the scope of this Topic are not within the scope of Topic ~~840~~842 on leases, as indicated in paragraph ~~840-10-15-9A~~.

Amendments to Subtopic 860-10

85. Amend paragraph 860-10-15-4, with a link to transition paragraph 842-10-65-1, as follows:

Transfers and Servicing—Overall

Scope and Scope Exceptions

> Transactions

860-10-15-4 The guidance in this Topic does not apply to the following transactions and activities:

- a. Except for transfers of servicing assets (see Section 860-50-40) and for the transfers noted in the following paragraph, transfers of nonfinancial assets
- b. Transfers of unrecognized financial assets, for example, ~~minimum~~ lease payments to be received under operating leases
- c. Transfers of custody of financial assets for safekeeping
- d. Contributions (for guidance on accounting for contributions, see Subtopic 958-605)
- e. Transfers of ownership interests that are in substance sales of nonfinancial assets (For guidance related to transfers of investments that are in substance a sale of a nonfinancial asset, see Subtopic 610-20. For guidance related to sale and leaseback ~~sale-leaseback~~ transactions involving real estate, including real estate with equipment, such as manufacturing facilities, power plants, and office buildings with furniture and fixtures, see Subtopic ~~840-40~~842-40 on sale and leaseback transactions.)
- f. Investments by owners or distributions to owners of a business entity
- g. Employee benefits subject to the provisions of Topic 712
- h. Leveraged leases subject to Topic ~~842~~840
- i. **Money-over-money** and wrap lease transactions involving nonrecourse debt subject to Topic ~~840~~842.

86. Amend paragraphs 860-10-55-5 through 55-6 and the related heading, with a link to transition paragraph 842-10-65-1, as follows:

Implementation Guidance and Illustrations

> Implementation Guidance

>> Scope

>>> Application of the Term Financial Asset

860-10-55-5 The following implementation guidance addresses whether certain instruments are financial assets, the transfer of which is subject to the guidance in this Subtopic, specifically:

- a. ~~Minimum lease payments and guaranteed residual values under certain leases~~ **Lease receivables from sales-type leases and direct financing leases**
- b. Securitized stranded costs
- c. Judgment from litigation
- d. Forward contract on a financial instrument
- e. Ownership interest in a consolidated subsidiary by its parent if the subsidiary holds nonfinancial assets
- f. Investment in a nonconsolidated investee.

> > > ~~Minimum Lease Payments and Guaranteed Residual Values under Certain Leases~~ **Lease Receivables from Sales-Type and Direct Financing Leases**

860-10-55-6 ~~Lease receivables from sales-type~~ **Sales-type and direct financing leases** ~~receivables secured by leased equipment, referred to as gross investment in lease receivables,~~ are made up of two components: ~~minimum the right to receive lease payments and guaranteed residual values.~~ **Lease payments** for sales-type and direct financing leases involve requirements for lessees to pay cash to lessors and meet the definition of a financial asset. ~~Thus, transfers of minimum lease payments are subject to the requirements of this Subtopic.~~ Residual values represent the lessor's estimate of the salvage value of the ~~leased equipment~~ **underlying asset** at the end of the lease term and may be either guaranteed or unguaranteed. Residual values meet the definition of financial assets to the extent that they are guaranteed at the ~~inception~~ **commencement** of the lease. Thus, transfers of ~~residual values guaranteed at inception also are~~ **lease receivables from sales-type and direct financing leases** are subject to the requirements of this Subtopic. **{add glossary link}** Unguaranteed residual ~~values~~ **assets** **{add glossary link}** do not meet the definition of financial assets, nor do residual values guaranteed after ~~commencement~~ **inception**, and transfers of them are not subject to the requirements of this Subtopic.

Amendments to Subtopic 860-20

87. Amend paragraphs 860-20-55-1, 860-20-55-26 through 55-27 and their related heading, and 860-20-55-58 through 55-59 and their related heading, with a link to transition paragraph 842-10-65-1, as follows:

Transfers and Servicing—Sales of Financial Assets

Implementation Guidance and Illustrations

> Implementation Guidance

860-20-55-1 The following is implementation guidance related to the guidance in this Subtopic, specifically:

- a. Subparagraph superseded by Accounting Standards Update No. 2009-16
- b. Estimating the fair value of certain beneficial interests
- c. Accrued interest receivable
- d. Options embedded in transferred securities
- e. Credit risk associated with transferred assets
- f. **Transfer** of a bond purchased at a premium
- g. Sales or **securitizations** of lease ~~financing~~-receivables
- h. Subparagraph superseded by Accounting Standards Update No. 2009-16
- i. Forward contracts in **revolving-period securitizations**
- j. Subsequent measurement of interests issued in securitization transactions
- k. **Transferor** regains control of assets through a removal-of-accounts provision.

> > Sales or Securitizations of Lease ~~Financing~~-Receivables

860-20-55-26 A transferor of lease ~~financing~~-receivables shall allocate the gross investment in receivables between ~~minimum~~—**{add glossary link}** lease payments**{add glossary link}**, residual values guaranteed at ~~inception~~commencement, and residual values not guaranteed at ~~inception~~commencement using the individual carrying amounts of those components at the date of transfer. Those transferors also shall record a servicing asset or liability in accordance with Subtopic 860-50, if appropriate.

860-20-55-27 See paragraph 860-10-55-6 for further discussion of lease ~~financing~~ receivables.

> Illustrations

> > Example 5: Transfer of Lease ~~Financing~~-Receivables with Residual Values

860-20-55-58 This Example illustrates the guidance in paragraph 860-20-25-1. At the beginning of the second year in a 10-year sales-type lease, Entity E transfers

for \$505 a nine-tenths participating interest in the ~~minimum-lease payments receivable~~ to an independent third party, and the transfer is accounted for as a sale. Entity E retains a one-tenth participating interest in the ~~minimum-lease payments receivable~~ and a 100 percent interest in the unguaranteed residual ~~asset value of leased equipment~~, which is not subject to the requirements of this Subtopic as discussed in paragraph 860-10-55-6 because it is not a financial asset and, therefore, is excluded from the analysis of whether the transfer of the nine-tenths participating interest in the ~~minimum-lease payments receivable~~ meets the definition of a participating interest. The servicing asset has a fair value of zero because Entity E estimates that the benefits of servicing are just adequate to compensate it for its servicing responsibilities. The carrying amounts and related gain computation are as follows.

Carrying Amounts

Minimum-lease payments Lease receivable	\$ 540
Unearned income related to minimum-lease receivable payments	370
Gross investment in minimum-lease receivable payments	910
Unguaranteed residual asset value	\$ 30
Unearned income related to unguaranteed residual asset value	60
Gross investment in unguaranteed residual asset value	90
Total gross investment in financing lease receivable	<u>\$ 1,000</u>

Gain on Sale

Cash received	\$ 505
Nine-tenths of carrying amount of gross investment in minimum-lease receivable payments	\$819
Nine-tenths of carrying amount of unearned income related to minimum-lease receivable payments	333
Net carrying amount of minimum-lease receivable payments sold	486
Gain on sale	<u>\$ 19</u>

860-20-55-59 The following journal entry is made by Entity E.

Journal Entry

Cash	\$ 505
Unearned income	333
Lease receivable	\$ 819
Gain on sale	19

To record sale of nine-tenths of the ~~minimum-lease receivable payments~~ at the beginning of Year 2

Amendments to Subtopic 908-360

88. Amend paragraph 908-360-55-1, with a link to transition paragraph 842-10-65-1, as follows:

Airlines—Property, Plant, and Equipment

Implementation Guidance and Illustrations

> Implementation Guidance

> > Purchase Incentives

908-360-55-1 Credit received as a purchase incentive from an aircraft manufacturer to induce a purchase of that manufacturer's aircraft should be accounted for in accordance with paragraphs 705-20-25-1 through 25-5 for the aircraft that is owned ~~or, if the aircraft is leased, as a lease incentive in accordance with Topic 842~~ or under a capital lease, or, in the case of an aircraft under an operating lease, amortized over the life of the related aircraft.

Amendments to Subtopic 954-470

89. Amend paragraph 954-470-25-1, with a link to transition paragraph 842-10-65-1, as follows:

Health Care Entities—Debt

Recognition

> Financing Authorities

954-470-25-1 When a financing authority issues tax-exempt bonds or similar debt instruments and uses the proceeds for the benefit of a health care entity, the obligation shall be reported as a liability in the entity's balance sheet if the health care entity is responsible for repayment. In some cases, this obligation may take the form of a liability arising from a ~~capital~~ lease. If a health care entity has no obligation to make payments of principal and interest on the debt or ~~capital or operating~~ lease payments on related buildings or equipment, the entity shall not reflect the liability on its balance sheet. In such circumstances, proceeds from the bond issue shall be reported as **contributions** from the sponsoring entity.

90. Amend paragraph 954-470-40-1, with a link to transition paragraph 842-10-65-1, as follows:

Derecognition

954-470-40-1 In a crossover refunding, because the old bonds are not defeased until the crossover date, no immediate gain or loss shall be recognized. If the retirement dates of the old debt have been established, the call premium, unamortized premium or discount, and initial issue costs shall be recognized systematically in the income statement over the remaining life of the old debt as an adjustment of the cost of borrowing related to the old debt. In addition, the income earned on the funds used to consummate the **{add glossary link}**advance refunding**{add glossary link}** and the interest expense on both the old and new debts shall be recognized in the income statement. The funds used to consummate the advance refunding shall be reported as an asset and both the old and new debts shall be reported as liabilities. The assets and liabilities shall not be offset.

Amendments to Subtopic 958-805

91. Amend paragraphs 958-805-25-9 and 958-805-25-11, with a link to transition paragraph 842-10-65-1, as follows:

Not-for-Profit Entities—Business Combinations

Recognition

Merger of Not-for-Profit Entities

> Classifying or Designating Assets and Liabilities in a Merger

958-805-25-9 In some situations, GAAP provides for different accounting depending on how an entity classifies or designates a particular asset or liability. Paragraphs 805-20-25-7 through 25-8 provide examples of such classifications and designations. The new NFP shall carry forward into the opening balances in its financial statements (see paragraph 958-805-45-2(a)) the merging entities' classifications and designations unless either of the following situations applies:

- a. The merger results in a modification of a contract in a manner that would change those previous classifications or designations; for example, if the provisions of a lease are modified and the modification is not accounted for as a separate contract in accordance with~~in a way that would require~~

~~the revised agreement to be considered a new agreement under paragraph 842-10-25-8840-10-35-4~~

- b. Reclassifications are necessary to conform accounting policies in accordance with paragraph 958-805-30-2.

958-805-25-10 In situation (a) in the preceding paragraph, the new NFP shall classify or designate the asset or liability on the basis of the contractual terms, economic conditions, its operating or accounting policies, and other pertinent conditions as they exist at the date of that modification. In situation (b) in the preceding paragraph, the new NFP shall classify or designate the asset or liability on the basis of the conformed accounting policies at the merger date.

958-805-25-11 At the merger date, the new NFP may contemplate renegotiating and modifying leases of the business or nonprofit activity acquired. Modifications made after the merger date, including those that were planned at the time of the combination, are postcombination events that should be accounted for separately by the new NFP in accordance with Topic ~~842~~840.

Amendments to Subtopic 958-810

92. Amend paragraph 958-810-25-10, with a link to transition paragraph 842-10-65-1, as follows:

Not-for-Profit Entities—Consolidation

Recognition

> Special-Purpose-Entity Lessors

958-810-25-8 Notwithstanding the guidance in this Subtopic, an NFP that is engaged in leasing transactions with a special-purpose-entity (SPE) lessor shall consider whether it should consolidate such lessor. Specifically, such an NFP shall consolidate an SPE lessor if all of the following conditions exist:

- a. Substantially all of the activities of the SPE involve assets that are to be leased to a single lessee.
- b. The expected substantive residual risks and substantially all the residual rewards of the leased asset(s) and the obligation imposed by the underlying debt of the SPE reside directly or indirectly with the lessee through means such as any of the following:
 1. The lease agreement
 2. A residual value guarantee through, for example, the assumption of first-dollar-of-loss provisions
 3. A guarantee of the SPE's debt

4. An option granting the lessee a right to do either of the following:
 - i. To purchase the leased asset at a fixed price or at a defined price other than fair value determined at the date of exercise
 - ii. To receive any of the lessor's sales proceeds in excess of a stipulated amount.
- c. The owner (or owners) of record of the SPE has not made an initial substantive residual equity capital investment that is at risk during the entire **lease term**. This criterion shall be considered met if the majority owner (or owners) of the lessor is not an independent third party, regardless of the level of capital investment.

