



ACCOUNTING STANDARDS UPDATE

No. 2024-02
March 2024

Codification Improvements—Amendments to Remove References to the Concepts Statements

An Amendment of the *FASB Accounting Standards Codification*®

Financial Accounting Standards Board

The *FASB Accounting Standards Codification*® is the source of authoritative generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. An Accounting Standards Update is not authoritative; rather, it is a document that communicates how the Accounting Standards Codification is being amended. It also provides other information to help a user of GAAP understand how and why GAAP is changing and when the changes will be effective.

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Financial Accounting Standards Board
801 Main Avenue • Norwalk, CT • 06851

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Summary

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

This Update contains amendments to the Codification that remove references to various FASB Concepts Statements. The Board has a standing project on its agenda to address suggestions received from stakeholders on the Accounting Standards Codification and other incremental improvements to generally accepted accounting principles (GAAP). This effort facilitates Codification updates for technical corrections such as conforming amendments, clarifications to guidance, simplifications to wording or the structure of guidance, and other minor improvements. The resulting amendments are referred to as Codification improvements.

The Board decided that the types of issues that it will consider through this project are changes to clarify the Codification or correct unintended application of guidance that are not expected to have a significant effect on current accounting practice or cost to most entities.

An explanation of why each amendment in this Update is being made is provided in the “Amendments to the *FASB Accounting Standards Codification*®” section. Thus, there is no separate section for the Board’s basis for conclusions in this Update.

These issues to remove references to various Concepts Statements and their proposed amendments were included in Section A (“Amendments to Remove References to the Concepts Statements”) of the 2019 proposed Accounting Standards Update, *Codification Improvements*. Sections B and C (“Amendments to Disclosure Sections of the Codification” and “Other Codification Improvements”) of that proposed Update were finalized in 2020. The issues in this Update are numbered as they were in the 2019 proposed Update. In some cases, the Board decided to revise the amendments in this Update from what was included in the 2019 proposed Update. Those changes were responsive to stakeholder feedback received on the 2019 proposed Update and, in many cases, resulted in more narrow changes than were proposed.

Who Is Affected by the Amendments in This Update?

The amendments in this Update affect a variety of Topics in the Codification. The amendments apply to all reporting entities within the scope of the affected accounting guidance.

What Are the Main Provisions, How Do the Main Provisions Differ from Current Generally Accepted Accounting Principles (GAAP), and Why Are They an Improvement?

Codification users should review this entire Update to assess any effects that the amendments may have on entities that are within the Update's scope.

This Update contains amendments to the Codification that remove references to various Concepts Statements. In most instances, the references are extraneous and not required to understand or apply the guidance. In other instances, the references were used in prior Statements to provide guidance in certain topical areas.

As stated in paragraph 105-10-05-3 of the Codification, FASB Concepts Statements are nonauthoritative. The FASB's Conceptual Framework establishes concepts that the Board considers in developing standards of financial accounting and reporting. References to the Concepts Statements in the Codification could imply that the Concepts Statements are authoritative. Additionally, in certain instances, the Codification references Concepts Statements that are superseded, and that could provide opportunities for diverse implications over time.

In the Board's view, removing all references to Concepts Statements in the guidance will simplify the Codification and draw a distinction between authoritative and nonauthoritative literature.

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

Generally, the amendments in this Update are not intended to result in significant accounting change for most entities. However, the Board recognizes that changes to that guidance may result in accounting change

for some entities. Therefore, the Board is providing transition guidance for all the amendments in this Update.

The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2024. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2025.

Early application of the amendments in this Update is permitted for all entities, for any fiscal year or interim period for which financial statements have not yet been issued (or made available for issuance). If an entity adopts the amendments in an interim period, it must adopt them as of the beginning of the fiscal year that includes that interim period.

An entity should apply the amendments in this Update using one of the following transition methods:

1. Prospectively to all new transactions recognized on or after the date that the entity first applies the amendments
2. Retrospectively to the beginning of the earliest comparative period presented in which the amendments were first applied. An entity shall adjust the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) as of the beginning of the earliest comparative period presented.

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

Introduction

1. The Accounting Standards Codification is amended as described in paragraphs 2–62. Terms from the Master Glossary are in **bold** type. Added text is underlined, and deleted text is ~~struck out~~.

