FASB INVITATION TO COMMENT

Issued: January 3, 2025
Comments Due: June 30, 2025

Agenda Consultation

Comments should be addressed to:

Technical Director
File Reference No. 2025-ITC100

Notice to Recipients of This Invitation to Comment

The Board invites feedback on all matters in this Invitation to Comment. We request comments by June 30, 2025, by one of the following methods:

- Using the electronic feedback form available on the FASB website at Documents Open for Comment
- Emailing comments to director@fasb.org, File Reference No. 2025-ITC100
  or
- Sending a letter to "Technical Director, File Reference No. 2025-ITC100, FASB, 801 Main Avenue, PO Box 5116, Norwalk, CT 06856-5116."

All comments received are part of the FASB's public file and are available at www.fasb.org.

A copy of this Invitation to Comment is also available at www.fasb.org.

FASB FINANCIAL ACCOUNTING STANDARDS BOARD®

Invitation to Comment

Agenda Consultation

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Purpose of This Invitation to Comment

The purpose of this Invitation to Comment (ITC) is to solicit broad stakeholder feedback about the future standard-setting agenda of the Financial Accounting Standards Board (FASB). The feedback on this ITC is critical to ensure that the FASB continues to allocate its finite resources to standard-setting projects that fulfill its mission and address financial accounting and reporting topics that are of the highest priority to its stakeholders.

The FASB requests feedback on improvements to financial accounting and reporting needed to:

1. Provide investors with better, more useful financial statement information that will directly influence their capital allocation decisions
2. Reduce unnecessary cost and complexity
3. Maintain and improve the *FASB Accounting Standards Codification*®.

This ITC seeks broad stakeholder feedback on the following:

1. Whether the financial accounting and reporting topics described in this ITC are areas for which there is potential for significant improvement.
2. The priority and urgency of addressing each topic.
3. Which potential solution(s) the FASB should consider.
4. For any potential solution, the expected benefits and expected costs.
5. Whether there are other financial accounting and reporting topics beyond those described in this ITC that the FASB should consider adding to its agenda and the priority and urgency of addressing those topics. This would include accounting associated with emerging accounting issues, changes in business models, and potential areas of convergence.

This ITC does not include Board views. The content of this ITC is based on input received from stakeholders and is being provided to solicit broad input. The Board will consider the feedback received in response to this ITC when making decisions about potential changes to its agenda. Those decisions include which topics, if any, should be added to the FASB's agenda and order of priority.

This ITC and the agenda consultation process are intended to complement the FASB's formal agenda request process. Stakeholders are encouraged to continue to submit agenda requests about needed improvements to generally accepted accounting principles (GAAP) as they arise.

Background

In June 2022, the FASB issued the 2021 Agenda Consultation Report, which summarized the robust feedback obtained during the 2021 agenda consultation project (the 2021 Agenda Consultation) and how that feedback has influenced the Board's technical and research agendas and standard-setting process. Since then, the Board has continued to make significant progress on the top priorities identified by stakeholders.

The top standard-setting priorities identified by stakeholders from the 2021 Agenda Consultation have been addressed as follows:[1]

[1]The objective, current status, and next steps related to each standard-setting project are available on the FASB website.

1. Accounting Standards Updates[2] have been issued related to crypto assets, disaggregation of income statement expenses, and income tax disclosures.
2. Proposed Accounting Standards Updates have been issued related to derivatives scope refinements, accounting for environmental credit programs, accounting for government grants,[3] and accounting for software costs. The Board will begin redeliberations in 2025 on each of those proposals.
3. ITC documents have been issued to gather feedback on whether the Board should prioritize standard setting related to financial key performance indicators (KPIs) for business entities and intangible assets. The Board will consider feedback on these topics at future Board meetings.
4. The technical agenda includes a project to make targeted improvements to the statement of cash flows for financial institutions, which the Board continues to deliberate.
5. The research agenda includes projects related to (a) the statement of cash flows and (b) consolidation of business entities. The staff continues to research issues related to these topics for potential consideration to be added to the technical agenda and any additional feedback received as part of the agenda consultation process will be incorporated into those projects.

In addition to the Board's progress on its standard-setting projects, the following improvements to the standard-setting process were made in response to the 2021 Agenda Consultation:

1. The Emerging Issues Task Force (EITF) was reconstituted with new membership and operating procedures to enhance the effectiveness and efficiency of the interpretive process. Since its reconstitution, the EITF has recommended that the FASB add two projects to its technical agenda, which has resulted in the October 2024 issuance of a proposed Accounting Standards Update on determining the accounting acquirer when a variable interest entity (VIE) is acquired and an expected proposed Accounting Standards Update to be issued in early 2025 on the accounting for debt exchanges.
2. The Financial Accounting Foundation made an enhanced version of the online Codification available for all stakeholders to access at no charge.
3. The FASB launched a redesigned website that features streamlined navigation, a simpler menu structure, a more attractive and intuitive design, a more robust search algorithm, and more prominent placement of the most important information stakeholders are looking for.
4. Internal processes have been enhanced to improve consistency of transition requirements and provide more transparency to stakeholders on procedures performed to support the benefit-cost evaluation.

As a result of the progress on the 2021 Agenda Consultation priorities, FASB Chair Richard R. Jones announced in May 2024 that the FASB would undertake a similar agenda consultation process to understand the priority areas that the Board should next address.

Agenda Prioritization Process

The Board's agenda consists of both a technical agenda and a research agenda. Further details on each project can be found here.

[2]The Board also issued an Accounting Standards Update related to segment reporting, which had already been prioritized on the technical agenda prior to the 2021 Agenda Consultation.
[3]An Invitation to Comment (ITC) was issued on the accounting for government grants for business entities in June 2022.

Technical Agenda

A majority of the Board must approve any projects that are added to or removed from the technical agenda. Only projects on the technical agenda can result in standard setting. When considering whether to add a project to the technical agenda, the Board evaluates potential projects against the following three criteria to ensure consistent agenda prioritization decisions:

1. **There is an identifiable and sufficiently pervasive need to improve GAAP—**in other words, what improvement is needed? What is the case for change?
2. **There are technically feasible solutions, and the expected benefits of those solutions are likely to justify the expected costs of change—**what are the various alternative ways that an issue could be addressed? What are the expected benefits and expected costs of the solutions, and can the solutions be implemented?
3. **The issue has an identifiable scope—**can the FASB effectively identify the scope of the potential project? Can the issue be sufficiently described?

Decisions about whether a project meets those criteria are a matter of Board members' professional judgment that is informed by research and analysis performed by the FASB staff. The criteria help the Board to use its time and resources efficiently and effectively on the highest priority projects that the Board will be able to complete in a timely manner.

Research Agenda

The FASB chair adds projects to or removes projects from the research agenda and directs the research projects to (1) gather additional information and (2) explore potential standard-setting solutions.

Development of This ITC

To begin the current agenda consultation process, the FASB staff sought input from a cross-section of over 200 stakeholders, including investors, practitioners, preparers, and academics. This included outreach with numerous stakeholder groups and FASB advisory groups, including the Investor Advisory Committee, the Financial Accounting Standards Advisory Council, the Not-for-Profit Advisory Committee, the Private Company Council (PCC), and the Small Business Advisory Committee, to identify priority areas of improvement to financial accounting and reporting.

Overall, those stakeholders commended the Board on its significant progress on the priorities identified in the 2021 Agenda Consultation and expressed their appreciation that the Board listened to stakeholders and took timely action on the identified priorities.

Additionally, those stakeholders appreciated the Board's thorough and careful consideration of stakeholder feedback in recent standard-setting projects and encouraged the Board to continue to:

1. Stay cognizant of the pace of change, especially while setting effective dates for new guidance.
2. Develop illustrative examples to help apply GAAP in complex and/or industry-specific fact patterns.
3. Consider industry-specific matters.
4. Communicate how stakeholder feedback and expected benefits and expected costs factored into the Board's decisions.
5. Assess the effectiveness of disclosures for both new guidance and current guidance.

Most of those stakeholders, including investors, said that there is not a case to make major changes to GAAP at this time. Therefore, many of the topics that were suggested for standard-setting efforts, and consequently described within this ITC, focus on targeted improvements to GAAP.

The discussions included within this ITC are based on input received from those stakeholders. When this ITC refers to feedback provided by stakeholders or certain stakeholder groups, such as investors, it is meant to indicate that the item was raised as part of this outreach, not that it was necessarily heard broadly across all stakeholders (or stakeholder groups).

Stakeholder input on the FASB's future standard-setting activities generally fell within one of the following areas:

1. Combination of entities (Chapter 1)
2. Financial instruments (Chapter 2)
3. Intangibles (Chapter 3)
4. Other assets and liabilities (Chapter 4)
5. Retirement and other employee benefits (Chapter 5)
6. Income and expenses (Chapter 6)
7. Presentation and disclosure of financial reporting information (Chapter 7)
8. Current research agenda projects (Chapter 8).

The remainder of this ITC describes topics for improvement that were suggested during the outreach described above. The FASB welcomes feedback on the topics in this ITC as well as other topics that are of the highest priority to stakeholders for the Board to consider.

Overall Questions for Respondents

Individuals and organizations are invited to comment on all matters in this ITC, particularly on the issues and questions that are specifically asked in this document. General questions about the FASB's technical agenda are included below, and questions on a specific area or topic are included in each chapter. The appendix contains a comprehensive list of the questions for respondents.

While it would be helpful to receive feedback on all the questions in this ITC, the FASB staff welcomes comments from those who are only interested in a specific topic or topics described in this ITC. Comments are most helpful if they are as specific as possible, identify and clearly explain the topic or question to which they relate, and are specific to financial accounting and reporting.