958-810-25-9 To satisfy the at-risk requirement in item (c) in the preceding paragraph, an initial substantive residual equity capital investment shall meet all of the following conditions:

- a. It represents an equity interest in legal form.
- b. It is subordinate to all debt interests.
- c. It represents the residual equity interest during the entire lease term.

958-810-25-10 If all of the conditions in paragraph 958-810-25-8 exist, the assets, liabilities, results of operations, and cash flows of the SPE shall be consolidated in the lessee's financial statements. This conclusion shall be applied to SPEs that are established for both the construction and subsequent lease of an asset for which the lease would meet all of the conditions in paragraph 958-810-25-8. In those cases, the consolidation by the lessee shall begin at ~~the~~ **lease inception** rather than the beginning of the lease term. For related implementation guidance, see paragraphs 958-810-55-7 through 55-16 ~~and 958-840-55-4~~.

93. Amend paragraphs 958-810-55-7 and 958-810-55-14, with a link to transition paragraph 842-10-65-1, as follows:

Implementation Guidance and Illustrations

> Implementation Guidance

> > Special-Purpose-Entity Lessors

958-810-55-7 For an NFP that is engaged in leasing transactions with a special-purpose-entity (SPE) lessor, this implementation guidance addresses the following matters:

- a. Multiple properties within a single SPE lessor
- b. Multitiered SPE structures
- c. Payments to equity owners of an SPE during the **lease term**
- d. Fees paid to owners of record of an SPE
- e. Source of initial minimum equity investment

- f. Payment to owners of record of an SPE before the lease term
- g. Subparagraph superseded by Accounting Standards Update No. 2016-02, Interest-only payments.

> > Fees Paid to Owners of Record of an SPE

958-810-55-14 Paragraph ~~840-10-25-6(e)~~842-10-30-5(e) states that, for a lessee, ~~minimum~~ lease payments include fees that are paid by the lessee to the owners of the special-purpose entity for structuring the lease transaction. Paragraph ~~840-10-25-6(e)~~842-10-30-5(e) states that such fees shall be included as part of ~~minimum~~ lease payments (but shall not be included in the fair value of the ~~leased property underlying asset~~) for purposes of applying the ~~90 percent test criterion~~ in paragraph ~~840-10-25-1(d)~~842-10-25-2(d). With respect to the SPE and the application of the guidance in paragraph 958-810-25-8, the fees paid by the lessee to the owners of the SPE shall be considered a return of the owners' initial equity capital investment. To the extent that the fees reduce the equity capital investment below the minimum amount required, the owners of record would not be considered to have a substantive residual equity capital investment that is at risk during the entire term of the lease.

Amendments to Subtopic 958-840

94. Supersede Subtopic 958-840, Not-for-Profit Entities—Leases, with a link to transition paragraph 842-10-65-1.

Amendments to Subtopic 970-10

95. Amend paragraph 970-10-05-1, with a link to transition paragraph 842-10-65-1, as follows:

Real Estate—General—Overall

Overview and Background

General

970-10-05-1 The Codification contains several Topics for Real Estate due to the differing accounting treatment for various real estate subindustries. The Topics include:

- a. Real Estate—General
- b. Real Estate—Common Interest Realty Associations
- c. Real Estate—Real Estate Investment Trusts

- d. Real Estate—Retail Land
- e. Real Estate—Time-Sharing Activities.

Additionally, Subtopic ~~360-20-842-40~~ provides accounting guidance for the sale of real estate that is part of a ~~sale-leaseback-sale and leaseback~~ transaction.

96. Amend paragraph 970-10-15-8, with a link to transition paragraph 842-10-65-1, as follows:

Scope and Scope Exceptions

Real Estate Project Costs

> Transactions

970-10-15-8 The guidance in the Real Estate Project Costs Subsections does not apply to the following transactions and activities:

- a. Real estate developed by an entity for use in its own operations, other than for sale or rental. In this context, real estate developed by a member of a consolidated group for use in the operations of another member of the group (for example, a manufacturing facility developed by a subsidiary for use in its parent's operations) when the property is reported in the group's consolidated financial statements. However, this does not include property reported in the separate financial statements of the entity that developed it.
- b. Initial direct costs of ~~sales type, operating, and other types of leases,~~ which are defined in Topic ~~842~~840. The accounting for initial direct costs of leases is prescribed in that Topic.
- c. Costs directly related to manufacturing, merchandising, or service activities as distinguished from real estate activities.

Amendments to Subtopic 970-340

97. Amend paragraph 970-340-25-16, with a link to transition paragraph 842-10-65-1, as follows:

Real Estate—General—Other Assets and Deferred Costs

Recognition

Real Estate Project Costs

> Costs Incurred to Sell and Rent Real Estate Projects, Including Initial Rental Operations

> > Costs Incurred to Rent Real Estate Projects

970-340-25-16 If costs incurred to rent real estate projects, other than [initial direct costs](#), under [operating leases](#) or [direct financing leases](#) are related to and their recovery is reasonably expected from future rental operations, they shall be capitalized. Examples are costs of model units and their furnishings, rental facilities, semipermanent signs, grand openings, and unused rental brochures. Costs that do not meet the criteria for capitalization shall be expensed as incurred, for example, rental overhead. Initial direct costs are defined in [Topic 842](#) and the accounting for initial direct costs is prescribed in [that Topic](#).

98. Amend paragraph 970-340-35-2, with a link to transition paragraph 842-10-65-1, as follows:

Subsequent Measurement

Real Estate Project Costs

> Determining Amounts to Be Capitalized or Expensed

> > Costs Incurred to Rent Real Estate Projects

970-340-35-2 Capitalized rental costs directly related to revenue from a specific [operating lease](#) or [direct financing lease](#), other than [initial direct costs](#), shall be amortized over the [lease term](#). Capitalized rental costs, other than [initial direct costs](#), not directly related to revenue from a specific [operating lease](#) shall be amortized over the period of expected benefit. The amortization period shall begin when the project is substantially completed and held available for occupancy. See paragraphs 970-340-25-18 through 25-19 for the definition of substantially completed and held available for occupancy. [Initial direct costs are defined in Topic 842 on leases, and the accounting for initial direct costs is prescribed in that Topic. Topic 842 does not address whether a lessee that accounts for the sale or rental of real estate projects under Topic 970 should capitalize rental costs associated with ground and building leases.](#)

Amendments to Subtopic 972-10

99. Amend paragraph 972-10-05-1, with a link to transition paragraph 842-10-65-1, as follows:

Real Estate—Common Interest Realty Associations—Overall

Overview and Background

General

972-10-05-1 The Codification contains several Topics for real estate due to the differing accounting treatment for various real estate subindustries. The Topics include:

- a. Real Estate—General
- b. Real Estate—Common Interest Realty Associations
- c. Real Estate—Real Estate Investment Trusts
- d. Real Estate—**Time-Sharing** Activities
- e. Real Estate—Retail Land.

See also Subtopic ~~360-20-842-40~~ for accounting guidance for the sale of real estate that is part of a ~~sale-leaseback~~ sale and leaseback transaction.

Amendments to Subtopic 974-10

100. Amend paragraph 974-10-05-1, with a link to transition paragraph 842-10-65-1, as follows:

Real Estate—Real Estate Investment Trusts

Overview and Background

General

974-10-05-1 The Codification contains several Topics for real estate due to the differing accounting treatment for various real estate subindustries. The Topics include:

- a. Real Estate—General
- b. Real Estate—Common Interest Realty Associations
- c. Real Estate—Real Estate Investment Trusts

- d. Real Estate—Time-Sharing Activities
- e. Real Estate—Retail Land.

See also Subtopic ~~360-20842-40~~ 842-40 for accounting guidance for the sale of real estate that is part of a ~~sale-leaseback sale and leaseback~~ sale and leaseback transaction.

Amendments to Subtopic 974-840

101. Supersede Subtopic 974-840, Real Estate—Real Estate Investment Trusts—Leases, with a link to transition paragraph 842-10-65-1.

[Paragraphs 974-840-05-1 and 974-840-15-1 moved to paragraphs 974-842-05-1 and 974-842-15-1, and paragraph 974-840-25-1 amended and moved to paragraph 974-842-25-1]

Addition of Subtopic 974-842

102. Add Subtopic 974-842, Real Estate—Real Estate Investment Trusts—Leases, with a link to transition paragraph 842-10-65-1, as follows:

[For ease of readability, the new Subtopic is not underlined.]

Real Estate—Real Estate Investment Trusts—Leases

Overview and Background

General

974-842-05-1 This Subtopic addresses recognition issues for a **real estate investment trust** with an investment in a **service corporation** providing leasing services. **[Content moved from paragraph 974-840-05-1]**

Scope and Scope Exceptions

General

> Overall Guidance

974-842-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section 974-10-15. **[Content moved from paragraph 974-840-15-1]**

Glossary

Contract

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

Initial Direct Costs

Incremental costs of a **lease** that would not have been incurred if the lease had not been obtained.

Lease

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

Real Estate Investment Trust

Real estate investment trusts generally are formed as trusts, associations, or corporations. They employ equity capital, coupled with substantial amounts of debt financing, in making real estate loans and investments. Real estate investment trusts must distribute substantially all of their taxable income to their shareholders annually in order to retain their favorable tax status (that is, dividends paid are treated as deductions in arriving at taxable income).

Service Corporation

A real estate investment trust may establish a service corporation to perform services for the real estate investment trust or for third parties. Service corporations may provide property management and leasing services, as well as services to acquire, develop, construct, finance, or sell real estate projects.

Recognition

General

974-842-25-1 Regardless of the method of accounting used by a **real estate investment trust** for its investment in a **service corporation**, the service corporation shall not be considered an independent third party and the amount of

costs capitalized by the real estate investment trust for leasing services provided by the service corporation shall be no greater than the amount of **{add glossary link}** initial direct costs **{add glossary link}** (see paragraphs ~~842-10-30-9 through 30-10840-20-25-17 through 25-20~~) that would have been capitalized had the real estate investment trust incurred the costs directly. **[Content amended as shown and moved from paragraph 974-840-25-1]**

Amendments to Subtopic 976-10

103. Amend paragraph 976-10-05-1, with a link to transition paragraph 842-10-65-1, as follows:

Real Estate—Retail Land—Overall

Overview and Background

General

976-10-05-1 The Codification contains several Topics for real estate due to the differing accounting treatment for various real estate subindustries. The Topics include:

- a. Real Estate—General
- b. Real Estate—Common Interest Realty Associations
- c. Real Estate—Real Estate Investment Trusts
- d. Real Estate—Retail Land
- e. Real Estate—Time-Sharing Activities.

See also Subtopic ~~360-20-842-40~~ for accounting guidance for the sale of real estate that is part of a ~~sale-leaseback-sale and leaseback~~ transaction.

Amendments to Subtopic 978-10

104. Amend paragraphs 978-10-05-1 and 978-10-05-2, with a link to transition paragraph 842-10-65-1, as follows:

Real Estate—Time-Sharing Activities—Overall

Overview and Background

978-10-05-1 The Codification contains several Topics for real estate due to the differing accounting treatment for various real estate subindustries. The Topics include:

- a. Real Estate—General
- b. Real Estate—Common Interest Realty Associations
- c. Real Estate—Real Estate Investment Trusts
- d. Real Estate—Time-Sharing Activities
- e. Real Estate—Retail Land.

See also Subtopic ~~360-20-842-40~~ for accounting guidance for the sale of real estate that is part of a ~~sale-leaseback-sale and leaseback~~ transaction.

978-10-05-2 The Real Estate—Time-Sharing Activities Topic addresses the unique accounting and reporting issues for real estate **time-sharing** activities. This Topic includes the following Subtopics:

- a. Overall
- b. Statement of Cash Flows
- c. Accounting Changes and Error Corrections
- d. Receivables
- e. Inventory
- f. Other Assets and Deferred Costs
- g. Subparagraph superseded by Accounting Standards Update No. 2014-09
- h. Other Expenses
- i. Consolidation
- j. Subparagraph superseded by Accounting Standards Update No. 2016-02, Leases.

Amendments to Subtopic 978-330

105. Amend paragraph 978-330-35-6, with a link to transition paragraph 842-10-65-1, as follows:

Real Estate—Time-Sharing Activities—Inventory

Subsequent Measurement

> Operations during Holding Periods

978-330-35-6 If rental activities occur other than during the holding period, the corresponding units shall be depreciated and those activities shall be accounted

for as rental operations in accordance with Subtopic 842-30 on leases—lessor840-29.

Amendments to Subtopic 978-840

106. Supersede Subtopic 978-840, Real Estate—Time-Sharing Activities—Leases, with a link to transition paragraph 842-10-65-1.