Amendments to Master Glossary

Issue 1

2. The Master Glossary definition for the term *expected losses and expected residual returns* refers to FASB Concepts Statement No. 7, *Using Cash Flow Information and Present Value in Accounting Measurements*, to clarify the meaning of the term *expected cash flow*. (The Board has proposed superseding Concepts Statement 7 in proposed Chapter 6, *Measurement*, of FASB Concepts Statement No. 8, *Conceptual Framework for Financial Reporting*.) The Master Glossary defines the term *expected cash flow* as “the probability-weighted average (that is, mean of the distribution) of possible future cash flows.” Concepts Statement 7 defines expected cash flow as “the sum of probability-weighted amounts in a range of possible estimated amounts; the estimated mean or average.” While worded slightly differently, the two definitions have similar meanings. Therefore, this amendment removes the reference to Concepts Statement 7 and adds a link to the Master Glossary term *expected cash flow*. This amendment also references the computations associated with the terms *expected losses*, *expected residual returns*, and *expected variability* provided in paragraphs 810-10-55-42 through 55-49 to mitigate the risk that the amounts determined using the Master Glossary definitions would differ from the description of expected cash flows in Concepts Statement 7.

3. Amend the Master Glossary term *Expected Losses and Expected Residual Returns*, with a link to transition paragraph 105-10-65-9, as follows:

Expected Losses and Expected Residual Returns

Expected losses and expected residual returns refer to amounts derived from ~~{add glossary link}~~expected cash flows~~{add glossary link}~~ as described in ~~FASB Concepts Statement No. 7, *Using Cash Flow Information and Present Value in Accounting Measurements*~~. However, expected losses and expected residual returns refer to amounts discounted and otherwise adjusted for market factors and assumptions rather than to undiscounted cash flow estimates. The definitions of **expected losses** and **expected residual returns** specify which amounts are to be considered in determining expected losses and expected residual returns of a variable interest entity (VIE). A computation of expected losses, expected residual returns, and expected variability is illustrated in paragraphs 810-10-55-42 through 55-49.

Issue 2

4. The Master Glossary definition of the term *financial instrument* refers to the definitions of assets and liabilities in FASB Concepts Statement No. 6, *Elements of Financial Statements*, which has been superseded. The reference to Concepts Statement 6 is not essential to defining a financial instrument.

5. In addition, the assertion that all contractual rights and contractual obligations meet the definition of an asset and a liability in Concepts Statement 6 is not correct. The intent of the third paragraph in the definition is to clarify that some contractual rights or obligations that are financial instruments may not be recognized as such because those contractual rights or obligations may fail to meet some other criterion for recognition. This amendment removes the reference to Concepts Statement 6 and clarifies that some contractual rights or contractual obligations that are financial instruments may not meet some other recognition criteria.

6. Amend the Master Glossary term *Financial Instrument*, with a link to transition paragraph 105-10-65-9, as follows:

Financial Instrument

Cash, evidence of an ownership interest in an entity, or a contract that both:

- a. Imposes on one entity a contractual obligation either:
 1. To deliver cash or another financial instrument to a second entity
 2. To exchange other financial instruments on potentially unfavorable terms with the second entity.
- b. Conveys to that second entity a contractual right either:

1. To receive cash or another financial instrument from the first entity
2. To exchange other financial instruments on potentially favorable terms with the first entity.

The use of the term financial instrument in this definition is recursive (because the term financial instrument is included in it), though it is not circular. The definition requires a chain of contractual obligations that ends with the delivery of cash or an ownership interest in an entity. Any number of obligations to deliver financial instruments can be links in a chain that qualifies a particular contract as a financial instrument.

Contractual rights and contractual obligations encompass both those that are conditioned on the occurrence of a specified event and those that are not. ~~All~~Some contractual rights (contractual obligations) that are financial instruments ~~meet the definition of asset (liability) set forth in FASB Concepts Statement No. 6, Elements of Financial Statements, although some may not be recognized as assets (liabilities) in financial statements—that is, they may be off-balance-sheet—because they fail to meet some other criterion for recognition.~~

For some financial instruments, the right is held by or the obligation is due from (or the obligation is owed to or by) a group of entities rather than a single entity.

Issue 3

7. The Master Glossary term *obligation* is restricted to Topic 480, Distinguishing Liabilities from Equity. That definition also states that the definition of obligation used in Topic 480 is different from that used in Concepts Statement 6. Because the definition is clear in that it is restricted to items within the scope of Topic 480, it is not necessary to include a reference to any other definition of the term *obligation*, including the definition provided in Concepts Statement 6.