Question 1: Please describe what type of stakeholder you (or your organization) are from the list below, including a discussion of your background and what your point of view is when responding to this ITC:

a. Academic
b. Investor, other allocator of capital, or other financial statement user, such as:
    1. Equity analyst: buy side
    2. Equity analyst: sell side
    3. Credit-rating agency analyst
    4. Fixed-income analyst
    5. Accounting analyst
    6. Quantitative analyst

    7. Portfolio manager
    8. Private equity
    9. Individual investor
    10. Lender
    11. Long-only focus
    12. Long/short focus
    13. Other.
c. Practitioner/auditor
d. Not-for-profit (NFP) organization preparer
e. Private company preparer
f. Public company preparer
g. Regulator
h. Standard setter
i. Other.

Question 2: Which topics in this ITC, including those related to current technical and research agenda projects, should be a top priority for the Board? Please explain, including the following:

a. Why there is a pervasive need to change GAAP (for example, what is the reason for the change)
b. How the Board should address this topic (that is, the scope, objective, potential solutions, and the expected benefits and expected costs of those solutions)
c. Why is this topic a top priority and what is the urgency to complete standard setting on this topic (that is, how quickly the issues need to be addressed).

Question 3: Are there financial accounting and reporting topics in this ITC that the Board should *not* address as part of its future standard-setting efforts? Please explain why not, such as there is no pervasive need to change GAAP, the scope would not be identifiable, or the expected benefits of potential solutions would not justify the expected costs.

Question 4: Are there any financial accounting and reporting topics beyond those in this ITC that should be a top priority for the Board to address? Please explain, including the following:

a. The nature of the topic
b. The reason for the recommended change
c. Whether the topic is specific to a subset of companies, such as public companies, private companies, or NFPs, or specific to a certain industry
d. How the Board should address this topic (that is, the scope, objective, potential solutions, and the expected benefits and expected costs of those solutions)
e. What is the urgency to complete standard setting on this topic (that is, how quickly the issue needs to be addressed).

Chapter 1—Combination of Entities

Equity Method of Accounting

Stakeholders provided feedback that the equity method of accounting, which is often referred to as one-line consolidation, is unnecessarily complex and costly to apply and provides questionable benefits to investors. An entity that has the ability to exercise significant influence over operating and financial policies of an investee is required to apply the equity method. In addition, while equity method investors generally qualify to elect to apply the fair value option upon initial acquisition of the equity method investment, the fair value option would require the investor to remeasure the equity method investment at fair value at each reporting date.

Several stakeholders suggested that the FASB eliminate the equity method of accounting in Topic 323, Investments—Equity Method and Joint Ventures, and instead require these types of investments to be accounted for in the same way as other equity investments under Topic 321, Investments—Equity Securities. This means that the investor would subsequently measure its equity method investment at fair value every reporting period and include unrealized gains and losses in earnings unless the investment does not have a readily determinable fair value (which is often the case with equity method investments) and the investor elects to apply the measurement alternative. Under the measurement alternative in Topic 321, the investment would be measured at cost and remeasured to fair value when impaired or when the investor identifies an observable price change in an orderly transaction for an identical or similar investment.

Since equity method investments often do not have readily determinable fair values and observable price changes for identical or similar investments, the practical outcome of requiring these types of investments to be accounted for under Topic 321 would be to measure these investments at cost. Some stakeholders said that they prefer this approach rather than applying the current equity method accounting guidance or the fair value option because it would reduce costs to account for these investments.

The Board previously attempted to simplify the equity method of accounting. As part of that project, the Board explored (1) eliminating the requirement to account for the difference between the cost of an investment and the investor's proportionate share of the net assets of an investee (the basis difference)[4] and (2) other alternatives, including requiring equity method investments to be measured at fair value. However, in May 2016, the Board decided that there was insufficient support to change the equity method of accounting.

> **Question 5:** Does the equity method of accounting provide decision-useful information to investors that affect their capital allocation decisions? Please explain.
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> **Question 6:** Should the FASB consider requiring equity method investments to be accounted for consistently with other equity investments in accordance with Topic 321? Please explain.
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> **Question 7:** If the FASB were to require equity method investments to be accounted for consistently with other equity investments in accordance with Topic 321, are there additional accounting matters (for example, accounting for transactions between investors and investees) or disclosures that would need to be considered? For public business entities, is there related industry-specific guidance that would need to be referred to the U.S. Securities and Exchange Commission (for example, the

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[4]Included in proposed Accounting Standards Update, *Investments—Equity Method and Joint Ventures (Topic 323): Simplifying the Equity Method of Accounting*, issued in June 2015.

requirement to include financial statements of significant investees or oil and gas disclosures related to equity method investments)? Please explain.

Renewable Energy Partnerships

Stakeholders provided feedback that guidance for equity investments in renewable energy partnerships is often challenging to apply and does not always provide decision-useful information to investors. These investments generally are made in limited partnerships in which (1) a sponsor acts as the general partner and oversees the development of a renewable energy project and (2) a tax equity investor or investors provide funding through limited partnership interests in return for tax credits generated by the project. These partnerships often have complex allocations of earnings that are not aligned with ownership percentages.

The tax equity investor's accounting for its investment typically depends on the nature of the investment:

- For those investments for which the tax equity investor has the ability to exercise significant influence, the investor will typically account for its investment in the partnership using the equity method of accounting. Because of the complex earnings allocations in these partnerships, investors often calculate their share of equity method earnings by using the hypothetical liquidation at book value (HLBV) approach.[5]
- Stakeholders indicated that it is unclear how to apply HLBV to the benefits that investors in these partnerships commonly receive, such as the recapture of investment tax credits. This lack of specific guidance results in increased costs to preparers and less decision-useful information for investors.
- Stakeholders indicated that they would benefit from being able to apply the proportional amortization method[6] to all tax equity investments. Under the proportional amortization method, if certain criteria are met, an investor may elect to amortize the cost of that investment in proportion to the income tax credits and other income tax benefits expected to be received over the life of the investment.

In addition, the sponsor in a renewable energy partnership typically has a controlling financial interest and will consolidate the partnership. Sponsors also often use the HLBV approach by analogy to attribute the partnership's earnings or losses between their controlling financial interest and the noncontrolling interest holders. Stakeholders indicated that sponsors face similar challenges in applying the HLBV approach as tax equity investors.

Stakeholders suggested that the Board expand the application of the proportional amortization method in Subtopic 323-740, Investments—Equity Method and Joint Ventures—Income Taxes, to more tax equity investments. Some stakeholders also suggested that the Board develop specific guidance to permit tax

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[5]The hypothetical liquidation at book value (HLBV) approach is rooted in the guidance in paragraph 970-323-35-17, which notes:

> To determine the investor's share of venture net income or loss, such agreements or arrangements shall be analyzed to determine how an increase or decrease in net assets of the venture (determined in conformity with GAAP) will affect cash payments to the investor over the life of the venture and on its liquidation. Specified profit and loss allocation ratios shall not be used to determine an investor's equity in venture earnings if the allocation of cash distributions and liquidating distributions are determined on some other basis.

Under the HLBV approach, which was described in the AICPA's proposed Statement of Position, *Accounting for Investors' Interests in Unconsolidated Real Estate Investments*, the share of an investee's earnings or losses is calculated on the basis of a change in the investor's interest in the investee's net assets, assuming the investee were to liquidate all assets at their generally accepted accounting principle (GAAP) amounts.

[6]The Board issued Accounting Standards Update No. 2023-02, *Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*, to expand the application of the proportional amortization method to more tax equity investments that generate income tax credits and other income tax benefits from tax credit programs.

equity investors and sponsors to allocate earnings on the basis of each investor's pro rata ownership interest, rather than applying Topic 970, Real Estate—General, and the HLBV approach.

> **Question 8:** What challenges, if any, exist in applying the consolidation and equity method of accounting guidance to renewable energy and similar partnerships? Should the FASB address these issues through standard setting? If so, how should they be addressed (for example, by including HLBV guidance in the Codification, providing other guidance for complex profit-sharing arrangements, or eliminating the equity method [see also Question 6 of this ITC])? Please explain.

Definition of a Business

In 2017, the Board issued Accounting Standards Update No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, to address stakeholder concerns that the definition of a business was too broad and was difficult and costly to apply. The amendments in Update 2017-01 narrowed the definition of a business and established a qualitative screen to reduce the number of transactions that need to be further evaluated. As part of the outreach performed in preparing this ITC, it was recommended that the Board consider further revisions to the definition of a business.

> **Question 9:** Should the FASB pursue a project to further revise the definition of a business? If yes, why is a change necessary and what improvements could be made to the definition? Please explain.

Definition of Common Control

Stakeholders provided feedback that it can be difficult to determine whether entities are under common control, especially when evaluating multiple parties (for example a control group).

The term *common control* is not defined in the Master Glossary; however, examples are provided in Subtopic 805-50, Business Combinations—Related Issues. Determining when separate entities are under common control can affect financial statements because some areas of GAAP (such as business combinations accounting) exclude, or require specific accounting for, transactions between entities that are under common control. Additionally, the lack of a definition for the term *common control* creates complexity for private companies in determining whether they are required to apply the VIE guidance to legal entities under common control. Therefore, stakeholders suggested that the FASB define common control to improve the operability of GAAP.

> **Question 10:** Should the FASB consider defining the term *common control*? If yes, how should the term be defined and what would be the anticipated effect? Please explain.