Amendments to Subtopic 980-250

107. Amend paragraph 980-250-55-3, with a link to transition paragraph 842-10-65-1, as follows:

Regulated Operations—Accounting Changes and Error Corrections

Implementation Guidance and Illustrations

> Implementation Guidance

>> Accounting Changes

980-250-55-3 If a regulated entity changes accounting methods and the change does not affect costs that are allowable for rate-making purposes, the regulated entity would apply the change in the same manner as would an unregulated entity. ~~Capitalization of leases with no income statement effect (see paragraphs 980-840-45-1 through 45-4) is an example of that type of change.~~ If a regulated entity changes accounting methods and the change affects **allowable costs** for rate-making purposes, the change generally would be implemented in the way that it is implemented for regulatory purposes. A change in the method of accounting for research and development costs, either from a policy of capitalization and amortization to one of charging those costs to expense as incurred or vice versa, is an example of that type of change.

Amendments to Subtopic 980-340

108. Amend paragraph 980-340-25-4, with a link to transition paragraph 842-10-65-1, as follows:

Regulated Operations—Other Assets and Deferred Costs

Recognition

> Effects of Regulation

> > Phase-In Plans

980-340-25-4 The following Examples illustrate various circumstances that may or may not constitute phase-in plans:

- a. Example 1 (see paragraph 980-340-55-9) illustrates a sale with leaseback as a capital finance lease.
- b. Example 2 (see paragraph 980-340-55-12) illustrates a sale with leaseback as an operating lease.
- c. Example 3 (see paragraph 980-340-55-15) illustrates a sale with leaseback with profit recognition accelerated.
- d. Example 4 (see paragraph 980-340-55-18) illustrates the modified depreciation method.
- e. Example 5 (see paragraph 980-340-55-21) illustrates deferred costs before a rate order is issued.
- f. Example 7 (see paragraph 980-340-55-39) illustrates a phase-in plan for two plants completed at different times that share common facilities.

109. Amend paragraphs 980-340-55-10 through 55-11 and their related heading, 980-340-55-13 through 55-14, and 980-340-55-16 through 55-17 and their related heading, with a link to transition paragraph 842-10-65-1, as follows:

Implementation Guidance and Illustrations

> Illustrations

> > Example 1: Sale with Leaseback—Capital Finance Lease

980-340-55-9 This Example illustrates the guidance in paragraphs 980-340-25-2 through 25-3.

980-340-55-10 Utility B sells its interest in a newly completed electric generating plant for an amount equal to its cost and leases that interest back under a lease that requires equal annual payments. The arrangement would not qualify for sale and leaseback accounting in accordance with Subtopic 842-40 because the leaseback would be classified as a finance lease. However, the arrangement previously qualified as a sale and a capital leaseback in accordance with Subtopic 840-40 before the effective date of Topic 842. Therefore, Utility B continues to account for the arrangement as a sale and a leaseback. The sale meets the criteria

of Section 360-20-40 for recognition as a sale, and the leaseback meets the criteria of Subtopic 840-30 for a capital lease. Utility B's regulator includes the lease rentals in allowable cost as they accrue. In the past, Utility B's regulator has treated other leases entered into by Utility B in the same manner, but those leases were for much less significant items of equipment—not for an interest in an electric generating plant.

980-340-55-11 The rate-making method described is a phase-in plan under the definition in this Subtopic. Generally accepted accounting principles (GAAP) applicable to entities in general require a capital finance lease to be accounted for much like a purchase of the leased property underlying asset. The resulting expense related to the lease consists of interest on the remaining lease obligation and depreciation based on the method used for similar owned property assets. In the early years of a lease, the lease rentals included in allowable cost as they accrue are significantly less than the sum of interest on the lease obligation and depreciation on the leased asset. Thus, significant deferrals will result. The method also defers recognition of expenses compared with the methods of expense recognition used by Utility B's regulator for similar assets of Utility B prior to 1982 because Utility B's interests in electric generating plants were included in **allowable costs** in the past based on current provisions for depreciation and for the cost of capital invested in the plants. The use of this rate-making method in the past for leases of equipment does not change this conclusion. The definition is based on the method of rate-making used prior to 1982 for similar allowable costs. Similar allowable costs would be those resulting from electric generating plants.

> > Example 2: Sale with Leaseback—Operating Lease

980-340-55-12 This Example illustrates the guidance in paragraphs 980-340-25-2 through 25-3.

980-340-55-13 Utility C sells its interest in a newly completed electric generating plant for an amount equal to its cost and leases that interest back under a lease that requires equal annual payments. The arrangement qualifies as a sale and meets the criteria of Section 360-20-40 for recognition as a sale, and the leaseback in accordance with meets the criteria of Subtopic 842-40. The leaseback is classified as 840-20 for an operating lease. Utility C's regulator includes the lease payments rentals in allowable cost as they accrue. In the past, Utility C's regulator has treated other leases entered into by Utility C in the same manner, but those leases were not for an interest in an electric generating plant.

980-340-55-14 The rate-making method applied to Utility C is not a phase-in plan under the definition in this Subtopic because it recognizes rent lease expense for rate-making purposes in the same way as that expense would be recognized for entities in general for this type of lease.

> > Example 3: Sale with Leaseback—Profit Recognition Accelerated—Finance Lease

980-340-55-15 This Example illustrates the guidance in paragraphs 980-340-25-2 through 25-3.

980-340-55-16 Utility D sells its interest in a 5-year-old electric generating plant for an amount that exceeds its undepreciated cost by \$500,000 and leases that interest back. The leaseback term is 20 years, and there are no renewal options. The arrangement would not qualify for sale and leaseback accounting in accordance with Subtopic 842-40 because the leaseback would be classified as a finance lease. However, the arrangement previously qualified as a sale and a capital leaseback in accordance with Subtopic 840-40 before the effective date of Topic 842. Therefore, Utility D continues to account for the arrangement as a sale and a leaseback. The sale meets the criteria of Section 360-20-40 for recognition as a sale with full profit recognition, and the leaseback meets the criteria of Subtopic 840-20 for an operating lease. Utility D's regulator includes the lease ~~rentals~~ payments in allowable cost as they accrue and orders Utility D to amortize the profit, for rate-making purposes, over 10 years. The sale occurred at a time when Utility D was about to place a newly completed plant in service. Utility D has not had any similar transactions in the past.

980-340-55-17 The rate-making method described is a phase-in plan under the definition in this Subtopic. GAAP applicable to entities in general at the time of entering into this arrangement required ~~require~~ a profit on a ~~sale-leaseback~~ sale and leaseback transaction to be amortized over the term of the leaseback. Amortization of that profit, for rate-making purposes, over 10 years when GAAP applicable to entities in general at that time required ~~require~~ amortization over the 20-year leaseback term is equivalent to a deferral of allowable costs. In view of the timing of the rate order on the ~~sale and leaseback~~ sale-leaseback transaction, the presumption is that the order was issued in connection with the newly completed plant. The method cannot be compared with methods in use prior to 1982 because Utility D has had no previous transactions of this type.

Amendments to Subtopic 980-605

110. Amend paragraph 980-605-15-3, with a link to transition paragraph 842-10-65-1, as follows:

Regulated Operations—Revenue Recognition

Scope and Scope Exceptions

> Transactions

980-605-15-3 The scope of this Subtopic excludes long-term power supply contracts ~~if they are within the scope of Topic 842 on leases that would qualify for lease accounting pursuant to Topic 840.~~ For a discussion of the considerations required to determine whether a long-term power sales contract arrangement contains a lease, see Subtopic ~~842-10840-10~~.

Amendments to Subtopic 980-815

111. Amend paragraph 980-815-15-3, with a link to transition paragraph 842-10-65-1, as follows:

Regulated Operations—Derivatives and Hedging

Scope and Scope Exceptions

> Transactions

980-815-15-3 The scope of this Subtopic excludes long-term power supply contracts ~~if they are within the scope of that would qualify for lease accounting pursuant to Topic 842 on leases~~840. For a discussion of the considerations required to determine whether a long-term power sales contract arrangement contains a lease, see Subtopic ~~842-10840-10~~.

Amendments to Subtopic 980-840

112. Supersede Subtopic 980-840, Regulated Operations—Leases, with a link to transition paragraph 842-10-65-1.

[Paragraphs 980-840-05-1 and 980-840-15-1 moved to paragraphs 980-842-05-1 and 980-842-15-1; paragraphs 980-840-25-1 through 25-3 and their related heading amended and moved to paragraphs 980-842-25-1 through 25-3; paragraph 980-840-35-2 and its related heading amended and moved to paragraph 980-842-35-1; and paragraphs 980-840-45-1 through 45-4 and 980-840-55-1 amended and moved to paragraphs 980-842-45-1 through 45-4 and 980-842-55-1]

Addition of Subtopic 980-842

113. Add Subtopic 980-842, Regulated Operations—Leases, with a link to transition paragraph 842-10-65-1, as follows:

[For ease of readability, the new Subtopic is not underlined.]

Regulated Operations—Leases

Overview and Background

General

980-842-05-1 This Subtopic provides guidance on accounting for leases for entities with regulated operations. **[Content moved from paragraph 980-840-05-1]**

Scope and Scope Exceptions

General

> Overall Guidance

980-842-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section 980-10-15. **[Content moved from paragraph 980-840-15-1]**

Glossary

Allowable Costs

All costs for which revenue is intended to provide recovery. Those costs can be actual or estimated. In that context, allowable costs include interest cost and amounts provided for earnings on shareholders' investments.

Phase-In Plan

Any method of recognition of allowable costs in rates that meets all of the following criteria:

- a. The method was adopted by the regulator in connection with a major, newly completed plant of the regulated entity or of one of its suppliers or a major plant scheduled for completion in the near future.
- b. The method defers the rates intended to recover allowable costs beyond the period in which those allowable costs would be charged to expense

- under generally accepted accounting principles (GAAP) applicable to entities in general.
- c. The method defers the rates intended to recover allowable costs beyond the period in which those rates would have been ordered under the rate-making methods routinely used prior to 1982 by that regulator for similar allowable costs of that regulated entity.

Recognition

General

> ~~Sale-Leaseback~~Sale and Leaseback Transactions

980-842-25-1 Accounting for ~~sale and leaseback~~sale and leaseback transactions in accordance with the guidance in Subtopic ~~842-40~~840-40 may result in a difference between the timing of income and expense recognition required by that Subtopic and the timing of income and expense recognition for rate-making purposes. **[Content amended as shown and moved from paragraph 980-840-25-1]**

980-842-25-2 That difference shall be accounted for as follows:

- a. If the difference in timing of income and expense recognition constitutes all or a part of a **phase-in plan**, it shall be accounted for in accordance with Subtopic 980-340.
- b. Otherwise, the timing of income and expense recognition related to the ~~sale and leaseback~~sale and leaseback transaction shall be modified as necessary to conform to the Regulated Operations Topic. That modification required for a transaction that is accounted ~~for by the deposit method~~ or for as a financing is further described in the following paragraph and paragraphs 980-840-35-1 through 35-2. **[Content amended as shown and moved from paragraph 980-840-25-2]**

980-842-25-3 The difference between the amount of income or expense recognized for a transaction that is not part of a phase-in plan and that is accounted for ~~by the deposit method~~ or as a financing under Subtopic ~~842-40~~840-40 and the amount of income or expense included in allowable cost for rate-making purposes shall be capitalized or accrued as a separate regulatory-created asset or liability, as appropriate, if that difference meets the criteria of the Regulated Operations Topic. **[Content amended as shown and moved from paragraph 980-840-25-3]**

Subsequent Measurement

General

> ~~Sale-Leaseback~~Sale and Leaseback Transactions

980-842-35-1 Similarly, if the ~~sale-leaseback~~sale and leaseback transaction is accounted for as a financing and the sale is recognized for rate-making purposes, the total of interest imputed under the interest method for the financing and the ~~amortization~~depreciation of the underlying asset shall be modified to equal the total ~~rental~~lease expense and the gain or loss allowable for rate-making purposes. [Content amended as shown and moved from paragraph 980-840-35-2]

Other Presentation Matters

General

> Treatment of Leases for Rate-Making Purposes

980-842-45-1 Topic 842~~840~~ specifies criteria for classification of leases and the method of accounting for each type of lease. For rate-making purposes, a lease may be treated as an operating lease even though the lease would be classified as a finance~~capital~~ lease under those criteria. In effect, the amount of the lease payment is included in **allowable costs** as rental expense in the period it covers. [Content amended as shown and moved from paragraph 980-840-45-1]

980-842-45-2 For financial reporting purposes, the classification of the lease is not affected by the regulator's actions. The regulator cannot eliminate an obligation that was not imposed by the regulator (see paragraph 980-405-40-1). Also, by including the lease payments as allowable costs, the regulator sets rates that will provide revenue approximately equal to the combined amount of the capitalized lease~~right-of-use~~ asset and interest on the lease liability~~obligation~~ over the term of the lease and, thus, provides reasonable assurance of the existence of an asset (see paragraph 980-340-25-1). Accordingly, regulated entities shall classify leases in accordance with Topic 842~~840~~. [Content amended as shown and moved from paragraph 980-840-45-2]