8. Amend the Master Glossary term *Obligation*, with a link to transition paragraph 105-10-65-9, as follows:

Obligation

A conditional or unconditional duty or responsibility to transfer assets or to issue equity shares. This definition is applicable only for items within the scope of Topic 480~~Because Topic 480 relates only to financial instruments and not to contracts to provide services and other types of contracts, but includes duties or responsibilities to issue equity shares, this definition of obligation differs from the definition found in FASB Concepts Statement No.~~

~~6, Elements of Financial Statements, and is applicable only for items in the scope of that Topic.~~

Issue 4

9. A parenthetical reference at the end of the Master Glossary definition for the term *readily convertible to cash* indicates that the definition is based on paragraph 83(a) of FASB Concepts Statement No. 5, *Recognition and Measurement in Financial Statements of Business Enterprises*, which has been superseded. The source of this Master Glossary term is footnote 5 to paragraph 9 of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, which quoted the Concepts Statement 5 description of the two characteristics of assets that are readily convertible to cash. The reference to Concepts Statement 5 is unnecessary.

10. Amend the Master Glossary term *Readily Convertible to Cash*, with a link to transition paragraph 105-10-65-9, as follows:

Readily Convertible to Cash

Assets that are readily convertible to cash have both of the following:

- a. Interchangeable (fungible) units
- b. Quoted prices available in an active market that can rapidly absorb the quantity held by the entity without significantly affecting the price.

~~(Based on paragraph 83(a) of FASB Concepts Statement No. 5, *Recognition and Measurement in Financial Statements of Business Enterprises*.)~~

Issue 5

11. The Master Glossary term *transaction* includes a parenthetical reference to Concepts Statement 6. The source of this Master Glossary term is paragraph 469 in the basis for conclusions of Statement 133. The paragraph explains that the term *transaction*, as defined in Concepts Statement 6, is not an internal event. The reference to Concepts Statement 6 is not necessary to understand or apply the Master Glossary term or the guidance in Topic 815, Derivatives and Hedging, and therefore can be removed from the Master Glossary term.

12. Amend the Master Glossary term *Transaction*, with a link to transition paragraph 105-10-65-9, as follows:

Transaction

An external event involving transfer of something of value (future economic benefit) between two (or more) entities. (~~See FASB Concepts Statement No. 6, Elements of Financial Statements.~~)

Issue 6

13. Definition 1 of the Master Glossary term *transfer* indicates that the term is used in the broad sense, consistent with Concepts Statement 6, rather than in the narrow sense as in Subtopic 860-10, Transfers and Servicing—Overall. This broad definition is originally from footnote 23 of FASB Statement No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. The reference to Concepts Statement 6 is not necessary to clarify that Definition 1 of the term *transfer* is intended to have a general meaning rather than the specific meaning in Subtopic 860-10, which is Definition 2 of the Master Glossary term *transfer*. Therefore, the reference to Concepts Statement 6 in Definition 1 of the Master Glossary term is removed.

14. Amend Definition 1 of the Master Glossary term *Transfer*, with a link to transition paragraph 105-10-65-9, as follows:

Transfer (Definition 1)

The term transfer is used in a broad sense ~~consistent with its use in FASB Concepts Statement No. 6, Elements of Financial Statements (such as in paragraph 137)~~, rather than in the narrow sense in which it is used in Subtopic 860-10.

Amendments to Subtopic 350-30, Intangibles—Goodwill and Other—General Intangibles Other Than Goodwill

Issue 7

15. Paragraph 350-30-25-4 contains a reference to recognition criteria in Concepts Statement 5. The recognition criteria are unnecessary in this paragraph because the reference intends to only explain when an

acquired intangible asset may not meet the separability or contractual-legal criterion in the definition of an identifiable asset but may qualify for recognition. Additionally, the discussion in paragraph 350-30-25-4 makes specific reference to contractual-legal and separability criteria without stating where those criteria are from. The criteria are from the Master Glossary term *identifiable*, which is used in Topic 805, Business Combinations. This amendment removes the explicit reference to Concepts Statement 5 and provides a more complete reference for the legal-contractual and separability criteria.