Interaction of Consolidation Guidance and Other Transactions

Stakeholders noted there are certain areas of GAAP that interact with the guidance in Topic 810, Consolidation, that result in unnecessary complexity and diversity in practice. Stakeholders suggested that the FASB consider revising the following guidance:

Guidance	Stakeholders' Observations	Stakeholders' Suggested Alternatives
Accounting for the initial consolidation of a business (a business combination) and the accounting for asset acquisitions	The accounting for asset acquisitions in Subtopic 805-50 is incomplete and lacks specific guidance for certain items (such	Clarify the applicability and operability of Subtopic 805-50.

Guidance	Stakeholders' Observations	Stakeholders' Suggested Alternatives
	as contingent consideration, noncontrolling interests, income taxes, and employee benefits). It also may be unclear when the guidance in Subtopic 805-50 applies versus when asset-specific guidance applies. Without specific recognition and measurement guidance, entities have analogized to other areas of GAAP and diversity in practice exists in accounting for these transactions.	
Recognition and measurement requirements for acquisitions of VIEs	The guidance for acquisitions of VIEs that do not meet the definition of a business is different than the requirement for other asset acquisitions (in Subtopic 805-50). The current accounting can produce different outcomes for economically similar transactions.	Consider either (1) requiring Subtopic 805-50 to be applied to all asset acquisitions, including acquisitions of VIEs that do not meet the definition of a business, or (2) requiring Topic 810 to be applied to all asset acquisitions.
Interaction of the consolidation guidance and guidance for derecognition of nonfinancial assets (in Subtopic 610-20, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets), specifically, the accounting for distinct nonfinancial assets when an entity ceases to hold a controlling financial interest in a legal entity (1) that does not meet the definition of a business, (2) for which substantially all of the fair value of its assets is concentrated in nonfinancial assets, and (3) in which the reporting entity retains a repurchase option for the nonfinancial assets	There is diversity in practice in the accounting for nonfinancial assets that the reporting entity is unable to derecognize under Subtopic 610-20.	Consider providing guidance to address the accounting for the nonfinancial assets in this specific fact pattern.
Interaction of the VIE guidance and the accounting for a sale and leaseback transaction	Evaluating the VIE guidance is complex for transactions that involve (1) transfers of real estate (with a repurchase option) to a	Consider revisions or clarifying the sequencing of the examples in the VIE and leases guidance on

Guidance	Stakeholders' Observations	Stakeholders' Suggested Alternatives
	legal entity and (2) a sale and leaseback of assets—particularly in private company transactions in which the seller/lessee may have limited access to information.	sale and leaseback transactions.

Question 11: Should the FASB prioritize a potential project to improve and align the guidance in any of these areas? If yes, what should be included in the scope and what alternatives should be considered? Please explain.

Pushdown Accounting

Private company stakeholders provided feedback that there is a lack of illustrative guidance for pushdown accounting in Subtopic 805-50. Pushdown accounting is the optional use of an acquirer's basis in the preparation of an acquiree's separate financial statements. An acquiree that is a business or nonprofit activity has the option to apply pushdown accounting in its separate financial statements when an acquirer—an entity or individual—obtains control of the acquiree. Certain private company stakeholders suggested that the FASB provide additional implementation guidance and illustrative examples in the Codification.

Question 12: Are there challenges in applying the pushdown accounting guidance in Subtopic 805-50? If so, what additional guidance is needed? Please explain.

Chapter 2—Financial Instruments

Distinguishing Liabilities from Equity

Stakeholders provided feedback that the guidance for distinguishing between contracts that are classified as equity and contracts that are classified as liabilities in Subtopic 815-40, Derivatives and Hedging—Contracts in Entity's Own Equity, continues to be complex and costly to apply. Subtopic 815-40 provides guidance for contracts that are indexed to, and potentially settled in, an entity's own stock, and includes guidance and illustrative examples to help an entity evaluate whether those contracts can be excluded from derivative accounting and accounted for as equity.[7] Stakeholders have observed that this guidance is a frequent source of financial statement restatements because the guidance is difficult to understand and operationalize and often results in accounting conclusions that appear to be more form over substance. Stakeholders provided several suggestions to improve and increase consistency in application of the guidance, such as:

- Add examples to illustrate how to analyze common provisions and complex fact patterns under the current guidance.
- Develop a new, clearer line to distinguish between liabilities and equity that would result in more contracts being classified as equity.

The FASB has undertaken several broad and targeted liability and equity projects over the last several decades and encountered many challenges because of different views among stakeholders about financial reporting outcomes. The FASB has historically found it challenging to balance the request to reduce complexity in the guidance with stakeholders' desire to achieve certain financial reporting outcomes, such as liability or equity classification.

> **Question 13:** If the FASB were to make targeted improvements to the liabilities and equity guidance in Subtopic 815-40, would you support those changes if they significantly changed current financial reporting outcomes? For example, would you support accounting for more contracts indexed to an entity's own equity as equity as compared with today? Please explain.
>
> **Question 14:** What targeted improvements, if any, to the liabilities and equity guidance in Subtopic 815-40 should the FASB consider making? For example, should the improvements focus on the indexation guidance in the Scope and Scope Exceptions Section of Subtopic 815-40, the settlement guidance in the Recognition Section of Subtopic 815-40, or both? Please explain.

Risk Management and Hedge Accounting

Stakeholders provided feedback that the current hedge accounting model is complex, rules based, and may no longer be suitable for its intended purpose. Stakeholders indicated that the guidance may not provide investors with decision-useful information as many economic hedging activities do not qualify for hedge accounting because the hedge accounting guidance was not developed to broadly apply to risk management strategies that are developed and executed on an entity-wide basis. Therefore, stakeholders said that the guidance can result in financial statements that do not reflect the underlying economics of risk management transactions and the continued use of non-GAAP measures. In addition, investors indicated that they primarily use information provided on risk management and hedging

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[7]The outcome of this evaluation affects a contract's classification, subsequent measurement, presentation of earnings in the income statement, and disclosure requirements. If a contract is required to be accounted for as a derivative, the contract must be measured at fair value, with changes reported in earnings each period.

activities in earnings presentations, rather than in the financial statement notes, because the information provided in hedge accounting disclosures is of limited utility.

Stakeholders consistently identified limitations of core aspects of the hedge accounting model, such as the requirement:

- To apply hedge accounting on an individual transaction or portfolio basis when risk is managed on an entity-wide basis
- That the hedged exposure could affect reported earnings (for example, not permitting the hedging of held-to-maturity securities)
- That limits hedge accounting to only highly effective hedging relationships
- That prohibits most nonderivatives from qualifying as hedging instruments.

Stakeholders provided mixed feedback on whether the FASB should pursue a broad or narrow project on the accounting for and disclosure of risk management and hedging activities.

> **Question 15:** Should the FASB consider revising the hedge accounting model? If so, what core aspects of the hedge accounting model should be amended or removed to allow hedge accounting to more accurately reflect the economics of an entity's risk management activities? Please describe why and how those core aspects should be amended or why they should be removed.

> **Question 16:** Should the FASB consider changing hedge accounting disclosures? If so, what changes could be made to hedge accounting disclosures and how would they better portray the economics of an entity's risk management activities? Please explain.

Troubled Debt Restructurings by Borrowers

Stakeholders, including investors, provided feedback that borrowers' accounting for troubled debt restructurings (TDRs) is outdated and does not provide relevant information to investors. When a creditor grants a concession to the borrower for economic or legal reasons related to the borrower's financial difficulty that it would not otherwise consider, the borrower is generally required to account for the modification of the debt as a TDR. Typically, the creditor grants the concession in an attempt to recover as much of its investment as possible.

Some stakeholders suggested that the FASB eliminate the TDR guidance for borrowers and instead require restructured debt to be measured at fair value. In addition, investors expressed concern that under the current accounting guidance there are circumstances when borrowers may not recognize interest expense on the payable between the restructuring and maturity of the payable. This may occur when the borrower's total future cash payments under the restructured debt (including principal and interest) is less than the carrying amount of the payable prior to restructuring. Investors noted that, in these situations, they try to estimate what the interest expense would have been, which requires significant effort and could be based on incorrect assumptions. Investors indicated that it would be more helpful if borrowers recognized interest expense each period between the restructuring and maturity of the payable.

> **Question 17:** How often is the TDR guidance in Subtopic 470-60, Debt—Troubled Debt Restructurings by Debtors, applied? Does the TDR guidance for borrowers continue to be relevant and provide decision-useful information to investors? Is it possible for borrowers to determine the fair value of restructured debt in a TDR? Do you foresee any challenges in determining the fair value of restructured debt when a borrower's financial difficulty results in other market participants being

unwilling to lend to that borrower under the terms of the restructured debt? Are there other alternatives to improve the TDR guidance for borrowers that should be considered? Please explain.

Question 18: If borrowers were required to measure restructured debt at fair value, should interest expense be recognized? If yes, when should it be recognized and how should it be calculated? Please explain.

Definition of a Derivative and Derivative Modifications

In July 2024, the FASB issued proposed Accounting Standards Update, *Derivatives and Hedging (Topic 815) and Revenue from Contracts with Customers (Topic 606): Derivatives Scope Refinements and Scope Clarification for a Share-Based Payment from a Customer in a Revenue Contract* (the 2024 proposed Update on derivative scope refinement). The amendments in that proposed Update are intended to address stakeholders' concerns about (1) the application of derivative accounting to contracts with features based on the operations or activities of one of the parties to the contract and (2) the diversity in accounting for a share-based payment from a customer that is consideration for the transfer of goods or services. The proposed amendments are expected to exclude more contracts and embedded features from the scope of Topic 815, Derivatives and Hedging. The FASB is expected to begin redeliberations on that project in early 2025; however, as part of outreach performed in preparing this ITC, some stakeholders suggested that the FASB consider further narrowing the definition of a derivative (beyond the guidance in the proposed Update) to reduce costs and complexity.