980-842-45-3 The nature of the expense elements related to a finance~~capitalized~~ lease (amortization of the leased~~right-of-use~~ asset and interest on the lease obligation~~liability~~) is not changed by the regulator's action; however, the timing of expense recognition related to the lease would be modified to conform to the rate treatment. Thus, amortization of the leased~~right-of-use~~ asset shall be modified so that the total of interest on the lease liability~~obligation~~ and amortization of the leased~~right-of-use~~ asset shall equal the rental~~lease~~ expense that was allowed for

rate-making purposes. For newly completed plants such regulatory treatment could result in a **phase-in plan** as defined in Subtopic 980-340. **[Content amended as shown and moved from paragraph 980-840-45-3]**

980-842-45-4 Paragraph ~~840-30-45-3~~842-20-45-4 states that an entity is not required to classify the interest expense and amortization of the right-of-use asset in a finance lease~~leased assets to be classified~~ as separate items in an income statement. For example, the amounts of amortization of the right-of-use asset~~capitalized leased nuclear fuel~~ and interest on the related lease ~~obligation~~liability could each be combined with other costs and ~~displayed as fuel cost~~presented in a manner consistent with how the entity presents depreciation or amortization of similar assets and other interest expense. However, the disclosure of total interest cost incurred, required by Subtopic 835-20, shall include the interest on that lease ~~liability~~obligation; and the disclosure of the total amortization of the entity's right-of-use assets arising under a finance lease and interest on finance lease liabilities~~charge~~, required by Section 842-20-50~~Topic 840~~, shall include amortization of that ~~leased asset~~right-of-use asset and interest on that lease liability. **[Content amended as shown and moved from paragraph 980-840-45-4]**

Implementation Guidance and Illustrations

> Implementation Guidance

> > Income Statement Classification

980-842-55-1 Paragraph ~~840-30-45-3~~842-20-45-4 states that an entity is not required to classify the interest expense and amortization of leased assets~~the right-of-use asset in a finance lease~~ as separate items in an income statement. However, that paragraph also states that the interest expense and unless the charge to income resulting from the amortization of the right-of-use asset in a finance lease should be presented in a manner consistent with how the entity presents depreciation or amortization of similar assets and other interest expense~~assets recorded under capital leases is included by the lessee with depreciation expense and the fact that it is so included is disclosed, the amortization charge shall be separately disclosed by the lessee in the financial statements or footnotes thereto~~. For example, the amounts of amortization of ~~capitalized leased nuclear fuel~~the right-of-use asset and interest on the related lease ~~obligation~~liability could each be combined with other costs and presented in a manner consistent with how the entity presents depreciation or amortization of similar assets and other interest expense~~displayed as fuel cost~~. However, in that circumstance, the disclosure of total interest cost incurred, required by Subtopic 835-20, would include the interest on that lease ~~liability~~obligation; and the disclosure of the total amortization of the entity's right-of-use assets arising under

a finance lease and interest on finance lease liabilities charge, required by Section 842-20-50 paragraph 840-30-45-3, would include amortization of that leased asset right-of-use asset and interest on that lease liability. **[Content amended as shown and moved from paragraph 980-840-55-1]**

114. Amend paragraph 205-40-00-1, by adding the following items to the table, as follows:

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

Paragraph	Action	Accounting Standards Update	Date
205-40-55-3	Added	2016-02	02/25/2016

115. Amend paragraph 210-20-00-1, by adding the following items to the table, as follows:

210-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Commencement Date of the Lease (Commencement Date)	Added	2016-02	02/25/2016
Contract	Added	2016-02	02/25/2016
Lease	Added	2016-02	02/25/2016
Lessee	Added	2016-02	02/25/2016
Lessor	Added	2016-02	02/25/2016
Leveraged Lease	Added	2016-02	02/25/2016
Underlying Asset	Added	2016-02	02/25/2016
210-20-15-3	Amended	2016-02	02/25/2016
210-20-60-4	Amended	2016-02	02/25/2016

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

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

Paragraph	Action	Accounting Standards Update	Date
Contract	Added	2016-02	02/25/2016
Lease	Added	2016-02	02/25/2016
Lease Liability	Added	2016-02	02/25/2016
Lease Payments	Added	2016-02	02/25/2016
Lease Term	Added	2016-02	02/25/2016
Lessee	Added	2016-02	02/25/2016
Lessor	Added	2016-02	02/25/2016
Right-of-Use Asset	Added	2016-02	02/25/2016
Underlying Asset	Added	2016-02	02/25/2016
230-10-50-4	Amended	2016-02	02/25/2016
230-10-55-10	Amended	2016-02	02/25/2016
230-10-55-11	Amended	2016-02	02/25/2016
230-10-55-13	Amended	2016-02	02/25/2016
230-10-55-15	Amended	2016-02	02/25/2016
230-10-55-19	Amended	2016-02	02/25/2016
230-10-55-20	Amended	2016-02	02/25/2016

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

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

Paragraph	Action	Accounting Standards Update	Date
Commencement Date of the Lease (Commencement Date)	Added	2016-02	02/25/2016
Contract	Added	2016-02	02/25/2016
Direct Financing Lease	Added	2016-02	02/25/2016
Lease	Added	2016-02	02/25/2016
Lease Payments	Added	2016-02	02/25/2016
Lease Receivable	Added	2016-02	02/25/2016
Lease Term	Added	2016-02	02/25/2016

Lessee	Added	2016-02	02/25/2016
Lessor	Added	2016-02	02/25/2016
Leveraged Lease	Added	2016-02	02/25/2016
Net Investment in the Lease	Added	2016-02	02/25/2016
Sales-Type Lease	Added	2016-02	02/25/2016
Underlying Asset	Added	2016-02	02/25/2016
Unguaranteed Residual Asset	Added	2016-02	02/25/2016
255-10-55-6	Amended	2016-02	02/25/2016
255-10-55-7A	Added	2016-02	02/25/2016
255-10-55-8	Amended	2016-02	02/25/2016
255-10-55-10	Amended	2016-02	02/25/2016
255-10-55-11	Amended	2016-02	02/25/2016

118. 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	Action	Accounting Standards Update	Date
Lease	Added	2016-02	02/25/2016
Lessee	Added	2016-02	02/25/2016
Lessor	Added	2016-02	02/25/2016
Underlying Asset	Added	2016-02	02/25/2016
270-10-50-6A	Added	2016-02	02/25/2016

119. Amend paragraph 274-10-00-1, by adding the following item to the table, as follows:

274-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
274-10-50-2	Amended	2016-02	02/25/2016

120. Amend paragraph 310-10-00-1, by adding the following items to the table, as follows:

310-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Commencement Date of the Lease (Commencement Date)	Added	2016-02	02/25/2016
Contract	Added	2016-02	02/25/2016
Direct Financing Lease	Added	2016-02	02/25/2016
Lease	Added	2016-02	02/25/2016
Lease Payments	Added	2016-02	02/25/2016
Lease Receivable	Added	2016-02	02/25/2016
Lease Term	Added	2016-02	02/25/2016
Lessee	Added	2016-02	02/25/2016
Lessor	Added	2016-02	02/25/2016
Leveraged Lease	Added	2016-02	02/25/2016
Sales-Type Lease	Added	2016-02	02/25/2016
Underlying Asset	Added	2016-02	02/25/2016
310-10-35-13	Amended	2016-02	02/25/2016
310-10-40-5	Amended	2016-02	02/25/2016
310-10-55-14	Amended	2016-02	02/25/2016

121. Amend paragraph 310-20-00-1, by adding the following item to the table, as follows:

310-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
310-20-15-1	Amended	2016-02	02/25/2016

122. Amend paragraph 310-30-00-1, by adding the following item to the table, as follows:

310-30-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
310-30-15-2	Amended	2016-02	02/25/2016

123. Amend paragraph 310-40-00-1, by adding the following items to the table, as follows:

310-40-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Contract	Added	2016-02	02/25/2016
Lease	Added	2016-02	02/25/2016
Lease Modification	Added	2016-02	02/25/2016
310-40-15-11	Amended	2016-02	02/25/2016

124. 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	Action	Accounting Standards Update	Date
323-740-25-3	Amended	2016-02	02/25/2016

125. Amend paragraph 340-10-00-1, by adding the following item to the table, as follows:

340-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
340-10-60-1	Amended	2016-02	02/25/2016

126. Amend paragraph 360-10-00-1, by adding the following items to the table, as follows:

360-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Lease	Added	2016-02	02/25/2016
Lease Term	Added	2016-02	02/25/2016
Lessee	Added	2016-02	02/25/2016
Lessor	Added	2016-02	02/25/2016
Performance Obligation	Added	2016-02	02/25/2016
Revenue	Added	2016-02	02/25/2016
Right-of-Use Asset	Added	2016-02	02/25/2016
Underlying Asset	Added	2016-02	02/25/2016
360-10-05-1	Amended	2016-02	02/25/2016
360-10-15-4	Amended	2016-02	02/25/2016
360-10-30-8	Amended	2016-02	02/25/2016
360-10-40-2	Amended	2016-02	02/25/2016
360-10-55-43	Amended	2016-02	02/25/2016

127. Amend paragraph 360-20-00-1, by adding the following items to the table, as follows:

360-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Conduit Debt Securities	Superseded	2016-02	02/25/2016
Cost Recovery Method	Superseded	2016-02	02/25/2016
Deposit Method	Superseded	2016-02	02/25/2016
Fair Value (2nd. def.)	Superseded	2016-02	02/25/2016
Installment Method	Superseded	2016-02	02/25/2016

Integral Equipment	Superseded	2016-02	02/25/2016
Market Participants	Superseded	2016-02	02/25/2016
Nonpublic Entity (1st def.)	Superseded	2016-02	02/25/2016
Orderly Transaction	Superseded	2016-02	02/25/2016
Reduced-Profit Method	Superseded	2016-02	02/25/2016
Related Parties	Superseded	2016-02	02/25/2016
Sale-Leaseback Accounting	Superseded	2016-02	02/25/2016
360-20-05-1	Superseded	2016-02	02/25/2016
360-20-05-2	Superseded	2016-02	02/25/2016
360-20-15-1 through 15-10	Superseded	2016-02	02/25/2016
360-20-40-1 through 40-64	Superseded	2016-02	02/25/2016
360-20-55-1 through 55-10	Superseded	2016-02	02/25/2016
360-20-55-12 through 55-17	Superseded	2016-02	02/25/2016
360-20-55-19 through 55-67	Superseded	2016-02	02/25/2016
360-20-60-1 through 60-3	Superseded	2016-02	02/25/2016

128. Amend paragraph 410-20-00-1, by adding the following items to the table, as follows:

410-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Commencement Date of the Lease (Commencement Date)	Added	2016-02	02/25/2016
Lease	Added	2016-02	02/25/2016

Lease Payments	Added	2016-02	02/25/2016
Lease Term	Added	2016-02	02/25/2016
Lessee	Added	2016-02	02/25/2016
Lessor	Added	2016-02	02/25/2016
Underlying Asset	Added	2016-02	02/25/2016
Variable Lease Payments	Added	2016-02	02/25/2016
410-20-15-2	Amended	2016-02	02/25/2016
410-20-15-3	Amended	2016-02	02/25/2016
410-20-55-44	Amended	2016-02	02/25/2016

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

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

Paragraph	Action	Accounting Standards Update	Date
Contract	Added	2016-02	02/25/2016
Lease	Added	2016-02	02/25/2016
420-10-05-2	Amended	2016-02	02/25/2016
420-10-15-3	Amended	2016-02	02/25/2016
420-10-25-11	Amended	2016-02	02/25/2016
420-10-30-8	Superseded	2016-02	02/25/2016
420-10-55-11 through 55-15	Superseded	2016-02	02/25/2016

130. Amend paragraph 440-10-00-1, by adding the following items to the table, as follows:

440-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Contract	Added	2016-02	02/25/2016
Lease	Added	2016-02	02/25/2016
Lease Payments	Added	2016-02	02/25/2016
Lessee	Added	2016-02	02/25/2016
Lessor	Added	2016-02	02/25/2016

Underlying Asset	Added	2016-02	02/25/2016
440-10-25-1	Amended	2016-02	02/25/2016
440-10-25-2	Amended	2016-02	02/25/2016
440-10-50-1	Amended	2016-02	02/25/2016
440-10-50-3	Amended	2016-02	02/25/2016
440-10-60-12	Amended	2016-02	02/25/2016
440-10-60-13	Amended	2016-02	02/25/2016