16. Amend paragraph 350-30-25-4, with a link to transition paragraph 105-10-65-9, as follows:

Intangibles—Goodwill and Other—General Intangibles Other Than Goodwill

Recognition

350-30-25-4 Intangible assets that are acquired individually or with a group of assets in a transaction other than a business combination, an acquisition by a not-for-profit entity, or a joint venture upon formation may qualify for recognition~~meet asset recognition criteria in FASB Concepts Statement No. 5, *Recognition and Measurement in Financial Statements of Business Enterprises*, even though they do not meet either the contractual-legal criterion or the separability criterion for being an **identifiable** asset~~ (for example, specially-trained employees or a unique manufacturing process related to an acquired manufacturing plant). Such transactions commonly are bargained exchange transactions that are conducted at arm's length, which provides reliable evidence about the existence and fair value of those assets. Thus, those assets shall be recognized as intangible assets.

Amendments to Subtopic 410-20, Asset Retirement and Environmental Obligations—Asset Retirement Obligations

Issue 8

17. Paragraphs 410-20-25-1 through 25-3A provide a definition for the term *liability* from Concepts Statement 6 and serve as background for the recognition guidance in Subtopic 410-20. Those paragraphs are derived from paragraphs 4, 5, and 16 of FASB Statement No. 143, *Accounting for Asset Retirement Obligations*. Because these paragraphs serve as background

for recognition, they are unnecessary in applying the guidance in Subtopic 410-20.

18. Additionally, paragraph 410-20-55-26 requires that the accounting for the initial recognition and measurement of the liability and asset retirement cost be consistent with paragraphs 410-20-25-1 through 25-4. Because the amendments in this Update supersede paragraphs 410-20-25-1 through 25-3A, the link to paragraphs 410-20-25-1 through 25-4 is amended to link to Sections 410-20-25 and 410-20-30 where the applicable recognition and initial measurement guidance is located.

19. Supersede paragraphs 410-20-25-1 through 25-3A and their related heading and amend paragraph 410-20-55-26, with a link to transition paragraph 105-10-65-9, as follows:

Asset Retirement and Environmental Obligations—Asset Retirement Obligations

Recognition

> Background for Recognition

~~410-20-25-1 Paragraph superseded by Accounting Standards Update No. 2024-02. Paragraph 35 of FASB Concepts Statement No. 6, Elements of Financial Statements, defines a liability as follows {Note: The indented text below is reproduced from FASB Concepts Statement No. 6 and includes editorial changes for internal consistency within the Codification}.~~

~~Liabilities are probable future sacrifices of economic benefits arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.~~

~~410-20-25-2 Paragraph superseded by Accounting Standards Update No. 2024-02. Probable is used with its usual general meaning, rather than in a specific accounting or technical sense (such as that in paragraph 450-20-25-1), and refers to that which can reasonably be expected or believed on the basis of available evidence or logic but is neither certain nor proved (Webster's New World Dictionary). Its inclusion in the definition is intended to acknowledge that business and other economic activities occur in an environment characterized by uncertainty in which few outcomes are certain (see paragraphs 44 through 48 of FASB Concepts Statement No. 6).~~

~~410-20-25-3 Paragraph superseded by Accounting Standards Update No. 2024-02. As stated in the preceding paragraph, the definition of a liability in Concepts Statement 6 uses the term *probable* in a different sense than it is~~

~~used in paragraph 450-20-25-1. As used in Topic 450, probable requires a high degree of expectation. The term probable in the definition of a liability, however, is intended to acknowledge that business and other economic activities occur in an environment in which few outcomes are certain.~~

~~**410-20-25-3A** Paragraph superseded by Accounting Standards Update No. 2024-02. Paragraph 410-20-40-3 states that providing assurance that an entity will be able to satisfy its asset retirement obligation does not satisfy or extinguish the related liability.~~

Implementation Guidance and Illustrations

> Implementation Guidance

• > Historical Waste on Electrical and Electronic Equipment Associated with EU Directive 2002/96/EC

410-20-55-26 The accounting for the initial recognition and measurement of the liability and **asset retirement cost** should be consistent with Sections 410-20-25 and 410-20-30~~paragraphs 410-20-25-1 through 25-4~~. The ability or intent of the commercial user to replace the asset and transfer the obligation does not relieve the user of its present duty or responsibility to settle the obligation. The replacement of the asset may, depending on EU-member country law, transfer the obligation to the replacement producer, and, if so, that transfer would affect the purchase price of the replacement asset. Upon initial recognition of a liability, an entity shall capitalize an asset retirement cost by increasing the carrying amount of the related asset by the same amount as the liability. The accounting subsequent to the initial recognition of the asset and liability should be consistent with the guidance in paragraphs 410-20-35-3 through 35-8.