Additionally, a few stakeholders observed that GAAP does not have specific guidance on the accounting for modifications of a derivative.

Question 19: Regarding derivative accounting, what other challenges (beyond those that would be addressed in the 2024 proposed Update on derivative scope refinements), if any, do you encounter in practice? Please explain.

Question 20: There is currently a project on the research agenda that includes the accounting for derivative contract modifications. If the FASB were to prioritize a project on derivative modifications, what approach should be applied to assess and account for the modification of a derivative? Please explain.

Below-Market and Interest-Free Loans from Donors

NFP stakeholders provided feedback that there is diversity in practice and complexity in accounting for below-market and interest-free loans received by an NFP from donors. These stakeholders observed that there can be a significant amount of judgment in determining the loan portion (liability) and the contribution portion (revenue) and that the accounting for these loans can have a significant effect on the financial statements.

Question 21: Should the below-market or interest-free component of the loan from a donor be accounted for as financial support? If it should continue to be accounted for as financial support, what specific accounting guidance is needed to more consistently reflect the economics of those transactions? Please explain.

Alternative Funding Arrangements

Stakeholders provided feedback that there has been an increase in alternative forms of funding to entities that research, develop, and market new products. Questions have been raised about whether such arrangements should be accounted for as research and development (R&D) funding arrangements or sales of future revenue. Stakeholders also indicated that there are challenges in applying the R&D funding arrangements guidance to new and emerging forms of funding arrangements because the R&D funding arrangements guidance (which was originally developed by the AICPA) is drafted in the form of example arrangements.

> **Question 22:** Are there challenges in determining whether a funding arrangement should be accounted for as an R&D funding arrangement or a sale of future revenue? If the FASB were to pursue a project on R&D funding and sales of future revenue arrangements, what types of arrangements should be included in the scope of the project? Please explain.

Transfers and Servicing of Financial Assets

Topic 860, Transfers and Servicing, provides guidance on whether a transfer of financial assets should be accounted for as a sale or as a secured borrowing as well as the related accounting. Stakeholders provided feedback that the guidance in Topic 860 may in some cases result in unintuitive outcomes that do not reflect the economics of a transaction and indicated that diversity in practice may exist. For example, stakeholders have identified issues with the application of the guidance and questioned the continued relevance of outcomes related to participating interests in certain circumstances and certain securities lending transactions. Stakeholders indicated that these issues could be addressed as targeted improvements to Topic 860.

> **Question 23:** If the FASB were to pursue a project to consider improvements to Topic 860, what issues or transactions should it address? For those issues, please explain the challenges encountered in practice when applying the current guidance and what improvements should be considered.

Chapter 3—Intangibles

Crypto Assets

In response to feedback received as part of the 2021 Agenda Consultation, the Board issued the amendments in Accounting Standards Update No. 2023-08, *Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets*, which require an entity to subsequently measure certain crypto assets at fair value with changes reported in earnings each period.

Stakeholders provided feedback that because Update 2023-08 does not address the initial measurement, recognition, or derecognition of crypto assets, the FASB should prioritize a project to address those areas. For example, stakeholders observed that while GAAP provides guidance for recognizing the sale of intangibles (Topic 606, Revenue from Contracts with Customers, Subtopic 610-20 and Topic 845, Nonmonetary Transactions), questions arise on how that guidance should be applied to the derecognition of a crypto asset in certain transactions, such as staking, liquidity pools, and crypto asset lending.

> **Question 24:** What challenges, if any, are there in applying current recognition and derecognition guidance to crypto asset transactions? Are there specific transactions that are more challenging? If so, how pervasive are those transactions and does the application of the current guidance appropriately portray the economics of those transactions (and if not, why)? Please explain, including whether and how these challenges could be addressed through standard setting.

Goodwill

Entities are required to test the goodwill of a reporting unit for impairment at least annually or more frequently if certain conditions exist. If the carrying amount of the reporting unit exceeds its fair value, the entity must determine the extent of goodwill impairment and recognize the impairment loss in earnings. Private companies and NFPs may elect an accounting alternative to amortize goodwill.

Stakeholders provided feedback that the accounting for goodwill does not appropriately reflect the economics and is costly to apply. These stakeholders, who indicated that their proposed solutions would be most relevant in certain industries (such as banking), suggested allowing entities to (1) amortize goodwill or (2) expense goodwill on the acquisition date.

In June 2022, the Board removed a project from its technical agenda to revisit the subsequent accounting for goodwill. The objective of that project included identifying solutions to reduce the cost and complexity incurred by preparers to subsequently account for goodwill, while not significantly diminishing the decision usefulness of information for investors. The Board had provided leanings that it would prefer a model that required the amortization of goodwill with potential impairment triggers (the "amortization-with-impairment" approach) over the current impairment model. However, some Board members were concerned that the amortization-with-impairment approach did not sufficiently rebalance the expected benefits and expected costs in a way that created a compelling case for change.

> **Question 25:** The FASB has previously encountered challenges in identifying improvements to the subsequent accounting for goodwill that are cost beneficial. If the FASB were to pursue a project on the subsequent accounting for goodwill, what improvements should be considered? Please provide specifics on how those improvements would be more cost beneficial than the current impairment model.

Multi-Element Software Arrangements

Certain NFP stakeholders suggested that the FASB should consider simplifying a customer's accounting for multi-element software arrangements. The price for a software arrangement may include multiple elements, such as an on-premise software license, cloud platform fees, training costs, fees for routine maintenance work to be performed by a third party, and data conversion costs. GAAP requires an entity to allocate the costs among these individual elements—some of which an entity is required to expense as incurred (such as fees for a cloud platform), while others an entity may be required to recognize on its balance sheet (such as on-premise software licenses). A few NFP stakeholders suggested that the Board develop a practical expedient to permit an entity to not allocate costs among all individual elements in multi-element arrangements (for example, to permit entities to expense all related costs).

> **Question 26:** While this issue was raised by NFP stakeholders, do other types of entities (such as public and private for-profit entities) have similar challenges? For multi-element software arrangements, what challenges, if any, do customers encounter in allocating the costs among the individual elements for accounting purposes? If there are challenges, how could the guidance be improved? Please explain.

Chapter 4—Other Assets and Liabilities

Credit Losses on Receivables from Contracts with Customers

In September 2024, the PCC added a project on current expected credit losses (CECL) to address challenges encountered when applying the guidance in Topic 326, Financial Instruments—Credit Losses, to current accounts receivable and current contract assets arising from transactions accounted for under Topic 606. In October 2024, the Board voted to expand the project's scope to include NFPs (excluding an NFP that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market). In December 2024, the Board issued proposed Accounting Standards Update, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets for Private Companies and Certain Not-for-Profit Entities*.[8] The amendments in that proposed Update would allow private companies and certain NFPs to apply (1) a practical expedient to assume, when developing reasonable and supportable forecasts, that current conditions as of the balance sheet persist throughout the forecast period and (2) an accounting policy election to consider collection activity after the balance sheet date when estimating credit losses for accounts receivable and contract assets. The proposed amendments would not change the requirements for public business entities, which some stakeholders mentioned would be helpful.

Question 27: Should the FASB consider a project to permit public business entities to elect a similar practical expedient and accounting policy election for current accounts receivable and contract assets arising from transactions accounted for under Topic 606? Please explain.

Question 28: Should the FASB consider a project to expand the practical expedient and accounting policy election to other short-term assets? If so, which types of assets? Please explain.

Definition of Cash Equivalents

Stakeholders provided feedback that the definition of cash equivalents should be expanded to include a subset of other liquid assets. The Master Glossary definition of the term *cash equivalents* includes highly liquid investments that are (1) readily convertible to known amounts of cash and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Based on this definition, entities typically include investments such as a three-month U.S. Treasury bill or a three-year U.S. Treasury note purchased three months from maturity in cash equivalents. Stakeholders suggested that the definition of cash equivalents should be expanded to include other assets that are highly liquid but do not have a maturity date.

Question 29: Should the FASB reconsider the definition of cash equivalents and consider including other assets that are easily liquidated? If so, what types of assets should be added to the definition of cash equivalents? Please explain.

Inventory

Stakeholders observed that Topic 330, Inventory, does not provide specific guidance on when to recognize inventory. There is a similar lack of specific guidance for other nonmonetary assets (for example, property, plant, and equipment). These stakeholders suggested that the FASB consider providing initial recognition guidance to resolve diversity in practice for situations that may be more challenging to evaluate.

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[8] The proposed Accounting Standards Update can be found here, and comments are due January 17, 2025.

Question 30: What challenges, if any, do entities face in the absence of specific initial recognition guidance for inventory and other nonmonetary assets? Please explain, including the pervasiveness of these challenges.

Asset Retirement Obligations

Stakeholders provided feedback that the accounting for an entity's asset retirement obligations (AROs) could be improved. An ARO is a legal obligation associated with the retirement of a tangible long-lived asset that results from the acquisition, construction, development, and/or normal operation of that asset. An entity should recognize the fair value of a liability for an ARO in the period in which it is incurred if a reasonable estimate of fair value can be made. If a reasonable estimate of fair value cannot be made in the period the ARO is incurred, the liability should be recognized when a reasonable estimate of fair value can be made. GAAP provides examples of instances in which a reasonable estimate of the fair value of an ARO cannot be made, such as for an asset with an indeterminate useful life.