131. Amend paragraph 450-10-00-1, by adding the following items to the table, as follows:

450-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Commencement Date of the Lease (Commencement Date)	Added	2016-02	02/25/2016
Lease	Added	2016-02	02/25/2016
Lessee	Added	2016-02	02/25/2016
Lessor	Added	2016-02	02/25/2016
Underlying Asset	Added	2016-02	02/25/2016
Variable Lease Payments	Added	2016-02	02/25/2016
450-10-60-8	Amended	2016-02	02/25/2016

132. Amend paragraph 450-20-00-1, by adding the following items to the table, as follows:

450-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Contract	Added	2016-02	02/25/2016
Lease	Added	2016-02	02/25/2016
Lessee	Added	2016-02	02/25/2016
Lessor	Added	2016-02	02/25/2016

Underlying Asset	Added	2016-02	02/25/2016
Variable Lease Payments	Added	2016-02	02/25/2016
450-20-60-15	Amended	2016-02	02/25/2016
450-20-60-16	Amended	2016-02	02/25/2016

133. Add paragraph 450-30-00-1 as follows:

450-30-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Commencement Date of the Lease (Commencement Date)	Added	2016-02	02/25/2016
Contract	Added	2016-02	02/25/2016
Direct Financing Lease	Added	2016-02	02/25/2016
Finance Lease	Added	2016-02	02/25/2016
Lease	Added	2016-02	02/25/2016
Lessee	Added	2016-02	02/25/2016
Lessor	Added	2016-02	02/25/2016
Operating Lease	Added	2016-02	02/25/2016
Sales-Type Lease	Added	2016-02	02/25/2016
Underlying Asset	Added	2016-02	02/25/2016
Variable Lease Payments	Added	2016-02	02/25/2016
450-30-60-5	Amended	2016-02	02/25/2016

134. Amend paragraph 460-10-00-1, by adding the following items to the table, as follows:

460-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Bargain Purchase Option	Superseded	2016-02	02/25/2016
Bargain Renewal Option	Superseded	2016-02	02/25/2016
Commencement Date of the Lease (Commencement Date)	Added	2016-02	02/25/2016
Indirectly Related to the Leased Property	Superseded	2016-02	02/25/2016
Lease	Added	2016-02	02/25/2016
Lease Payments	Added	2016-02	02/25/2016
Lease Term	Amended	2016-02	02/25/2016
Lessee	Added	2016-02	02/25/2016
Lessor	Added	2016-02	02/25/2016
Noncancelable Lease Term	Superseded	2016-02	02/25/2016
Underlying Asset	Added	2016-02	02/25/2016
Variable Lease Payments	Added	2016-02	02/25/2016
460-10-15-7	Amended	2016-02	02/25/2016
460-10-25-1	Amended	2016-02	02/25/2016
460-10-30-2	Amended	2016-02	02/25/2016
460-10-55-17	Amended	2016-02	02/25/2016
460-10-55-23	Amended	2016-02	02/25/2016
460-10-60-3	Amended	2016-02	02/25/2016
460-10-60-16 through 60-18	Amended	2016-02	02/25/2016
460-10-60-19	Superseded	2016-02	02/25/2016
460-10-60-20 through 60-24	Amended	2016-02	02/25/2016
460-10-60-25 through 60-27	Superseded	2016-02	02/25/2016
460-10-60-29 through 60-31	Superseded	2016-02	02/25/2016
460-10-60-32	Amended	2016-02	02/25/2016
460-10-60-33	Superseded	2016-02	02/25/2016

135. Amend paragraph 470-10-00-1, by adding the following items to the table, as follows:

470-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Contract	Added	2016-02	02/25/2016
Lease	Added	2016-02	02/25/2016
470-10-60-4	Amended	2016-02	02/25/2016

136. Amend paragraph 470-60-00-1 as follows:

470-60-00-1 ~~No updates have been made to this Subtopic.~~ The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Contract	Added	2016-02	02/25/2016
Lease	Added	2016-02	02/25/2016
Lease Modification	Added	2016-02	02/25/2016
470-60-15-11	Amended	2016-02	02/25/2016

137. Amend paragraph 606-10-00-1, by adding the following items to the table, as follows:

606-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Lease	Added	2016-02	02/25/2016
606-10-15-2	Amended	2016-02	02/25/2016
606-10-55-68	Amended	2016-02	02/25/2016
606-10-55-72	Amended	2016-02	02/25/2016
606-10-55-407	Amended	2016-02	02/25/2016

138. Amend paragraph 610-10-00-1, by adding the following item to the table, as follows:

610-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
610-10-05-1	Amended	2016-02	02/25/2016

139. Amend paragraph 610-20-00-1, by adding the following item to the table, as follows:

610-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
610-20-15-3	Amended	2016-02	02/25/2016

140. 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	Action	Accounting Standards Update	Date
Commencement Date of the Lease (Commencement Date)	Added	2016-02	02/25/2016
Lease	Added	2016-02	02/25/2016
Lessee	Added	2016-02	02/25/2016
Lessor	Added	2016-02	02/25/2016
Leveraged Lease	Added	2016-02	02/25/2016
Underlying Asset	Added	2016-02	02/25/2016
740-10-25-3	Amended	2016-02	02/25/2016
740-10-55-156	Amended	2016-02	02/25/2016
740-10-55-158	Amended	2016-02	02/25/2016
740-10-60-4	Amended	2016-02	02/25/2016

141. 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	Action	Accounting Standards Update	Date
Commencement Date of the Lease (Commencement Date)	Added	2016-02	02/25/2016
Contract	Added	2016-02	02/25/2016
Lease	Added	2016-02	02/25/2016
Lessee	Added	2016-02	02/25/2016
Lessor	Added	2016-02	02/25/2016
Leveraged Lease	Added	2016-02	02/25/2016
Underlying Asset	Added	2016-02	02/25/2016
740-270-30-15	Amended	2016-02	02/25/2016

142. Amend paragraph 805-10-00-1, by adding the following items to the table, as follows:

805-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Contract	Added	2016-02	02/25/2016
Direct Financing Lease	Added	2016-02	02/25/2016
Lease	Added	2016-02	02/25/2016
Lessee	Added	2016-02	02/25/2016
Lessor	Added	2016-02	02/25/2016
Sales-Type Lease	Added	2016-02	02/25/2016
Underlying Asset	Added	2016-02	02/25/2016
805-10-55-44	Amended	2016-02	02/25/2016

143. Amend paragraph 805-20-00-1, by adding the following items to the table, as follows:

805-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Bargain Purchase Option	Superseded	2016-02	02/25/2016
Bargain Renewal Option	Superseded	2016-02	02/25/2016
Contract	Added	2016-02	02/25/2016
Direct Financing Lease	Added	2016-02	02/25/2016
Finance Lease	Added	2016-02	02/25/2016
Indirectly Related to the Leased Property	Superseded	2016-02	02/25/2016
Lease	Amended	2016-02	02/25/2016
Lease Liability	Added	2016-02	02/25/2016
Lease Payments	Added	2016-02	02/25/2016
Lease Receivable	Added	2016-02	02/25/2016
Lease Term	Amended	2016-02	02/25/2016
Lessee	Added	2016-02	02/25/2016
Lessor	Added	2016-02	02/25/2016
Net Investment in the Lease	Added	2016-02	02/25/2016
Noncancelable Lease Term	Superseded	2016-02	02/25/2016
Operating Lease	Added	2016-02	02/25/2016
Right-of-Use Asset	Added	2016-02	02/25/2016
Sales-Type Lease	Added	2016-02	02/25/2016
Sublease	Added	2016-02	02/25/2016

Underlying Asset	Added	2016-02	02/25/2016
Unguaranteed Residual Asset	Added	2016-02	02/25/2016
805-20-25-5	Amended	2016-02	02/25/2016
805-20-25-8	Amended	2016-02	02/25/2016
805-20-25-9	Amended	2016-02	02/25/2016
805-20-25-10A	Added	2016-02	02/25/2016
805-20-25-11	Amended	2016-02	02/25/2016
805-20-25-12	Amended	2016-02	02/25/2016
805-20-25-13	Superseded	2016-02	02/25/2016
805-20-25-16	Amended	2016-02	02/25/2016
805-20-25-17	Amended	2016-02	02/25/2016
805-20-25-28A	Added	2016-02	02/25/2016
805-20-25-28B	Added	2016-02	02/25/2016
805-20-30-10 through 30-12	Amended	2016-02	02/25/2016
805-20-30-24	Added	2016-02	02/25/2016
805-20-30-25	Added	2016-02	02/25/2016
805-20-35-6	Amended	2016-02	02/25/2016
805-20-50-1	Amended	2016-02	02/25/2016
805-20-55-2	Amended	2016-02	02/25/2016
805-20-55-31	Amended	2016-02	02/25/2016

144. Amend paragraph 805-740-00-1, by adding the following items to the table, as follows:

805-740-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Commencement Date of the Lease (Commencement Date)	Added	2016-02	02/25/2016
Contract	Added	2016-02	02/25/2016
Lease	Added	2016-02	02/25/2016
Lessee	Added	2016-02	02/25/2016
Lessor	Added	2016-02	02/25/2016
Leveraged Lease	Added	2016-02	02/25/2016

Underlying Asset	Added	2016-02	02/25/2016
805-740-25-4	Amended	2016-02	02/25/2016
805-740-30-1	Amended	2016-02	02/25/2016

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

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

Paragraph	Action	Accounting Standards Update	Date
Direct Financing Lease	Added	2016-02	02/25/2016
Finance Lease	Added	2016-02	02/25/2016
Lease	Added	2016-02	02/25/2016
Lease Payments	Added	2016-02	02/25/2016
Lessee	Added	2016-02	02/25/2016
Lessor	Added	2016-02	02/25/2016
Operating Lease	Added	2016-02	02/25/2016
Sales-Type Lease	Added	2016-02	02/25/2016
Underlying Asset	Added	2016-02	02/25/2016
810-10-25-56	Amended	2016-02	02/25/2016
810-10-50-2AD	Amended	2016-02	02/25/2016
810-10-50-2AF	Amended	2016-02	02/25/2016
810-10-55-50	Amended	2016-02	02/25/2016
810-10-55-78 through 55-80	Amended	2016-02	02/25/2016
810-10-55-93	Amended	2016-02	02/25/2016
810-10-55-172 through 55-176	Amended	2016-02	02/25/2016
810-10-55-178	Amended	2016-02	02/25/2016
810-10-60-4	Amended	2016-02	02/25/2016

146. Amend paragraph 815-10-00-1, by adding the following items to the table, as follows:

815-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
815-10-15-63	Amended	2016-02	02/25/2016
815-10-15-79 through 15-81	Amended	2016-02	02/25/2016
815-10-55-60	Amended	2016-02	02/25/2016

147. Amend paragraph 815-15-00-1, by adding the following items to the table, as follows:

815-15-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Commencement Date of the Lease (Commencement Date)	Added	2016-02	02/25/2016
Contract	Added	2016-02	02/25/2016
Lease	Added	2016-02	02/25/2016
Lessee	Added	2016-02	02/25/2016
Lessor	Added	2016-02	02/25/2016
Underlying Asset	Added	2016-02	02/25/2016
Variable Lease Payments	Added	2016-02	02/25/2016
815-15-25-22	Amended	2016-02	02/25/2016
815-15-55-4	Amended	2016-02	02/25/2016
815-15-55-7	Amended	2016-02	02/25/2016

148. Amend paragraph 815-20-00-1, by adding the following items to the table, as follows:

815-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
815-20-55-11	Amended	2016-02	02/25/2016
815-20-55-73	Superseded	2016-02	02/25/2016
815-20-55-198	Superseded	2016-02	02/25/2016

149. Amend paragraph 820-10-00-1, by adding the following item to the table, as follows:

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

Paragraph	Action	Accounting Standards Update	Date
820-10-15-2	Amended	2016-02	02/25/2016

150. Amend paragraph 825-10-00-1, by adding the following items to the table, as follows:

825-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
825-10-15-5	Amended	2016-02	02/25/2016
825-10-50-8	Amended	2016-02	02/25/2016

151. Amend paragraph 835-20-00-1, by adding the following item to the table, as follows:

835-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Contract	Added	2016-02	02/25/2016
Finance Lease	Added	2016-02	02/25/2016
Interest Cost	Amended	2016-02	02/25/2016
Lease	Added	2016-02	02/25/2016
Lessee	Added	2016-02	02/25/2016
Underlying Asset	Added	2016-02	02/25/2016

