

Heads Up

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The amendments affect various Codification topics and apply to all reporting entities within the scope of those topics.

Mission Improvement

FASB Issues ASU Containing Technical Corrections and Improvements to the Codification

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On October 1, 2012, the FASB issued [ASU 2012-04](#),¹ which makes certain technical corrections (i.e., relatively minor corrections and clarifications) and “conforming fair value amendments” to the *FASB Accounting Standards Codification* (the “Codification”). The amendments affect various Codification topics and apply to all reporting entities within the scope of those topics.

Overview of ASU 2012-04

Technical Corrections

The technical corrections (Section A of the ASU) are divided into three main categories:

- *Source literature amendments* — Amendments to carry forward the original intent of certain pre-Codification authoritative literature (e.g., FASB Statements) that was inadvertently altered during the Codification process.
- *Guidance clarification and reference corrections* — Changes to wording and references to avoid misapplication or misinterpretation of guidance.
- *Relocated guidance* — Moving guidance from one part of the Codification (e.g., a topic or subtopic) to another to correct instances in which the scope of pre-Codification guidance may have been unintentionally narrowed or broadened during the Codification process.

Conforming Fair Value Amendments

When the FASB issued Statement 157² (codified in ASC 820³), it made conforming changes for the use of the term “fair value” in certain pre-Codification standards (e.g., FASB Statements) but not others (e.g., certain EITF literature, AICPA Statements of Position). The purpose of Section B of the ASU is to conform the use of the term “fair value” throughout the Codification “to fully reflect the fair value measurement and disclosure requirements” of ASC 820.

¹ FASB Accounting Standards Update No. 2012-04, *Technical Corrections and Improvements*.

² FASB Statement No. 157, *Fair Value Measurements*.

³ For titles of *FASB Accounting Standards Codification* (ASC) references, see Deloitte’s “Titles of Topics and Subtopics in the *FASB Accounting Standards Codification*.”

Notable Changes From the October 2011 Proposed ASU

Plan Accounting

The FASB's October 2011 exposure draft on technical corrections proposed a number of amendments related to employee benefit plan accounting. One proposal would have changed the level at which employee benefit plans are required to disaggregate, for each significant class of investments, the net appreciation (depreciation) of plan assets available for plan benefits. Under current U.S. GAAP, an entity is only required to disaggregate investments into (1) investments that have been measured by quoted prices in an active market and (2) all other investments. The proposed amendments, however, would have required disaggregation at **each level of the fair value hierarchy** (i.e., Levels 1, 2, and 3).

In comment letters on the proposed ASU, some respondents voiced concerns that the costs of changing systems and processes to achieve greater disaggregation would outweigh the benefits. The Board therefore decided to remove these proposed amendments from the ASU and to perform further research, and solicit additional feedback from preparers, on this topic.

Editor's Note: Some constituents indicated that certain of the proposal's amendments other than those related to plan accounting — for example, those related to rabbi trust accounting (paragraph 96 of the proposed ASU) and proportionate consolidation (paragraph 15 of the proposed ASU) — could also have unintended effects on financial reporting. These amendments were also excluded from the final ASU.

Although the Board is not providing transition guidance for the ASU amendments that are not expected to change current practice, it agreed to do so for more substantive amendments.

Continuing Care Retirement Communities (CCRCs)

The proposed ASU also included certain amendments to the accounting for refundable advance fees by CCRCs. During redeliberations, the Board decided that these amendments were too substantive to include in ASU 2012-04 and instead released them as [ASU 2012-01⁴](#) on July 23, 2012.

Transition and Effective Date

Although the Board is not providing transition guidance for the ASU amendments that are not expected to change current practice, it agreed to do so for more substantive amendments. Such amendments are linked to the transition guidance in ASC 105-10-65-2. (For a complete listing of amendments that are linked to the transition guidance, see the [appendix](#) below.)