Amendments to Subtopic 420-10, Exit or Disposal Cost Obligations—Overall

Issue 9

20. Paragraph 420-10-25-2 states that an entity must recognize a liability when a cost associated with an exit or disposal activity meets the definition of a liability in Concepts Statement 6. In addition to the reference to the definition in Concepts Statement 6, the guidance in that paragraph elaborates on and explains the meanings of specific phrases in the definition of a liability in the Concepts Statement and how they would apply to exit or disposal costs. This amendment removes the reference to Concepts Statement 6 to clarify when a liability is incurred.

21. Amend paragraph 420-10-25-2, with a link to transition paragraph 105-10-65-9, as follows:

Exit or Disposal Cost Obligations—Overall

Recognition

> Determining When to Recognize a Liability

420-10-25-2 A liability for a cost associated with an exit or disposal activity is incurred when ~~the definition of a liability included in FASB Concepts Statement No. 6, Elements of Financial Statements, is met. Only present obligations to others are liabilities under the definition. An obligation becomes a present obligation when a transaction or event occurs that~~ creates a present obligation of an entity to transfer an economic benefit, leaves an entity little or no discretion to avoid the future transfer or use of assets to settle the liability. An exit or disposal plan, by itself, does not create a present obligation to others for costs expected to be incurred under the plan; thus, an entity's commitment to an exit or disposal plan, by itself, is not the requisite past transaction or event for recognition of a liability.

Amendments to Subtopic 805-20, Business Combinations—Identifiable Assets and Liabilities, and Any Noncontrolling Interest

Issue 10

22. Paragraph 805-20-25-2 references the definitions of an asset and a liability in Concepts Statement 6 as criteria in recognizing an asset or a liability in a business combination. However, the intent of this paragraph is to clarify that assets and liabilities should only be recognized if they exist at the acquisition date. Therefore, this amendment removes the reference to Concepts Statement 6 in addition to adding wording to clarify that assets and liabilities should only be recognized if they exist at the acquisition date.

23. Amend paragraph 805-20-25-2, with a link to transition paragraph 105-10-65-9, as follows:

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

Recognition

> Recognition Principle

• > Recognition Conditions

805-20-25-2 To qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must ~~exist~~ meet the definitions of assets and liabilities in FASB Concepts Statement No. 6, *Elements of Financial Statements*, at the acquisition date. For example, costs the acquirer expects but is not obligated to incur in the future to effect its plan to exit an activity of an acquiree or to terminate the employment of or relocate an acquiree's employees are not liabilities at the acquisition date. Therefore, the acquirer does not recognize those costs as part of applying the acquisition method. Instead, the acquirer recognizes those costs in its postcombination financial statements in accordance with other applicable generally accepted accounting principles (GAAP).

Amendments to Subtopic 815-20, Derivatives and Hedging—Hedging—General

Issue 11

24. Paragraph 815-20-25-79(a) states that the calculation technique described earlier in the paragraph is consistent with the definition of the term *expected cash flow* in Concepts Statement 7. The term *expected cash flow* within that paragraph is linked to the Master Glossary term. Although the Master Glossary definition for the term *expected cash flow* is worded slightly different from the definition provided in Concepts Statement 7, both definitions have the same meaning. Therefore, the reference to Concepts Statement 7 is redundant.

25. Amend paragraph 815-20-25-79(a), with a link to transition paragraph 105-10-65-9, as follows:

Derivative and Hedging—Hedging—General

Recognition

> Hedge Effectiveness

• > Hedge Effectiveness Criteria Applicable to both Fair Value Hedges and Cash Flow Hedges

815-20-25-79 An entity shall consider hedge effectiveness in two different ways—in prospective considerations and in retrospective evaluations:

- a. Prospective considerations. The entity's expectation that the relationship will be highly effective over future periods in achieving offsetting changes in fair value or cash flows, which is forward looking, must be assessed on a quantitative basis at hedge inception unless one of the exceptions in paragraph 815-20-25-3(b)(2)(iv)(01) is met. Prospective assessments shall be subsequently performed whenever financial statements or earnings are reported and at least every three months. The entity shall elect at hedge inception in accordance with paragraph 815-20-25-3(b)(2)(iv)(03) whether to perform subsequent assessments on a quantitative or qualitative basis. See paragraphs 815-20-35-2A through 35-2F for additional guidance on qualitative assessments of hedge effectiveness. A quantitative assessment can be based on regression or other statistical analysis of past changes in fair values or cash flows as well as on other relevant information. The quantitative prospective assessment of hedge effectiveness shall consider all reasonably possible changes in fair value (if a fair value hedge) or in fair value or cash flows (if a cash flow hedge) of the derivative instrument and the hedged items for the period used to assess whether the requirement for expectation of highly effective offset is satisfied. The quantitative prospective assessment may not be limited only to the likely or expected changes in fair value (if a fair value hedge) or in fair value or cash flows (if a cash flow hedge) of the derivative instrument or the hedged items. Generally, the process of formulating an expectation regarding the effectiveness of a proposed hedging relationship involves a probability-weighted analysis of the possible changes in fair value (if a fair value hedge) or in fair value or cash flows (if a cash flow hedge) of the derivative instrument and the hedged items for the hedge period. Therefore, a probable future change in fair value will be more heavily weighted than a reasonably possible future change. That calculation technique is consistent with the definition of the term **expected cash flow** in ~~FASB Concepts Statement No. 7, *Using Cash Flow Information and Present Value in Accounting Measurements*~~.

Amendments to Subtopic 845-10, Nonmonetary Transactions—Overall

Issue 12

26. Paragraph 845-10-30-4(b) explains the difference between an entity-specific value and fair value. That explanation contains two references

to Concepts Statement 7. The explanation is clear, and the reference to Concepts Statement 7 is not necessary to understand or apply the guidance.

27. Amend paragraph 845-10-30-4, with a link to transition paragraph 105-10-65-9, as follows:

Nonmonetary Transactions—Overall

Initial Measurement

> Commercial Substance

845-10-30-4 A nonmonetary exchange has commercial substance if the entity's future cash flows are expected to significantly change as a result of the exchange. The entity's future cash flows are expected to significantly change if either of the following criteria is met:

- a. The configuration (risk, timing, and amount) of the future cash flows of the asset(s) received differs significantly from the configuration of the future cash flows of the asset(s) transferred. The configuration of future cash flows is composed of the risk, timing, and amount of the cash flows. A change in any one of those elements would be a change in configuration.
- b. The entity-specific value of the asset(s) received differs from the entity-specific value of the asset(s) transferred, and the difference is significant in relation to the fair values of the assets exchanged. ~~An entity-specific value (referred to as an entity-specific measurement in FASB Concepts Statement No. 7, Using Cash Flow Information and Present Value in Accounting Measurements) is different from a fair value measurement. As described in paragraph 24(b) of Concepts Statement No. 7, an~~An entity-specific value attempts to capture the value of an asset or liability in the context of a particular entity. For example, an entity computing an entity-specific value of an asset would use its expectations about its use of that asset rather than the use assumed by marketplace participants. If it is determined that the transaction has commercial substance, the exchange would be measured at fair value, rather than at the entity-specific value.

A qualitative assessment will, in some cases, be conclusive in determining that the estimated cash flows of the entity are expected to significantly change as a result of the exchange.

Amendments to Subtopic 860-10, Transfers and Servicing—Overall

Issue 13

28. Paragraph 860-10-15-4(f) states that “distributions to owners of a business entity” are not within the scope of Subtopic 860-10. Paragraph 860-10-55-15 provides an example of a distribution to owners of a business entity and states that the example meets the definition of a distribution by an entity to its owners as defined in Concepts Statement 6. The general scope guidance in Section 860-10-15 includes the phrase *distributions to owners of a business entity* without referring to Concepts Statement 6. The reference to Concepts Statement 6 in paragraph 860-10-55-15 is unnecessary and is not relevant to the intent or application of the guidance. This amendment removes the reference to Concepts Statement 6 in paragraph 860-10-55-15.