A few stakeholders expressed concern that under Subtopic 410-20, Asset Retirement and Environmental Obligations—Asset Retirement Obligations, an entity can avoid recognizing a liability if the associated asset has an indeterminable useful life. Also, these stakeholders noted that even when AROs are recognized, fair value measurement does not best reflect the economics of the obligation upon settlement because the fair value of the liability for an ARO may be greater than the settlement amount, which results in an entity recognizing a gain upon settlement.

Question 31: Should the FASB revisit the initial recognition and measurement guidance for AROs (in Subtopic 410-20)? If so, please explain, including what recognition criteria should be considered and how an ARO should be measured (such as expected cost, fair value, or another measure).

Guarantees

Stakeholders noted that when an entity, especially a banking, health care, or platform entity, enters into certain guarantees, it may encounter challenges in determining whether to apply the guidance for guarantees (Topic 460, Guarantees) or revenue recognition (Topic 606). For example, consider a platform entity that has a marketplace on which buyers and sellers transact and that provides certain quality promises to the buyer. Stakeholders noted that there is diversity in practice in accounting for those quality promises. Stakeholders observed that some entities account for the quality promises as a guarantee, while other entities account for them as separate performance obligations under Topic 606.

Question 32: What are the types of guarantees, if any, that lead to uncertainty about whether to apply the guidance for guarantees or revenue recognition? How pervasive are these guarantees? How should an entity account for these guarantees? Please explain.

Lease Payments in the Form of Equity

Stakeholders stated that lease agreements in which the lessee agrees to pay the lessor by transferring noncash consideration in the form of a share-based payment over the term of the lease are becoming more prevalent. Stakeholders noted that there are questions on how share-based payments should be recognized and measured as lease payments. In addition, stakeholders questioned how to apply the lease modification guidance in Topic 842, Leases, to changes in share-based lease payments.

Question 33: What is the prevalence of these types of lease transactions? Is incremental accounting guidance needed to specify how share-based lease payments should be recognized and measured (both initially and subsequently)? Please explain.

Chapter 5—Retirement and Other Employee Benefits

Employee Stock Ownership Plan (ESOP) Repurchase Obligation Disclosures

Investors provided feedback that ESOP repurchase obligation disclosure requirements could be enhanced. GAAP requires an entity to disclose the existence and nature of any repurchase obligation, including disclosure of the fair value of the shares allocated as of the balance sheet date that are subject to a repurchase obligation. Investors suggested requiring a quantitative disclosure of an entity's repurchase obligations over the next five years to provide investors with better information about future expected cash outflows, as well as making improvements to the qualitative disclosures about the terms of the repurchase obligations and how management plans to satisfy those obligations.

> **Question 34:** How pervasive are repurchase obligations for ESOPs? Should additional disclosures be required and, if so, what type (for example, quantitative, qualitative, or both types of disclosures)? Please explain.

Partnership Accounting

Stakeholders observed that there is diversity in practice in how partnerships (in Topic 272, Limited Liability Entities) account for future distributions to their current and former members, especially in complex partnership structures. This includes the accounting for defined benefit and defined contribution pension plans, deferred compensation, and profit sharing. They stated that some partnerships account for future distributions as part of members' equity, while others account for the distributions as payment of liabilities. GAAP does not provide specific guidance on how to account for such distributions.

> **Question 35:** How should the accrual of and future distributions to current and former members of a partnership be accounted for? Are there other challenges related to applying partnership accounting that the FASB should consider addressing? Please explain.

Gains and Losses of Defined Benefit Plans

For defined benefit plans, GAAP permits either immediate recognition or delayed recognition (smoothing) of gains and losses resulting from a change in the value of either the projected benefit obligation or the plan assets. Gains and losses that are not recognized immediately as a component of net periodic pension cost are recognized as increases or decreases in other comprehensive income as they arise.

Investors suggested that the FASB should require all entities to immediately recognize gains and losses associated with a change in the defined benefit plans' value of either the projected benefit obligation or the plan assets in the period they arise. Investors acknowledged that while this would increase volatility in net income, immediate recognition would provide transparency and decision-useful information about a pension plan's performance. Additionally, these investors recommended that the net gains or losses recognized be disaggregated between (1) those arising from investment activities related to the plan assets and (2) those arising from changes in actuarial assumptions.

> **Question 36:** Should the FASB require entities to immediately recognize gains and losses associated with defined benefit plans in the period they arise? Additionally, should the FASB require entities to disaggregate the net gains or losses recognized between those arising from investment activities related to the plan assets and those arising from changes in actuarial assumptions? Please explain.

Remeasurement of Share-Based Payment Awards

Investors suggested that both equity-classified and liability-classified share-based payment awards should be remeasured at fair value as of each reporting date until settlement to provide investors with better information about the economics of those awards.

Topic 718, Compensation—Stock Compensation, generally requires liability- and equity-classified stock compensation awards to be initially measured at fair value when granted. However, while a liability-classified award is remeasured at fair value each reporting period through settlement, an equity-classified award is measured at the grant date and is not subsequently remeasured.

> **Question 37:** If the FASB were to pursue a project to align the initial and subsequent measurement of share-based payment awards, how should the awards be initially and subsequently measured? Please explain, including the objective of the measurement and whether and how changes to the subsequent measurement of share-based payment awards would improve the decision usefulness of the information provided to investors.

Chapter 6—Income and Expenses

Principal versus Agent Considerations

Stakeholders provided feedback that the application of the principal versus agent determination in the revenue recognition guidance (Topic 606) can result in economically similar transactions being accounted for differently. The guidance in Topic 606 requires an entity to determine whether the nature of its promise is to provide the specified good or service itself (that is, whether the entity is a principal) or to arrange for that good or service to be provided by the other party (that is, whether the entity is an agent) in a multiparty arrangement. If an entity determines it is the principal, then it recognizes revenue at the gross amount that it is entitled to receive from a customer and classifies any fees paid as a cost of revenue. If an entity determines it is acting as an agent, then it recognizes revenue at the net amount of the consideration that it retains (that is, the amount of its fee).

Stakeholders provided feedback that evaluating whether the entity is a principal or an agent requires management to use significant judgment, which can result in different financial reporting outcomes for economically similar transactions. Stakeholders suggested that the FASB clarify principal versus agent guidance, such as how the guidance should be applied for arrangements entered into by payment processors, platform entities, and health care entities, among others.

> **Question 38:** What challenges, if any, do entities encounter in evaluating whether they are acting as a principal versus an agent? Are there instances where the accounting does not appropriately reflect the economics of the transactions? Please explain, including the pervasiveness of those challenges, the industries and transactions for which the accounting could be improved, and whether and how those challenges and improvements could be addressed through standard setting.

Estimate of Variable Consideration for Commission-Based Transactions

Investors noted that accounting for variable consideration in revenue-related transactions can distort the financial statements, particularly for commission-based entities. The revenue recognition guidance requires entities to estimate variable consideration when determining the transaction price. As a result, entities are required to include some or all of the variable consideration in the transaction price (to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved). With certain commission-based transactions, investors indicated that it is difficult to understand (1) management’s judgments related to the variable consideration included in the transaction price and (2) how management has incorporated those estimates into a forecast given the lack of historical data available. This is typically because the commission revenue is in some part dependent on the actions of a party other than the customer in the arrangement. Investors suggested that the Board consider reverting to pre-Topic 606 guidance where entities recognized variable consideration when the amounts were fixed or determinable. Investors said this approach would provide them with information that faithfully represents the amount of consideration collected.

> **Question 39:** Should the FASB consider requiring entities to recognize variable consideration when the underlying triggers have been reached? If so, should that change apply to all entities or a subset of entities (for example, entities that earn commission-based revenue)? Would this provide better information for investors’ analyses? Please explain.

Consideration Payable to Customers

Stakeholders provided feedback that the revenue recognition guidance related to consideration payable to customers can give rise to application issues. For example, arrangements may include end consumers of the entity's goods or services and negative revenues.

> **Question 40:** What challenges, if any, are there in applying the consideration payable to customers guidance? Should the FASB consider clarifying this guidance? Please explain.

Payments Received from a Vendor in the Airline Industry

Stakeholders provided feedback that GAAP does not adequately address how to account for customers' settlement agreements with vendors to resolve disputes about various aspects of the vendor's performance, such as payments received by an airline in the event of a grounding due to equipment failure. Stakeholders noted that when an aircraft is grounded because of equipment failure, the aircraft manufacturer and the aircraft owner often reach a settlement in which the airline receives payment for lost revenues and/or higher direct costs. GAAP requires an entity to account for consideration received from a vendor as a reduction to the cost basis of the goods or services acquired unless the consideration is (1) in exchange for a distinct good or service, (2) a reimbursement of costs to sell the vendor's products, or (3) for sales incentives offered to customers by manufacturers.

Stakeholders indicated that accounting for these settlement payments received by an aircraft manufacturer as a reduction of the cost basis of the owned aircraft does not accurately reflect the underlying economics of the transaction because of the significant losses incurred by airlines in these events. Those stakeholders suggested that requiring the recognition of substantive vendor settlements in current period earnings would more accurately reflect the transaction. Therefore, stakeholders recommended that the FASB consider amending the guidance in Subtopic 705-20, Cost of Sales and Services—Accounting for Consideration Received from a Vendor, for substantive settlements from a vendor for the performance of its product to require current period income recognition.

> **Question 41:** Should the FASB consider amending the accounting for customers' settlement agreements with vendors to resolve disputes about various aspects of the vendor's performance? Please explain.