152. Amend paragraph 840-10-00-1, by adding the following items to the table, as follows:

840-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Acquiree	Superseded	2016-02	02/25/2016
Acquirer	Superseded	2016-02	02/25/2016
Acquisition by a Not-for-Profit Entity	Superseded	2016-02	02/25/2016
Bargain Purchase Option	Superseded	2016-02	02/25/2016
Bargain Renewal Option	Superseded	2016-02	02/25/2016
Business	Superseded	2016-02	02/25/2016
Business Combination	Superseded	2016-02	02/25/2016
Capital Lease	Superseded	2016-02	02/25/2016
Contingent Rentals	Superseded	2016-02	02/25/2016
Contract	Superseded	2016-02	02/25/2016
Customer	Superseded	2016-02	02/25/2016
Direct Financing Leases	Superseded	2016-02	02/25/2016
Estimated Economic Life	Superseded	2016-02	02/25/2016
Fair Value of Lease Property	Superseded	2016-02	02/25/2016
Fiscal Funding Clause	Superseded	2016-02	02/25/2016
Heat Supply (or Burn-Up) Contracts	Superseded	2016-02	02/25/2016
Incremental Borrowing Rate	Superseded	2016-02	02/25/2016

Indirectly Related to the Leased Property	Superseded	2016-02	02/25/2016
Interest Rate Implicit in the Lease	Superseded	2016-02	02/25/2016
Lease	Superseded	2016-02	02/25/2016
Lease Inception	Superseded	2016-02	02/25/2016
Lease Term	Superseded	2016-02	02/25/2016
Legal Entity	Superseded	2016-02	02/25/2016
Leveraged Lease	Superseded	2016-02	02/25/2016
Minimum Lease Payments	Superseded	2016-02	02/25/2016
Noncancelable Lease Term	Superseded	2016-02	02/25/2016
Nonprofit Activity	Superseded	2016-02	02/25/2016
Not-for-Profit Entity	Superseded	2016-02	02/25/2016
Operating Lease	Superseded	2016-02	02/25/2016
Penalty	Superseded	2016-02	02/25/2016
Performance Obligation	Superseded	2016-02	02/25/2016
Probable	Superseded	2016-02	02/25/2016
Reasonably Possible	Superseded	2016-02	02/25/2016
Remote	Superseded	2016-02	02/25/2016
Revenue	Superseded	2016-02	02/25/2016
Sales-Type Lease	Superseded	2016-02	02/25/2016
Significant Influence	Superseded	2016-02	02/25/2016
Standalone Selling Price	Superseded	2016-02	02/25/2016
Sublease	Superseded	2016-02	02/25/2016
Substantially All	Superseded	2016-02	02/25/2016

Take-or-Pay Contract	Superseded	2016-02	02/25/2016
Variable Interest Entity	Superseded	2016-02	02/25/2016
840-10-05-1 through 05-10	Superseded	2016-02	02/25/2016
840-10-10-1	Superseded	2016-02	02/25/2016
840-10-15-1 through 15-23	Superseded	2016-02	02/25/2016
840-10-25-1 through 25-69	Superseded	2016-02	02/25/2016
840-10-30-1	Superseded	2016-02	02/25/2016
840-10-30-2	Superseded	2016-02	02/25/2016
840-10-35-1 through 35-10	Superseded	2016-02	02/25/2016
840-10-40-1 through 40-4	Superseded	2016-02	02/25/2016
840-10-45-1 through 45-4	Superseded	2016-02	02/25/2016
840-10-50-1 through 50-5	Superseded	2016-02	02/25/2016
840-10-55-1 through 55-10	Superseded	2016-02	02/25/2016
840-10-55-12 through 55-47	Superseded	2016-02	02/25/2016
840-10-60-1	Superseded	2016-02	02/25/2016
840-10-60-2	Superseded	2016-02	02/25/2016
840-10-60-4 through 60-6	Superseded	2016-02	02/25/2016

153. Amend paragraph 840-20-00-1, by adding the following items to the table, as follows:

840-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Bargain Purchase Option	Superseded	2016-02	02/25/2016

Bargain Renewal Option	Superseded	2016-02	02/25/2016
Capital Lease	Superseded	2016-02	02/25/2016
Construction Period Lease Payments	Superseded	2016-02	02/25/2016
Indirectly Related to the Leased Property	Superseded	2016-02	02/25/2016
Lease	Superseded	2016-02	02/25/2016
Lease Incentive	Superseded	2016-02	02/25/2016
Lease Inception	Superseded	2016-02	02/25/2016
Lease Term	Superseded	2016-02	02/25/2016
Noncancelable Lease Term	Superseded	2016-02	02/25/2016
Operating Lease	Superseded	2016-02	02/25/2016
Original Lessee	Superseded	2016-02	02/25/2016
Penalty	Superseded	2016-02	02/25/2016
Sales-Type Lease	Superseded	2016-02	02/25/2016
Sublease	Superseded	2016-02	02/25/2016
840-20-05-1 through 05-4	Superseded	2016-02	02/25/2016
840-20-15-1 through 15-3	Superseded	2016-02	02/25/2016
840-20-25-1 through 25-22	Superseded	2016-02	02/25/2016
840-20-30-1	Superseded	2016-02	02/25/2016
840-20-35-1 through 35-5	Superseded	2016-02	02/25/2016
840-20-40-1	Superseded	2016-02	02/25/2016
840-20-40-2	Superseded	2016-02	02/25/2016
840-20-40-5	Superseded	2016-02	02/25/2016
840-20-40-6	Superseded	2016-02	02/25/2016
840-20-45-1 through 45-3	Superseded	2016-02	02/25/2016
840-20-50-1 through 50-4A	Superseded	2016-02	02/25/2016

840-20-55-1 through 55-6	Superseded	2016-02	02/25/2016
--------------------------	------------	---------	------------

154. Amend paragraph 840-30-00-1, by adding the following items to the table, as follows:

840-30-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Acquiree	Superseded	2016-02	02/25/2016
Acquirer	Superseded	2016-02	02/25/2016
Acquisition by a Not-for-Profit Entity	Superseded	2016-02	02/25/2016
Advance Refunding	Superseded	2016-02	02/25/2016
Bargain Purchase Option	Superseded	2016-02	02/25/2016
Bargain Renewal Option	Superseded	2016-02	02/25/2016
Business	Superseded	2016-02	02/25/2016
Business Combination	Superseded	2016-02	02/25/2016
Capital Lease	Superseded	2016-02	02/25/2016
Contingent Rentals	Superseded	2016-02	02/25/2016
Delayed Equity Investment	Superseded	2016-02	02/25/2016
Direct Financing Leases	Superseded	2016-02	02/25/2016
Estimated Economic Life	Superseded	2016-02	02/25/2016
Estimated Residual Value	Superseded	2016-02	02/25/2016
Financing Receivable	Superseded	2016-02	02/25/2016

Indirectly Related to the Leased Property	Superseded	2016-02	02/25/2016
Interest Method	Superseded	2016-02	02/25/2016
Lease	Superseded	2016-02	02/25/2016
Lease Inception	Superseded	2016-02	02/25/2016
Lease Term	Superseded	2016-02	02/25/2016
Legal Entity	Superseded	2016-02	02/25/2016
Leveraged Lease	Superseded	2016-02	02/25/2016
Money-Over-Money Lease	Superseded	2016-02	02/25/2016
Noncancelable Lease Term	Superseded	2016-02	02/25/2016
Nonrecourse Financing	Superseded	2016-02	02/25/2016
Not-for-Profit Entity	Superseded	2016-02	02/25/2016
Operating Lease	Superseded	2016-02	02/25/2016
Original Lessee	Superseded	2016-02	02/25/2016
Penalty	Superseded	2016-02	02/25/2016
Sales-Type Lease	Superseded	2016-02	02/25/2016
Sublease	Superseded	2016-02	02/25/2016
Substantially All	Superseded	2016-02	02/25/2016
Variable Interest Entity	Superseded	2016-02	02/25/2016
840-30-05-1 through 05-4	Superseded	2016-02	02/25/2016
840-30-15-1 through 15-3	Superseded	2016-02	02/25/2016
840-30-25-1 through 25-4	Superseded	2016-02	02/25/2016
840-30-25-6 through 25-10	Superseded	2016-02	02/25/2016
840-30-30-1 through 30-15	Superseded	2016-02	02/25/2016

840-30-35-1 through 35-53	Superseded	2016-02	02/25/2016
840-30-40-1 through 40-9	Superseded	2016-02	02/25/2016
840-30-45-1 through 45-7	Superseded	2016-02	02/25/2016
840-30-50-1 through 50-6	Superseded	2016-02	02/25/2016
840-30-55-1 through 55-60	Superseded	2016-02	02/25/2016

155. Amend paragraph 840-40-00-1, by adding the following items to the table, as follows:

840-40-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Active Use of the Property	Superseded	2016-02	02/25/2016
Bargain Purchase Option	Superseded	2016-02	02/25/2016
Bargain Renewal Option	Superseded	2016-02	02/25/2016
Capital Lease	Superseded	2016-02	02/25/2016
Indirectly Related to the Leased Property	Superseded	2016-02	02/25/2016
Lease	Superseded	2016-02	02/25/2016
Lease Inception	Superseded	2016-02	02/25/2016
Lease Term	Superseded	2016-02	02/25/2016
Minor	Superseded	2016-02	02/25/2016
Noncancelable Lease Term	Superseded	2016-02	02/25/2016
Nonrecourse Financing	Superseded	2016-02	02/25/2016
Normal Leaseback	Superseded	2016-02	02/25/2016

Operating Lease	Superseded	2016-02	02/25/2016
Penalty	Superseded	2016-02	02/25/2016
Profit or Loss on Sale	Superseded	2016-02	02/25/2016
Property Improvements or Integral Equipment	Superseded	2016-02	02/25/2016
Reasonably Possible	Superseded	2016-02	02/25/2016
Remote	Superseded	2016-02	02/25/2016
Sale-Leaseback Accounting	Superseded	2016-02	02/25/2016
Sales Recognition	Superseded	2016-02	02/25/2016
Sublease	Superseded	2016-02	02/25/2016
Substantially All	Superseded	2016-02	02/25/2016
Wrap Lease Transaction	Superseded	2016-02	02/25/2016
840-40-05-1 through 05-3	Superseded	2016-02	02/25/2016
840-40-05-5	Superseded	2016-02	02/25/2016
840-40-05-7 through 05-10	Superseded	2016-02	02/25/2016
840-40-15-1 through 15-10	Superseded	2016-02	02/25/2016
840-40-25-1 through 25-5	Superseded	2016-02	02/25/2016
840-40-25-8 through 25-18	Superseded	2016-02	02/25/2016
840-40-30-2	Superseded	2016-02	02/25/2016
840-40-30-3	Superseded	2016-02	02/25/2016
840-40-30-5	Superseded	2016-02	02/25/2016
840-40-30-6	Superseded	2016-02	02/25/2016
840-40-35-1 through 35-4	Superseded	2016-02	02/25/2016
840-40-50-1	Superseded	2016-02	02/25/2016
840-40-50-2	Superseded	2016-02	02/25/2016
840-40-55-1 through 55-94	Superseded	2016-02	02/25/2016

156. Add paragraph 842-10-00-1 as follows:

842-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Acquiree	Added	2016-02	02/25/2016
Acquirer	Added	2016-02	02/25/2016
Acquisition by a Not-for-Profit Entity	Added	2016-02	02/25/2016
Advance Refunding	Added	2016-02	02/25/2016
Business	Added	2016-02	02/25/2016
Business Combination	Added	2016-02	02/25/2016
Commencement Date of the Lease (Commencement Date)	Added	2016-02	02/25/2016
Consideration in the Contract	Added	2016-02	02/25/2016
Contract	Added	2016-02	02/25/2016
Direct Financing Lease	Added	2016-02	02/25/2016
Discount Rate for the Lease	Added	2016-02	02/25/2016
Economic Life	Added	2016-02	02/25/2016
Effective Date of the Modification	Added	2016-02	02/25/2016
Fair Value (2nd def.)	Added	2016-02	02/25/2016
Finance Lease	Added	2016-02	02/25/2016
Fiscal Funding Clause	Added	2016-02	02/25/2016
Incremental Borrowing Rate	Added	2016-02	02/25/2016
Initial Direct Costs	Added	2016-02	02/25/2016
Inventory	Added	2016-02	02/25/2016