Editor's Note: Amendments that affect pending Codification content will be subject to the transition guidance in the pending content. These amendments include those in paragraphs 21 (consolidation disclosures), 62 (presentation of other comprehensive income), and 136 (health care entities' contingencies) of the ASU.

The linked amendments are effective for fiscal periods beginning after December 15, 2012, for public entities and fiscal periods beginning after December 15, 2013, for nonpublic entities. Amendments that are not linked to the transition guidance are effective upon issuance.

The amendments must be adopted as of the beginning of the fiscal year of adoption, with the cumulative effect of any change in accounting principle separately presented as an adjustment to the opening balance of retained earnings or other appropriate components of equity or net assets. Retrospective application is permitted.

⁴ FASB Accounting Standards Update No. 2012-01, *Continuing Care Retirement Communities — Refundable Advance Fees*.

Appendix — Amendments Linked to the ASU’s Transition Guidance

The amendments in the table below are linked to the effective date and transition guidance in ASC 105-10-65-2.

ASU Paragraph	Codification Paragraph	Topic and Amendment Summary
Derivatives and Hedging		
Paragraph 31	ASC 815-40-15-8A	<p>Amendment: Clarifies the assessment of an entity’s own equity described in paragraph 5 of EITF Issue 07-5.⁵ The ASU adds ASC 815-40-15-8A, which states, “If the instrument does not meet the criteria to be considered indexed to an entity’s own stock as described in paragraphs 815-40-15-5 through 15-8, it shall be classified as a liability or an asset.”</p> <p>Impact of Amendment: Entities evaluating whether a freestanding financial instrument or embedded feature (the “feature”) meets the “own equity” scope exception in ASC 815-10-15-74(a) must first assess whether the feature is indexed to the entity’s own stock. ASC 815-40-15-5 through 15-8 provide guidance on performing this assessment. While this is prescribed in EITF Issue 07-5, ASC 815 did not explicitly state, before this amendment, that if the “own equity” scope exception were not met, the feature would be classified as an asset or liability (i.e., a derivative). The ASU now codifies the EITF Issue 07-5 guidance in ASC 815-40-15-8A.</p>
Plan Accounting		
Paragraphs 271, 274, 277, 279, 281, 282, 283, 284, and 285	ASC 962-325-35-1A ASC 965-20-45-1 ASC 965-205-55-4 ASC 965-205-55-6 ASC 965-320-35-1 ASC 965-320-50-1 ASC 965-325-35-1 ASC 965-325-35-1A ASC 965-325-50-1 ASC 965-325-50-1A ASC 965-325-55-1 ASC 965-360-35-2	<p>Amendment: Clarifies that plan investments subject to ASC 962 or ASC 965 are measured at fair value less costs to sell, if those costs are significant.</p> <p>Impact of Amendment: This amendment aligns the fair value measurement of plan assets under ASC 960, ASC 962, and ASC 965 (i.e., all three of these Codification topics now require that such assets be measured at fair value less costs to sell, if such costs are significant).⁶ Transition is provided for entities that would incur significant selling costs for their plan investments measured at fair value less costs to sell, if those costs are significant.</p>
Paragraphs 278 and 280	ASC 965-320-25-1 ASC 965-320-40-1	<p>Amendment: The amendment clarifies that when determining whether settlement-date accounting is acceptable for health and welfare benefit plans that invest in debt and equity securities, an entity must reduce the fair value of the securities by the costs to sell, if those costs are significant.</p> <p>Impact of Amendment: This amendment makes consistent both (1) determining whether settlement-date accounting is acceptable and (2) recording or disclosing fair value. In other words, both the settlement-date test and ultimate recognition are at fair value less costs to sell if those costs are significant. Transition is provided for entities that would incur significant selling costs for their plan investments measured at fair value less costs to sell, if those costs are significant.</p>

⁵ EITF Issue No. 07-5, “Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity’s Own Stock.”

⁶ See paragraphs BC10 and BC24 of the ASU.

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