Recognition of Interest Income

Stakeholders noted that guidance for recognizing interest income (including discounts and premiums) under Subtopic 310-20, Receivables—Nonrefundable Fees and Other Costs, does not result in meaningful information for investors in certain circumstances. Subtopic 310-20 requires an entity to calculate the effective yield necessary to apply the interest method using the contractual payment term of a loan (assuming no prepayment of principal), unless the entity holds a large number of similar loans for which prepayments are probable and the timing and amount of prepayments can be reasonably estimated. In that case, the entity may consider prepayment in applying the interest method. Stakeholders noted some entities do not leverage the guidance for prepayments because it is too difficult to identify homogeneous groups of loans. Stakeholders stated that the guidance in Subtopic 310-20 should be updated to require one interest income recognition model and suggested leveraging the amortization model in Subtopic 325-40, Investments—Other—Beneficial Interests in Securitized Financial Assets, which requires the holder to amortize interest income over the estimated life of the beneficial interest.

> **Question 42:** How should interest income for loans within the scope of Subtopic 310-20 be subsequently recognized? Please explain.

Derecognition of Transferable Income Tax Credits

Stakeholders provided feedback that when transferable tax credits within Topic 740, Income Taxes, are transferred (sold), there are different views on when control is transferred for derecognition purposes. Stakeholders noted that because GAAP does not provide specific derecognition guidance for transferable tax credits, there is often uncertainty about the related requirements.

> **Question 43:** Should the FASB provide derecognition guidance for transferable tax credits within Topic 740 beyond the guidance currently provided in Topic 606 and Subtopic 610-20? If so, what guidance or criteria should an entity consider in determining whether to derecognize these transferred tax credits? Please explain.

Chapter 7—Presentation and Disclosure of Financial Reporting Information

Enhanced Disclosures

The FASB has recently issued standards that enhance the disclosures for various areas, including revenue, leases, segments, income taxes, and income statement expenses. Investors and other stakeholders, in both the public and private company sectors, continue to request additional quantitative and/or qualitative financial reporting information about a range of areas. Stakeholders explained that additional information would provide investors with a better understanding of the performance of an entity and would better enable investors to assess the future cash flows and risks in their capital allocation decisions. Stakeholders requested a broad spectrum of additional information, such as (in no particular order):

- For debt issued after year-end but before the financial statements are issued, require the same level of disclosures as is currently required for debt held as of year-end.
- For private companies, require the disaggregated income statement expense disclosures from Subtopic 220-40, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures.
- When there are earnout provisions associated with the disposition of a business, such as targets tied to the future performance of the disposed business and the likelihood that those are met, require the seller to provide more information on the expectations of earning those amounts beyond the current disclosures about variable consideration and contingent gains.
- Require disclosure of certain expenditures such as training costs, political contributions, and executive compensation.
- For health care entities, require the presentation of allowances and rebates on the face of the income statement, as well as additional information about product revenue.
- Require preacquisition financial statements for an acquiree in a business combination.
- When an entity holds a private equity investment in which it has an insignificant position (that is, the entity does not consolidate the private equity investment or account for it under the equity method), require more specific details about the investee.
- Require expanded revenue and expense information by geographic location beyond existing revenue and segment disclosure requirements.
- Require rollforwards of balance-sheet line items, such as allowance for doubtful accounts, inventory, and receivables.
- For property and casualty insurance entities, require specific information about catastrophic events by type and geography and reinsurance coverage.

Some investors also requested more disclosure about novel and key transactions, debt covenants, deferred revenue, future cash obligations, bank deposit liabilities, liquidity needs, guarantees, key assumptions and judgments, loss contingencies, other assets, and performance obligations.

> **Question 44:** Should the FASB consider any additional disclosures in any of the above areas? If so, how would that information better inform investment decisions? If these or similar disclosures are currently required outside of the financial statements, why should or shouldn’t they be included in the financial statements? Are there other areas that need additional disclosures? Please explain.

Outdated Disclosures

Stakeholders have indicated that certain disclosures have become outdated and questioned whether they continue to be relevant and/or cost beneficial. These stakeholders suggested that the Board revisit certain disclosure requirements to ensure that they are still relevant and still provide decision-useful information to investors.

For example, stakeholders identified fair value measurement disclosures within Topic 820, Fair Value Measurement, and derivative disclosures within Topic 815 as burdensome and costly to provide. Investors noted that while these disclosures can be helpful when an entity holds a limited number of instruments, the disclosures become less decision useful when an entity holds a large volume of related assets or liabilities because the disclosures are highly aggregated.

Additionally, some preparers noted that while interim disclosure requirements are overall manageable, there is repetitiveness within interim disclosures from period to period, particularly when there are no material changes from year-end.

> **Question 45:** Are there current disclosure requirements that do not provide meaningful information about an entity? If yes, please explain which disclosures are not decision useful and whether those disclosures should be removed or how they should be improved.

Diluted Earnings per Share (EPS)

Investors provided feedback that the calculation of diluted EPS under the treasury stock method could be improved to provide more decision-useful and relevant information, specifically as it relates to the treatment of restricted share units (RSUs). RSUs are a type of share-based payment award issued to employees for which shares will be issued upon satisfying the conditions of the awards, such as a specified duration of the employee's service or performance milestones. While RSUs do not result in an entity receiving cash proceeds that can be used to repurchase shares, for purposes of applying the treasury stock method, unrecognized compensation expense is a presumed source of cash proceeds. Furthermore, the amount of unrecognized compensation cost can cause unvested RSUs to be antidilutive and shares that would be antidilutive are excluded from the denominator of diluted EPS, which increases diluted EPS. Investors suggested that the FASB require RSUs to be included in the computation of diluted EPS without an adjustment for unrecognized compensation expense.

> **Question 46:** Should the treasury stock method be modified to include RSUs in the computation of diluted EPS under the treasury stock method? Please explain.

Definition of a Public Business Entity

Stakeholders provided feedback that the FASB should reconsider the definition of the Master Glossary term *public business entity*. Stakeholders noted that the term *public business entity* is expansive and, therefore, it can be costly for certain types of closely held entities (such as nonissuer broker dealers) to apply the accounting and disclosure requirements for public business entities. GAAP includes multiple definitions of the terms *nonpublic entity* and *public entity*, which were developed to establish recognition, measurement, disclosure, and effective date requirements for certain sets of reporting entities. In the past, some stakeholders have suggested that the FASB should reduce the number of current definitions to minimize confusion and misunderstanding by investors, preparers, and auditors when applying GAAP.

In December 2013, the FASB issued Accounting Standards Update No. 2013-12, *Definition of a Public Business Entity: An Addition to the Master Glossary*. The amendments in Update 2013-12 amended the Master Glossary to include one definition of a public business entity for future use in GAAP. The amendments did not affect current requirements or the definitions of a nonpublic entity and public entity. In developing the Master Glossary definition of a public business entity, the Board discussed replacing the other definitions, but decided not to at that time. Instead, the Board observed that it may consider whether to amend GAAP, in part, by using the Master Glossary definition of a public business entity, rather than current definitions of a public entity.

Question 47: Should the FASB consider amending the Master Glossary term *public business entity*? If the FASB were to reconsider the Master Glossary term *public business entity*, which type of entities should be included or excluded and why? Please explain.

Question 48: What complexity, if any, results from multiple definitions of a public entity and a nonpublic entity in GAAP? Should the FASB prioritize a project that seeks to reduce the number of definitions of a public entity and a nonpublic entity throughout GAAP? If the FASB were to pursue a project to reduce the number of definitions of a public entity and a nonpublic entity, should the FASB consider replacing the definitions of a public entity with the public business entity definition? Please explain.

Personal Financial Statements

Stakeholders noted that the guidance in Topic 274, Personal Financial Statements, which originated from AICPA Statement of Position 82-1, *Accounting and Financial Reporting for Personal Financial Statements*, is outdated. For example, Topic 274 requires assets to be measured at their estimated current value. Stakeholders suggested that the FASB consider whether to require assets in personal financial statements to be measured at fair value. Stakeholders also requested that the FASB consider improvements to the disclosure requirements and implementation guidance for personal financial statements.

Question 49: Is there certain implementation guidance in Topic 274 that should be updated? If yes, what is the pervasiveness of individuals (or groups of related individuals) that prepare GAAP-compliant personal financial statements? How should assets be measured? Are there additional disclosures that should be required in personal financial statements and, if so, how would they be decision useful? Please explain.

Chapter 8—Current Research Agenda Projects

As part of outreach performed in preparing this ITC, stakeholders provided feedback on projects on the FASB's current research agenda.

Financial Key Performance Indicators for Business Entities

The Invitation to Comment, *Financial Key Performance Indicators for Business Entities* (the Financial KPIs ITC), was issued in November 2024 as part of the related research project. Comments are due April 30, 2025. The Financial KPIs ITC will help inform the Board as it considers whether to add a project on financial KPIs to its technical agenda. The Financial KPIs ITC may be found here.

Accounting for and Disclosure of Intangibles

The Invitation to Comment, *Recognition of Intangibles* (the Intangibles ITC), was issued in December 2024 as part of the related research project. Comments are due May 30, 2025. The Intangibles ITC will help inform the Board as it considers whether to add a project on intangibles to its technical agenda. The Intangibles ITC uses the term *intangibles* to include both (1) intangibles recognized as assets in the financial statements and (2) intangibles and related costs not recognized as assets in the financial statements. The Intangibles ITC may be found here.