Lease	Added	2016-02	02/25/2016
Lease Liability	Added	2016-02	02/25/2016
Lease Modification	Added	2016-02	02/25/2016
Lease Payments	Added	2016-02	02/25/2016
Lease Receivable	Added	2016-02	02/25/2016
Lease Term	Added	2016-02	02/25/2016
Legal Entity	Added	2016-02	02/25/2016
Lessee	Added	2016-02	02/25/2016
Lessor	Added	2016-02	02/25/2016
Leveraged Lease	Added	2016-02	02/25/2016
Market Participants	Added	2016-02	02/25/2016
Net Investment in the Lease	Added	2016-02	02/25/2016
Not-for-Profit Entity	Added	2016-02	02/25/2016
Operating Lease	Added	2016-02	02/25/2016
Orderly Transaction	Added	2016-02	02/25/2016
Penalty	Added	2016-02	02/25/2016
Period of Use	Added	2016-02	02/25/2016
Probable (2nd def.)	Added	2016-02	02/25/2016
Public Business Entity	Added	2016-02	02/25/2016
Rate Implicit in the Lease	Added	2016-02	02/25/2016
Related Parties	Added	2016-02	02/25/2016
Remote	Added	2016-02	02/25/2016
Residual Value Guarantee	Added	2016-02	02/25/2016
Right-of-Use Asset	Added	2016-02	02/25/2016
Sales-Type Lease	Added	2016-02	02/25/2016
Selling Profit or Selling Loss	Added	2016-02	02/25/2016
Short-Term Lease	Added	2016-02	02/25/2016
Standalone Price	Added	2016-02	02/25/2016

Sublease	Added	2016-02	02/25/2016
Underlying Asset	Added	2016-02	02/25/2016
Unguaranteed Residual Asset	Added	2016-02	02/25/2016
Variable Interest Entity	Added	2016-02	02/25/2016
Variable Lease Payments	Added	2016-02	02/25/2016
Warranty	Added	2016-02	02/25/2016
842-10-05-1	Added	2016-02	02/25/2016
842-10-05-2	Added	2016-02	02/25/2016
842-10-10-1	Added	2016-02	02/25/2016
842-10-10-2	Added	2016-02	02/25/2016
842-10-15-1 through 15-43	Added	2016-02	02/25/2016
842-10-25-1 through 25-19	Added	2016-02	02/25/2016
842-10-30-1 through 30-10	Added	2016-02	02/25/2016
842-10-35-1 through 35-6	Added	2016-02	02/25/2016
842-10-55-1 through 55-254	Added	2016-02	02/25/2016
842-10-65-1	Added	2016-02	02/25/2016

157. Add paragraph 842-20-00-1 as follows:

842-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Acquiree	Added	2016-02	02/25/2016
Acquirer	Added	2016-02	02/25/2016
Acquisition by a Not-for-Profit Entity	Added	2016-02	02/25/2016
Business	Added	2016-02	02/25/2016
Business Combination	Added	2016-02	02/25/2016

Commencement Date of the Lease (Commencement Date)	Added	2016-02	02/25/2016
Contract	Added	2016-02	02/25/2016
Direct Financing Lease	Added	2016-02	02/25/2016
Discount Rate for the Lease	Added	2016-02	02/25/2016
Fair Value (2nd def.)	Added	2016-02	02/25/2016
Finance Lease	Added	2016-02	02/25/2016
Incremental Borrowing Rate	Added	2016-02	02/25/2016
Initial Direct Costs	Added	2016-02	02/25/2016
Lease	Added	2016-02	02/25/2016
Lease Liability	Added	2016-02	02/25/2016
Lease Modification	Added	2016-02	02/25/2016
Lease Payments	Added	2016-02	02/25/2016
Lease Term	Added	2016-02	02/25/2016
Legal Entity	Added	2016-02	02/25/2016
Lessee	Added	2016-02	02/25/2016
Lessor	Added	2016-02	02/25/2016
Market Participants	Added	2016-02	02/25/2016
Monetary Liability	Added	2016-02	02/25/2016
Not-for-Profit Entity	Added	2016-02	02/25/2016
Operating Lease	Added	2016-02	02/25/2016
Orderly Transaction	Added	2016-02	02/25/2016
Probable (2nd def.)	Added	2016-02	02/25/2016
Rate Implicit in the Lease	Added	2016-02	02/25/2016
Related Parties	Added	2016-02	02/25/2016
Residual Value Guarantee	Added	2016-02	02/25/2016

Right-of-Use Asset	Added	2016-02	02/25/2016
Sales-Type Lease	Added	2016-02	02/25/2016
Short-Term Lease	Added	2016-02	02/25/2016
Sublease	Added	2016-02	02/25/2016
Underlying Asset	Added	2016-02	02/25/2016
Useful Life	Added	2016-02	02/25/2016
Variable Interest Entity	Added	2016-02	02/25/2016
Variable Lease Payments	Added	2016-02	02/25/2016
842-20-05-1	Added	2016-02	02/25/2016
842-20-15-1	Added	2016-02	02/25/2016
842-20-25-1 through 25-8	Added	2016-02	02/25/2016
842-20-30-1 through 30-6	Added	2016-02	02/25/2016
842-20-35-1 through 35-15	Added	2016-02	02/25/2016
842-20-40-1 through 40-3	Added	2016-02	02/25/2016
842-20-45-1 through 45-5	Added	2016-02	02/25/2016
842-20-50-1 through 50-9	Added	2016-02	02/25/2016
842-20-55-1 through 55-53	Added	2016-02	02/25/2016

158. Add paragraph 842-30-00-1 as follows:

842-30-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Commencement Date of the Lease (Commencement Date)	Added	2016-02	02/25/2016
Contract	Added	2016-02	02/25/2016
Direct Financing Lease	Added	2016-02	02/25/2016
Fair Value (2nd def.)	Added	2016-02	02/25/2016
Finance Lease	Added	2016-02	02/25/2016
Initial Direct Costs	Added	2016-02	02/25/2016
Lease	Added	2016-02	02/25/2016
Lease Payments	Added	2016-02	02/25/2016
Lease Receivable	Added	2016-02	02/25/2016
Lease Term	Added	2016-02	02/25/2016
Lessee	Added	2016-02	02/25/2016
Lessor	Added	2016-02	02/25/2016
Market Participants	Added	2016-02	02/25/2016
Net Investment in the Lease	Added	2016-02	02/25/2016
Operating Lease	Added	2016-02	02/25/2016
Orderly Transaction	Added	2016-02	02/25/2016
Probable (2nd def.)	Added	2016-02	02/25/2016
Rate Implicit in the Lease	Added	2016-02	02/25/2016
Related Parties	Added	2016-02	02/25/2016
Residual Value Guarantee	Added	2016-02	02/25/2016
Sales-Type Lease	Added	2016-02	02/25/2016
Selling Profit or Selling Loss	Added	2016-02	02/25/2016
Sublease	Added	2016-02	02/25/2016

Underlying Asset	Added	2016-02	02/25/2016
Unguaranteed Residual Asset	Added	2016-02	02/25/2016
Useful Life	Added	2016-02	02/25/2016
Variable Lease Payments	Added	2016-02	02/25/2016
842-30-05-1	Added	2016-02	02/25/2016
842-30-15-1	Added	2016-02	02/25/2016
842-30-25-1 through 25-14	Added	2016-02	02/25/2016
842-30-30-1 through 30-4	Added	2016-02	02/25/2016
842-30-35-1 through 35-7	Added	2016-02	02/25/2016
842-30-40-1 through 40-4	Added	2016-02	02/25/2016
842-30-45-1 through 45-7	Added	2016-02	02/25/2016
842-30-50-1 through 50-13	Added	2016-02	02/25/2016
842-30-55-1 through 55-43	Added	2016-02	02/25/2016

159. Add paragraph 842-40-00-1 as follows:

842-40-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Commencement Date of the Lease (Commencement Date)	Added	2016-02	02/25/2016
Contract	Added	2016-02	02/25/2016
Direct Financing Lease	Added	2016-02	02/25/2016
Fair Value (2nd def.)	Added	2016-02	02/25/2016
Finance Lease	Added	2016-02	02/25/2016

Lease	Added	2016-02	02/25/2016
Lease Payments	Added	2016-02	02/25/2016
Lease Term	Added	2016-02	02/25/2016
Lessee	Added	2016-02	02/25/2016
Lessor	Added	2016-02	02/25/2016
Market Participants	Added	2016-02	02/25/2016
Operating Lease	Added	2016-02	02/25/2016
Orderly Transaction	Added	2016-02	02/25/2016
Related Parties	Added	2016-02	02/25/2016
Residual Value Guarantee	Added	2016-02	02/25/2016
Sales-Type Lease	Added	2016-02	02/25/2016
Sublease	Added	2016-02	02/25/2016
Underlying Asset	Added	2016-02	02/25/2016
842-40-05-1	Added	2016-02	02/25/2016
842-40-15-1 through 15-3	Added	2016-02	02/25/2016
842-40-25-1 through 25-5	Added	2016-02	02/25/2016
842-40-30-1 through 30-6	Added	2016-02	02/25/2016
842-40-50-1	Added	2016-02	02/25/2016
842-40-50-2	Added	2016-02	02/25/2016
842-40-55-1 through 55-44	Added	2016-02	02/25/2016

160. Add paragraph 842-50-00-1 as follows:

842-50-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Acquiree	Added	2016-02	02/25/2016
Acquirer	Added	2016-02	02/25/2016
Acquisition by a Not-for-Profit Entity	Added	2016-02	02/25/2016

Business	Added	2016-02	02/25/2016
Business Combination	Added	2016-02	02/25/2016
Commencement Date of the Lease (Commencement Date)	Added	2016-02	02/25/2016
Contract	Added	2016-02	02/25/2016
Delayed Equity Investment	Added	2016-02	02/25/2016
Estimated Residual Value	Added	2016-02	02/25/2016
Fair Value (2nd def.)	Added	2016-02	02/25/2016
Lease	Added	2016-02	02/25/2016
Lease Inception	Added	2016-02	02/25/2016
Lease Modification	Added	2016-02	02/25/2016
Lease Payments	Added	2016-02	02/25/2016
Lease Term	Added	2016-02	02/25/2016
Legal Entity	Added	2016-02	02/25/2016
Lessee	Added	2016-02	02/25/2016
Lessor	Added	2016-02	02/25/2016
Leveraged Lease	Added	2016-02	02/25/2016
Market Participants	Added	2016-02	02/25/2016
Minimum Lease Payments	Added	2016-02	02/25/2016
Not-for-Profit Entity	Added	2016-02	02/25/2016
Orderly Transaction	Added	2016-02	02/25/2016
Related Parties	Added	2016-02	02/25/2016
Underlying Asset	Added	2016-02	02/25/2016
Variable Interest Entity	Added	2016-02	02/25/2016
842-50-05-1	Added	2016-02	02/25/2016
842-50-15-1	Added	2016-02	02/25/2016
842-50-25-1	Added	2016-02	02/25/2016
842-50-25-2	Added	2016-02	02/25/2016

842-50-30-1	Added	2016-02	02/25/2016
842-50-30-2	Added	2016-02	02/25/2016
842-50-35-1 through 35-21	Added	2016-02	02/25/2016
842-50-45-1 through 45-3	Added	2016-02	02/25/2016
842-50-50-1 through 50-3	Added	2016-02	02/25/2016
842-50-55-1 through 55-33	Added	2016-02	02/25/2016

161. Amend paragraph 845-10-00-1, by adding the following item to the table, as follows:

845-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
845-10-30-20	Superseded	2016-02	02/25/2016

162. Amend paragraph 853-10-00-1, by adding the following item to the table, as follows:

853-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
853-10-25-2	Amended	2016-02	02/25/2016

163. Amend paragraph 860-10-00-1, by adding the following items to the table, as follows:

860-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Contract	Added	2016-02	02/25/2016
Direct Financing Lease	Added	2016-02	02/25/2016

Lease	Added	2016-02	02/25/2016
Lease Payments	Added	2016-02	02/25/2016
Lease Receivable	Added	2016-02	02/25/2016
Lease Term	Added	2016-02	02/25/2016
Lessee	Added	2016-02	02/25/2016
Lessor	Added	2016-02	02/25/2016
Sales-Type Lease	Added	2016-02	02/25/2016
Underlying Asset	Added	2016-02	02/25/2016
Unguaranteed Residual Asset	Added	2016-02	02/25/2016
860-10-15-4	Amended	2016-02	02/25/2016
860-10-55-5	Amended	2016-02	02/25/2016
860-10-55-6	Amended	2016-02	02/25/2016

164. Amend paragraph 860-20-00-1, by adding the following items to the table, as follows:

860-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Contract	Added	2016-02	02/25/2016
Lease	Added	2016-02	02/25/2016
Lease Payments	Added	2016-02	02/25/2016
Lessee	Added	2016-02	02/25/2016
Lessor	Added	2016-02	02/25/2016
Underlying Asset	Added	2016-02	02/25/2016
860-20-55-1	Amended	2016-02	02/25/2016
860-20-55-26	Amended	2016-02	02/25/2016
860-20-55-27	Amended	2016-02	02/25/2016
860-20-55-58	Amended	2016-02	02/25/2016
860-20-55-59	Amended	2016-02	02/25/2016