Consolidation for Business Entities

As part of the 2021 Agenda Consultation, stakeholders provided feedback that applying the guidance in Topic 810 for VIEs is unnecessarily complex and difficult to explain and understand. These respondents recommended that the FASB prioritize a project to consider developing a single consolidation model for business entities. In response to this feedback, in April 2022, the Board removed a project from its technical agenda on reorganizing the consolidation guidance, and the FASB chair added a research project to explore whether a single consolidation model could be developed.

Although most stakeholders indicated that the guidance generally results in appropriate outcomes that reflect the underlying economics of transactions and that there is not a pervasive need to change these outcomes, the overall complexity of the guidance can lead to misapplication and errors. Therefore, stakeholders encouraged the FASB to prioritize developing a single model for consolidation. Suggested models included leveraging the single consolidation model in IFRS 10, *Consolidated Financial Statements*, or the current requirements for determining the primary beneficiary of a VIE.

> **Question 50:** Should the FASB prioritize a project to develop a single consolidation model? If yes, should the FASB leverage the guidance in IFRS 10, the VIE model, or the voting interest entity model as a starting point? If the FASB should not prioritize a single consolidation model, should the FASB make targeted improvements to better align the current voting interest entity and VIE guidance, including simplifying the determination of whether an entity is a VIE or a voting interest entity? Please explain.
>
> **Question 51:** Are there pervasive accounting outcomes resulting from the application of the consolidation guidance that are inconsistent with the underlying economics of the transaction? If so, please provide examples.

Statement of Cash Flows

As a result of feedback received on the 2021 Agenda Consultation, the FASB's technical agenda includes the Statement of Cash Flows—Targeted Improvements project[9] and the research agenda includes the Statement of Cash Flows project, which explores improvements to the statement of cash flows for all industries.

As it relates to the research project and the input received as part of outreach performed in preparing this ITC, stakeholders continue to express a wide variety of views about potential improvements to the statement of cash flows. They range from:

- Do nothing.
- Eliminate the option to apply the direct method.
- Require the direct method.
- Improve the guidance for classification of cash flows for certain transactions for which diversity exists.
- Require targeted supplemental disclosures for entities applying the indirect method, including cash received from customers, cash paid to customers and suppliers, and interest paid.
- Improve disclosure of noncash items.
- Separate investing cash flows into capital versus maintenance.

Some stakeholders even suggested a clean sheet approach to create a reimagined method to prepare the statement of cash flows but acknowledged that it may be challenging and too costly.

> **Question 52:** Should the FASB pursue a project on the statement of cash flows? If yes, which improvements, if any, are most important? Should the FASB leverage the current guidance in Topic 230, Statement of Cash Flows? If yes, would it be preferable to retain the direct method, the indirect method, or both? Should this potential project be a broad project applicable to all entities that provide a statement of cash flows[10] or limited to certain entities or industries? Please explain.

Accounting for Commodities

Stakeholders suggested that the FASB consider allowing financial institutions that hold physical commodities for trading purposes to apply the fair value option provided under Topic 825, Financial Instruments. GAAP requires entities that are not broker-dealers to measure physical commodities at net realizable value. Stakeholders noted that it is operationally burdensome for financial institutions to measure physical commodities at net realizable value when applying hedge accounting. The research agenda includes a project to explore the accounting for and disclosure of commodities.

> **Question 53:** Should financial institutions that hold physical commodities for trading purposes be permitted to apply the fair value option? Please explain, including whether and how providing an option would provide decision-useful information.

> **Question 54:** Beyond financial institutions, are there other entities or industries that hold physical commodities for trading purposes that should be permitted to apply the fair value option to physical commodities? Please explain, including which types of entities or industries and whether and how providing an option would provide decision-useful information.

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[9]The Statement of Cash Flows—Targeted Improvements project is focused on (a) reorganizing and disaggregating the statement of cash flows for financial institutions to improve the decision usefulness of that statement and (b) developing a disclosure about an entity's cash interest received.

[10]Certain entities are not required to provide a statement of cash flows; see the Scope and Scope Exceptions Section of Subtopic 230-10, Statement of Cash Flows—Overall.

Appendix—Questions for Respondents

Overall Questions for Respondents

Question 1: Please describe what type of stakeholder you (or your organization) are from the list below, including a discussion of your background and what your point of view is when responding to this ITC:

a. Academic
b. Investor, other allocator of capital, or other financial statement user, such as:
    1. Equity analyst: buy side
    2. Equity analyst: sell side
    3. Credit-rating agency analyst
    4. Fixed-income analyst
    5. Accounting analyst
    6. Quantitative analyst
    7. Portfolio manager
    8. Private equity
    9. Individual investor
    10. Lender
    11. Long-only focus
    12. Long/short focus
    13. Other.
c. Practitioner/auditor
d. Not-for-profit (NFP) organization preparer
e. Private company preparer
f. Public company preparer
g. Regulator
h. Standard setter
i. Other.

Question 2: Which topics in this ITC, including those related to current technical and research agenda projects, should be a top priority for the Board? Please explain, including the following:

a. Why there is a pervasive need to change GAAP (for example, what is the reason for the change)
b. How the Board should address this topic (that is, the scope, objective, potential solutions, and the expected benefits and expected costs of those solutions)
c. Why is this topic a top priority and what is the urgency to complete standard setting on this topic (that is, how quickly the issues need to be addressed).

Question 3: Are there financial accounting and reporting topics in this ITC that the Board should *not* address as part of its future standard-setting efforts? Please explain why not, such as there is no pervasive need to change GAAP, the scope would not be identifiable, or the expected benefits of potential solutions would not justify the expected costs.

Question 4: Are there any financial accounting and reporting topics beyond those in this ITC that should be a top priority for the Board to address? Please explain, including the following:

a. The nature of the topic
b. The reason for the recommended change
c. Whether the topic is specific to a subset of companies, such as public companies, private companies, or NFPs, or specific to a certain industry

d. How the Board should address this topic (that is, the scope, objective, potential solutions, and the expected benefits and expected costs of those solutions)
e. What is the urgency to complete standard setting on this topic (that is, how quickly the issue needs to be addressed).

Chapter 1—Combination of Entities

Equity Method of Accounting

Question 5: Does the equity method of accounting provide decision-useful information to investors that affect their capital allocation decisions? Please explain.

Question 6: Should the FASB consider requiring equity method investments to be accounted for consistently with other equity investments in accordance with Topic 321? Please explain.

Question 7: If the FASB were to require equity method investments to be accounted for consistently with other equity investments in accordance with Topic 321, are there additional accounting matters (for example, accounting for transactions between investors and investees) or disclosures that would need to be considered? For public business entities, is there related industry-specific guidance that would need to be referred to the U.S. Securities and Exchange Commission (for example, the requirement to include financial statements of significant investees or oil and gas disclosures related to equity method investments)? Please explain.

Renewable Energy Partnerships

Question 8: What challenges, if any, exist in applying the consolidation and equity method of accounting guidance to renewable energy and similar partnerships? Should the FASB address these issues through standard setting? If so, how should they be addressed (for example, by including HLBV guidance in the Codification, providing other guidance for complex profit-sharing arrangements, or eliminating the equity method [see also Question 6 of this ITC])? Please explain.

Definition of a Business

Question 9: Should the FASB pursue a project to further revise the definition of a business? If yes, why is a change necessary and what improvements could be made to the definition? Please explain.

Definition of Common Control

Question 10: Should the FASB consider defining the term *common control*? If yes, how should the term be defined and what would be the anticipated effect? Please explain.

Interaction of Consolidation Guidance and Other Transactions

Question 11: Should the FASB prioritize a potential project to improve and align the guidance in any of these areas? If yes, what should be included in the scope and what alternatives should be considered? Please explain.

Pushdown Accounting

Question 12: Are there challenges in applying the pushdown accounting guidance in Subtopic 805-50? If so, what additional guidance is needed? Please explain.

Chapter 2—Financial Instruments

Distinguishing Liabilities from Equity

Question 13: If the FASB were to make targeted improvements to the liabilities and equity guidance in Subtopic 815-40, would you support those changes if they significantly changed current financial reporting outcomes? For example, would you support accounting for more contracts indexed to an entity's own equity as equity as compared with today? Please explain.

Question 14: What targeted improvements, if any, to the liabilities and equity guidance in Subtopic 815-40 should the FASB consider making? For example, should the improvements focus on the indexation guidance in the Scope and Scope Exceptions Section of Subtopic 815-40, the settlement guidance in the Recognition Section of Subtopic 815-40, or both? Please explain.

Risk Management and Hedge Accounting

Question 15: Should the FASB consider revising the hedge accounting model? If so, what core aspects of the hedge accounting model should be amended or removed to allow hedge accounting to more accurately reflect the economics of an entity's risk management activities? Please describe why and how those core aspects should be amended or why they should be removed.

Question 16: Should the FASB consider changing hedge accounting disclosures? If so, what changes could be made to hedge accounting disclosures and how would they better portray the economics of an entity's risk management activities? Please explain.

Troubled Debt Restructuring by Borrowers

Question 17: How often is the TDR guidance in Subtopic 470-60, Debt—Troubled Debt Restructurings by Debtors, applied? Does the TDR guidance for borrowers continue to be relevant and provide decision-useful information to investors? Is it possible for borrowers to determine the fair value of restructured debt in a TDR? Do you foresee any challenges in determining the fair value of restructured debt when a borrower's financial difficulty results in other market participants being unwilling to lend to that borrower under the terms of the restructured debt? Are there other alternatives to improve the TDR guidance for borrowers that should be considered? Please explain.

Question 18: If borrowers were required to measure restructured debt at fair value, should interest expense be recognized? If yes, when should it be recognized and how should it be calculated? Please explain.

Definition of a Derivative and Derivative Modifications

Question 19: Regarding derivative accounting, what other challenges (beyond those that would be addressed in the 2024 proposed Update on derivative scope refinements), if any, do you encounter in practice? Please explain.

Question 20: There is currently a project on the research agenda that includes the accounting for derivative contract modifications. If the FASB were to prioritize a project on derivative modifications, what approach should be applied to assess and account for the modification of a derivative? Please explain.

Below-Market and Interest-Free Loans from Donors

Question 21: Should the below-market or interest-free component of the loan from a donor be accounted for as financial support? If it should continue to be accounted for as financial support, what specific accounting guidance is needed to more consistently reflect the economics of those transactions? Please explain.

Alternative Funding Arrangements

Question 22: Are there challenges in determining whether a funding arrangement should be accounted for as an R&D funding arrangement or a sale of future revenue? If the FASB were to pursue a project on R&D funding and sales of future revenue arrangements, what types of arrangements should be included in the scope of the project? Please explain.

Transfers and Servicing of Financial Assets

Question 23: If the FASB were to pursue a project to consider improvements to Topic 860, what issues or transactions should it address? For those issues, please explain the challenges encountered in practice when applying the current guidance and what improvements should be considered.

Chapter 3—Intangibles

Crypto Assets

Question 24: What challenges, if any, are there in applying current recognition and derecognition guidance to crypto asset transactions? Are there specific transactions that are more challenging? If so, how pervasive are those transactions and does the application of the current guidance appropriately portray the economics of those transactions (and if not, why)? Please explain, including whether and how these challenges could be addressed through standard setting.

Goodwill

Question 25: The FASB has previously encountered challenges in identifying improvements to the subsequent accounting for goodwill that are cost beneficial. If the FASB were to pursue a project on the subsequent accounting for goodwill, what improvements should be considered? Please provide specifics on how those improvements would be more cost beneficial than the current impairment model.

Multi-Element Software Arrangements

Question 26: While this issue was raised by NFP stakeholders, do other types of entities (such as public and private for-profit entities) have similar challenges? For multi-element software arrangements, what challenges, if any, do customers encounter in allocating the costs among the individual elements for accounting purposes? If there are challenges, how could the guidance be improved? Please explain.

Chapter 4—Other Assets and Liabilities

Credit Losses on Receivables from Contracts with Customers

Question 27: Should the FASB consider a project to permit public business entities to elect a similar practical expedient and accounting policy election for current accounts receivable and contract assets arising from transactions accounted for under Topic 606? Please explain.

Question 28: Should the FASB consider a project to expand the practical expedient and accounting policy election to other short-term assets? If so, which types of assets? Please explain.

Definition of Cash Equivalents

Question 29: Should the FASB reconsider the definition of cash equivalents and consider including other assets that are easily liquidated? If so, what types of assets should be added to the definition of cash equivalents? Please explain.

Inventory

Question 30: What challenges, if any, do entities face in the absence of specific initial recognition guidance for inventory and other nonmonetary assets? Please explain, including the pervasiveness of these challenges.

Asset Retirement Obligations

Question 31: Should the FASB revisit the initial recognition and measurement guidance for AROs (in Subtopic 410-20)? If so, please explain, including what recognition criteria should be considered and how an ARO should be measured (such as expected cost, fair value, or another measure).

Guarantees

Question 32: What are the types of guarantees, if any, that lead to uncertainty about whether to apply the guidance for guarantees or revenue recognition? How pervasive are these guarantees? How should an entity account for these guarantees? Please explain.

Lease Payments in the Form of Equity

Question 33: What is the prevalence of these types of lease transactions? Is incremental accounting guidance needed to specify how share-based lease payments should be recognized and measured (both initially and subsequently)? Please explain.

Chapter 5—Retirement and Other Employee Benefits

Employee Stock Ownership Plan (ESOP) Repurchase Obligation Disclosures

Question 34: How pervasive are repurchase obligations for ESOPs? Should additional disclosures be required and, if so, what type (for example, quantitative, qualitative, or both types of disclosures)? Please explain.

Partnership Accounting

Question 35: How should the accrual of and future distributions to current and former members of a partnership be accounted for? Are there other challenges related to applying partnership accounting that the FASB should consider addressing? Please explain.

Gains and Losses of Defined Benefit Plans

Question 36: Should the FASB require entities to immediately recognize gains and losses associated with defined benefit plans in the period they arise? Additionally, should the FASB require entities to disaggregate the net gains or losses recognized between those arising from investment activities related to the plan assets and those arising from changes in actuarial assumptions? Please explain.

Remeasurement of Share-Based Payment Awards

Question 37: If the FASB were to pursue a project to align the initial and subsequent measurement of share-based payment awards, how should the awards be initially and subsequently measured? Please explain, including the objective of the measurement and whether and how changes to the subsequent measurement of share-based payment awards would improve the decision usefulness of the information provided to investors.

Chapter 6—Income and Expenses

Principal versus Agent Considerations

Question 38: What challenges, if any, do entities encounter in evaluating whether they are acting as a principal versus an agent? Are there instances where the accounting does not appropriately reflect the economics of the transactions? Please explain, including the pervasiveness of those challenges, the industries and transactions for which the accounting could be improved, and whether and how those challenges and improvements could be addressed through standard setting.

Estimate of Variable Consideration for Commission-Based Transactions

Question 39: Should the FASB consider requiring entities to recognize variable consideration when the underlying triggers have been reached? If so, should that change apply to all entities or a subset of entities (for example, entities that earn commission-based revenue)? Would this provide better information for investors' analyses? Please explain.

Consideration Payable to Customers

Question 40: What challenges, if any, are there in applying the consideration payable to customers guidance? Should the FASB consider clarifying this guidance? Please explain.

Payments Received from a Vendor in the Airline Industry

Question 41: Should the FASB consider amending the accounting for customers' settlement agreements with vendors to resolve disputes about various aspects of the vendor's performance? Please explain.

Recognition of Interest Income

Question 42: How should interest income for loans within the scope of Subtopic 310-20 be subsequently recognized? Please explain.

Derecognition of Transferable Income Tax Credits

Question 43: Should the FASB provide derecognition guidance for transferable tax credits within Topic 740 beyond the guidance currently provided in Topic 606 and Subtopic 610-20? If so, what guidance or criteria should an entity consider in determining whether to derecognize these transferred tax credits? Please explain.

Chapter 7—Presentation and Disclosure of Financial Reporting Information

Enhanced Disclosures

Question 44: Should the FASB consider any additional disclosures in any of the above areas? If so, how would that information better inform investment decisions? If these or similar disclosures are currently required outside of the financial statements, why should or shouldn't they be included in the financial statements? Are there other areas that need additional disclosures? Please explain.

Outdated Disclosures

Question 45: Are there current disclosure requirements that do not provide meaningful information about an entity? If yes, please explain which disclosures are not decision useful and whether those disclosures should be removed or how they should be improved.

Diluted Earnings per Share (EPS)

Question 46: Should the treasury stock method be modified to include RSUs in the computation of diluted EPS under the treasury stock method? Please explain.

Definition of a Public Business Entity

Question 47: Should the FASB consider amending the Master Glossary term *public business entity*? If the FASB were to reconsider the Master Glossary term *public business entity*, which type of entities should be included or excluded and why? Please explain.

Question 48: What complexity, if any, results from multiple definitions of a public entity and a nonpublic entity in GAAP? Should the FASB prioritize a project that seeks to reduce the number of definitions of a public entity and a nonpublic entity throughout GAAP? If the FASB were to pursue a project to reduce the number of definitions of a public entity and a nonpublic entity, should the FASB consider replacing the definitions of a public entity with the public business entity definition? Please explain.

Personal Financial Statements

Question 49: Is there certain implementation guidance in Topic 274 that should be updated? If yes, what is the pervasiveness of individuals (or groups of related individuals) that prepare GAAP-compliant personal financial statements? How should assets be measured? Are there additional disclosures that should be required in personal financial statements and, if so, how would they be decision useful? Please explain.

Chapter 8—Current Research Agenda Projects

Consolidation for Business Entities

Question 50: Should the FASB prioritize a project to develop a single consolidation model? If yes, should the FASB leverage the guidance in IFRS 10, the VIE model, or the voting interest entity model as a starting point? If the FASB should not prioritize a single consolidation model, should the FASB make targeted improvements to better align the current voting interest entity and VIE guidance, including simplifying the determination of whether an entity is a VIE or a voting interest entity? Please explain.

Question 51: Are there pervasive accounting outcomes resulting from the application of the consolidation guidance that are inconsistent with the underlying economics of the transaction? If so, please provide examples.

Statement of Cash Flows

Question 52: Should the FASB pursue a project on the statement of cash flows? If yes, which improvements, if any, are most important? Should the FASB leverage the current guidance in Topic 230, Statement of Cash Flows? If yes, would it be preferable to retain the direct method, the indirect method, or both? Should this potential project be a broad project applicable to all entities that provide a statement of cash flows[11] or limited to certain entities or industries? Please explain.

Accounting for Commodities

Question 53: Should financial institutions that hold physical commodities for trading purposes be permitted to apply the fair value option? Please explain, including whether and how providing an option would provide decision-useful information.

Question 54: Beyond financial institutions, are there other entities or industries that hold physical commodities for trading purposes that should be permitted to apply the fair value option to physical commodities? Please explain, including which types of entities or industries and whether and how providing an option would provide decision-useful information.

[11]Certain entities are not required to provide a statement of cash flows; see the Scope and Scope Exceptions Section of Subtopic 230-10, Statement of Cash Flows—Overall.