165. Amend paragraph 908-360-00-1, by adding the following item to the table, as follows:

908-360-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
908-360-55-1	Amended	2016-02	02/25/2016

166. Amend paragraph 954-470-00-1, by adding the following items to the table, as follows:

954-470-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Advance Refunding	Added	2016-02	02/25/2016
954-470-25-1	Amended	2016-02	02/25/2016
954-470-40-1	Amended	2016-02	02/25/2016

167. Amend paragraph 958-805-00-1, by adding the following items to the table, as follows:

958-805-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
958-805-25-9	Amended	2016-02	02/25/2016
958-805-25-11	Amended	2016-02	02/25/2016

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

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

Paragraph	Action	Accounting Standards Update	Date
Bargain Purchase Option	Superseded	2016-02	02/25/2016

Bargain Renewal Option	Superseded	2016-02	02/25/2016
Contract	Added	2016-02	02/25/2016
Indirectly Related to the Leased Property	Superseded	2016-02	02/25/2016
Lease	Added	2016-02	02/25/2016
Lease Term	Amended	2016-02	02/25/2016
Lessee	Added	2016-02	02/25/2016
Lessor	Added	2016-02	02/25/2016
Noncancelable Lease Term	Superseded	2016-02	02/25/2016
Penalty	Superseded	2016-02	02/25/2016
Underlying Asset	Added	2016-02	02/25/2016
958-810-25-10	Amended	2016-02	02/25/2016
958-810-55-7	Amended	2016-02	02/25/2016
958-810-55-14	Amended	2016-02	02/25/2016

169. Add paragraph 958-840-00-1 as follows:

958-840-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Bargain Purchase Option	Superseded	2016-02	02/25/2016
Bargain Renewal Option	Superseded	2016-02	02/25/2016
Indirectly Related to the Leased Property	Superseded	2016-02	02/25/2016
Lease Term	Superseded	2016-02	02/25/2016
Noncancelable Lease Term	Superseded	2016-02	02/25/2016
Penalty	Superseded	2016-02	02/25/2016
958-840-05-1	Superseded	2016-02	02/25/2016

958-840-15-1	Superseded	2016-02	02/25/2016
958-840-55-1 through 55-4	Superseded	2016-02	02/25/2016

170. Amend paragraph 970-10-00-1, by adding the following items to the table, as follows:

970-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
970-10-05-1	Amended	2016-02	02/25/2016
970-10-15-8	Amended	2016-02	02/25/2016

171. Amend paragraph 970-340-00-1, by adding the following items to the table, as follows:

970-340-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Contract	Added	2016-02	02/25/2016
Direct Financing Lease	Added	2016-02	02/25/2016
Finance Lease	Added	2016-02	02/25/2016
Initial Direct Costs	Added	2016-02	02/25/2016
Lease	Added	2016-02	02/25/2016
Lease Term	Added	2016-02	02/25/2016
Lessee	Added	2016-02	02/25/2016
Lessor	Added	2016-02	02/25/2016
Operating Lease	Added	2016-02	02/25/2016
Sales-Type Lease	Added	2016-02	02/25/2016
Underlying Asset	Added	2016-02	02/25/2016
970-340-25-16	Amended	2016-02	02/25/2016
970-340-35-2	Amended	2016-02	02/25/2016

172. Amend paragraph 972-10-00-1, by adding the following item to the table, as follows:

972-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
972-10-05-1	Amended	2016-02	02/25/2016

173. Amend paragraph 974-10-00-1, by adding the following item to the table, as follows:

974-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
974-10-05-1	Amended	2016-02	02/25/2016

174. Add paragraph 974-840-00-1 as follows:

974-840-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Real Estate Investment Trust	Superseded	2016-02	02/25/2016
Service Corporation	Superseded	2016-02	02/25/2016
974-840-05-1	Superseded	2016-02	02/25/2016
974-840-15-1	Superseded	2016-02	02/25/2016
974-840-25-1	Superseded	2016-02	02/25/2016

175. Add paragraph 974-842-00-1 as follows:

974-842-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Contract	Added	2016-02	02/25/2016
Initial Direct Costs	Added	2016-02	02/25/2016
Lease	Added	2016-02	02/25/2016
Real Estate Investment Trust	Added	2016-02	02/25/2016
Service Corporation	Added	2016-02	02/25/2016
974-842-05-1	Added	2016-02	02/25/2016
974-842-15-1	Added	2016-02	02/25/2016
974-842-25-1	Added	2016-02	02/25/2016

176. Amend paragraph 976-10-00-1, by adding the following item to the table, as follows:

976-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
976-10-05-1	Amended	2016-02	02/25/2016

177. Amend paragraph 978-10-00-1, by adding the following items to the table, as follows:

978-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
978-10-05-1	Amended	2016-02	02/25/2016
978-10-05-2	Amended	2016-02	02/25/2016

178. Amend paragraph 978-330-00-1, by adding the following item to the table, as follows:

978-330-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
978-330-35-6	Amended	2016-02	02/25/2016

179. Amend paragraph 978-840-00-1, by adding the following items to the table, as follows:

978-840-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Contract-for-Deed	Superseded	2016-02	02/25/2016
Tenancy-for-Years	Superseded	2016-02	02/25/2016
Time-Sharing	Superseded	2016-02	02/25/2016
978-840-05-1	Superseded	2016-02	02/25/2016
978-840-15-1	Superseded	2016-02	02/25/2016
978-840-25-1	Superseded	2016-02	02/25/2016
978-840-25-2	Superseded	2016-02	02/25/2016

180. Add paragraph 980-250-00-1 as follows:

980-250-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
980-250-55-3	Amended	2016-02	02/25/2016

181. Add paragraph 980-340-00-1 as follows:

980-340-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
980-340-25-4	Amended	2016-02	02/25/2016
980-340-55-9 through 55-11	Amended	2016-02	02/25/2016

980-340-55-13 through 55-17	Amended	2016-02	02/25/2016
--------------------------------	---------	---------	------------

182. 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	Action	Accounting Standards Update	Date
980-605-15-3	Amended	2016-02	02/25/2016

183. Amend paragraph 980-815-00-1, by adding the following item to the table, as follows:

980-815-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
980-815-15-3	Amended	2016-02	02/25/2016

184. Add paragraph 980-840-00-1 as follows:

980-840-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Allowable Costs	Superseded	2016-02	02/25/2016
Phase-In Plan	Superseded	2016-02	02/25/2016
980-840-05-1	Superseded	2016-02	02/25/2016
980-840-15-1	Superseded	2016-02	02/25/2016
980-840-25-1 through 25-3	Superseded	2016-02	02/25/2016
980-840-35-1	Superseded	2016-02	02/25/2016
980-840-35-2	Superseded	2016-02	02/25/2016
980-840-45-1 through 45-4	Superseded	2016-02	02/25/2016
980-840-55-1	Superseded	2016-02	02/25/2016

185. Add paragraph 980-842-00-1 as follows:

980-842-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Allowable Costs	Added	2016-02	02/25/2016
Phase-In Plan	Added	2016-02	02/25/2016
980-842-05-1	Added	2016-02	02/25/2016
980-842-15-1	Added	2016-02	02/25/2016
980-842-25-1 through 25-3	Added	2016-02	02/25/2016
980-842-35-1	Added	2016-02	02/25/2016
980-842-45-1 through 45-4	Added	2016-02	02/25/2016
980-842-55-1	Added	2016-02	02/25/2016

The amendments in this Update were adopted by the affirmative vote of six members of the Financial Accounting Standards Board. Mr. Siegel dissented.

Mr. Siegel dissents from the issuance of the guidance in this Update because, on balance, he believes that the new information will not represent sufficient predictive value, confirmatory value, or both to be decision useful to financial statement users. While Mr. Siegel firmly agrees with the recognition of lease assets and liabilities for all leases, he believes that the measurement of the lessee's liability required by the guidance will provide insufficient decision-useful information for investors, such that significant adjustments will continue to be made by financial statement users. Specifically, Mr. Siegel disagrees with the guidance on renewal options and variable lease payments and believes that it is inconsistent with other Topics in the Accounting Standards Codification that address customer options and contingent or variable amounts. As such, Mr. Siegel has concluded that the guidance fails to meet the objective in this Update of reporting useful information to financial statement users about the amount, timing, and uncertainty of cash flows arising from a lease.

Mr. Siegel agrees that leases create rights and obligations that meet the definitions of assets and liabilities in FASB Concepts Statement No. 6, *Elements of Financial Statements*. However, he disagrees that the measurement of the obligation of the lessee should exclude amounts to be paid that are uncertain or variable. Paragraph QC7 of FASB Concepts Statement No. 8, *Conceptual Framework for Financial Reporting—Chapter 1, The Objective of General Purpose Financial Reporting, and Chapter 3, Qualitative Characteristics of Useful Financial*

Information, states that “financial information is capable of making a difference in decisions if it has predictive value, confirmatory value, or both.” Paragraph QC8 elaborates, stating that “financial information has predictive value if it can be used as an input to processes employed by users to predict future outcomes.” Mr. Siegel believes that the exclusion of all but a select few renewal options and variable payments will require significant efforts to make relevant predictions solely using the measurements recorded in the financial statements. He is concerned that excluding those amounts may be misleading to users and, as such, users may even unwind the assets and liabilities presented on the statement of financial position to come to their own estimates of the appropriate amounts. Therefore, Mr. Siegel believes that the results of the guidance would provide insufficient decision-useful information about the effects of lease contracts with uncertain future payments.

Mr. Siegel finds it inconsistent that the guidance in this Update creates a higher threshold for the measurement of variable lease payments—which are contractual amounts owed—than the measurement of noncontractual liabilities required by Subtopic 450-20, Contingencies—Loss Contingencies. Specifically, for noncontractual contingencies, paragraph 450-20-25-2, in part, requires that a liability be recognized when it is probable that a liability has been incurred. Conversely, this Update prohibits the recognition of contractual variable lease payments that do not depend on an index or a rate when there is no uncertainty a liability has been incurred. For example, Mr. Siegel believes that this Update results in no recognition of a liability for a lease of retail space if the lease payments are solely calculated as a percentage of sales. As such, Mr. Siegel believes that the measurement will fail to record amounts that meet the definition of a liability in Concepts Statement 6. He also believes that the amounts recorded will not meet the qualities of predictive value in paragraphs QC7 and QC8 of Concepts Statement 8.

Furthermore, Mr. Siegel notes that in a contract with a customer that is in the scope of Topic 606, Revenue from Contracts with Customers, variable amounts due from the customer are required to be included in the measurement of the transaction price to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. However, in the case of lease contracts, variable lease payments that do not depend on an index or a rate will never be included in the measurement of the liability. As such, Mr. Siegel believes that the measurement of the lessee liability should include these uncertain amounts for the information to be decision useful. Mr. Siegel also believes that requiring substantially different accounting for the same economic phenomena is a significant contributor to complexity in accounting standards.

Regarding lease payments to be made in optional periods, Mr. Siegel agrees with the consideration of renewal options in the consideration of the lease term. He understands the operational challenges of measuring the renewal options as a separate component of the lease contract and agrees with the discussion in paragraph BC197 of this Update that, consistent with previous GAAP, renewal

options should be reflected in the lease term where the form is optional, but there is economically little or no choice but to extend the lease. However, he disagrees with the threshold at which the renewal options should be reflected in the lease term. Mr. Siegel believes that the lease term should be defined as it was in the 2010 Exposure Draft as the longest possible term that is more likely than not to occur. He understands that this Update stipulates that the lease term includes optional renewal periods only if the lessee is reasonably certain to exercise the renewal option, but he believes that the resulting measurement will not meet the qualities of predictive value set forth in paragraphs QC7 and QC8 of Concepts Statement 8. Mr. Siegel believes that this threshold to account for renewal options is inconsistent with how renewal options are accounted for in insurance contracts (in Topic 944) and is also inconsistent with the guidance for contracts with customers (in Topic 606) that accounts for customer options whenever they provide the customer with a material right. Mr. Siegel asserts that the measurement of the lease liability should include the lease payments for those uncertain renewal periods within the lease term at a lower threshold than reasonably certain for the information to be decision useful and consistent with other areas of GAAP.

In conclusion, Mr. Siegel agrees with the recognition of lease assets and liabilities but believes that the measurement of the amounts resulting from this Update represents insufficient decision-useful information. He is concerned that users may be misled by the measurements and, therefore, will incur costs to make considerable, albeit very different, adjustments to unwind the accounting required by this Update to accommodate their analysis. He asserts that to meet the qualitative characteristics of decision-useful information outlined in the Conceptual Framework and to be consistent with guidance in other areas of the Accounting Standards Codification, variable lease payments should be included in the measurement of the lessee's lease liability and renewal options should be included in the lease term at a lower threshold than reasonably certain.

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