29. Amend paragraph 860-10-55-15, with a link to transition paragraph 105-10-65-9, as follows:

Transfers and Servicing—Overall

Implementation Guidance and Illustrations

> Implementation Guidance

• > Scope

• • > Reacquisition by an Entity of Its Own Securities

860-10-55-15 A reacquisition by an entity of its own securities by exchanging noncash financial assets (for example, U.S. Treasury bonds or shares of an unconsolidated investee) for its common shares constitutes a distribution by an entity to its owners, ~~as defined in FASB Concepts Statement No. 6, Elements of Financial Statements,~~ and, therefore, is excluded from the scope of this Subtopic.

Amendments to Subtopic 946-20, Financial Services—Investment Companies—Investment Company Activities

Issue 14

30. Paragraph 946-20-25-4 references Concepts Statement 6 in determining when to recognize a liability for excess expenses. The guidance requires an entity to meet the criteria in three specific paragraphs in Concepts Statement 6. This amendment includes the criteria in paragraph 946-20-25-4 and removes the reference to Concepts Statement 6.

31. Amend paragraph 946-20-25-4, with a link to transition paragraph 105-10-65-9, as follows:

Financial Services—Investment Companies—Investment Company Activities

Recognition

> Expense Limitation Agreements

946-20-25-4 A liability for excess expenses shall be recognized if, and to the extent that, the expense limitation agreement's established terms for repayment of the excess expenses to the adviser by the fund and the attendant circumstances meet ~~the criteria in paragraphs 36(a), 36(b), and 36(c) of FASB Concepts Statement No. 6, Elements of Financial Statements, and the criteria in paragraph 450-20-25-2.~~ all of the following criteria:

- a. The excess expense or expenses embody a present duty or responsibility to one or more other entities that entails settlement by probable future transfer or use of assets at a specified or determinable date, on occurrence of a specified event, or on demand.
- b. The duty or responsibility obligates a particular entity, leaving it little or no discretion to avoid the future sacrifice.
- c. The transaction or other event obligating the entity has already happened.
- d. The guidance in paragraph 450-20-25-2.

In most instances, a liability will not be recorded because it is not likely that excess expenses under such plans will meet those criteria before amounts are actually due to the adviser under the reimbursement agreement. If an assessment of the specific circumstances (such as an agreement to reimburse for either an unlimited period or a period substantially greater than that necessary for the fund to demonstrate its economic viability or an obligation to reimburse the servicer remains even after the cancellation of the fund's contract with the servicer) indicates that those criteria are met, a liability shall be recorded.

Amendments to Subtopic 946-720, Financial Services—Investment Companies—Other Expenses

Issue 15

32. Paragraph 946-720-25-2 states that the benefits expected from the expenditures paid by an investment adviser in connection with the distribution of shares of a fund in circumstances in which the investment adviser does not receive both 12b-1 fees and contingent deferred sales fees do not meet the definition of an asset in Concepts Statement 6. The guidance and its explanation are clear, and the reference to Concepts Statement 6 is not necessary to understand or apply the guidance.

33. Amend paragraph 946-720-25-2, with a link to transition paragraph 105-10-65-9, as follows:

Financial Services—Investment Companies—Other Expenses

Recognition

> Investment Adviser's Offering Costs When both 12b-1 Fees and Contingent-Deferred Sales Fees Are Not Received

946-720-25-2 ~~Benefits expected from the expenditures paid~~ Costs incurred by an investment adviser in connection with the distribution of shares of a fund in circumstances in which the investment adviser does not receive both 12b-1 fees and contingent-deferred sales fees ~~do not meet the definition of an asset of the investment adviser as provided in FASB Concepts Statement No. 6, Elements of Financial Statements. Accordingly, such offering costs paid by the investment adviser shall be expensed as incurred. Initial offering costs paid by an investment adviser that does not receive both 12b-1 fees and contingent-deferred sales fees are start-up costs of the investment adviser, which should be accounted for in accordance with Subtopic 720-15.~~

Amendments to Subtopic 954-405, Health Care Entities—Liabilities

Issue 16

34. Paragraph 954-405-25-5 refers to one of the three characteristics of a liability as described in Concepts Statement 6. That paragraph is derived from Emerging Issues Task Force Topic No. D-89, "Accounting for Costs of Future Medicare Compliance Audits." In Topic D-89, the FASB staff responded to an

inquiry about accounting for the costs of future Medicare compliance audits by utilizing the definition of a liability in Concepts Statement 6 to analyze the fact pattern. The reference to Concepts Statement 6 is not necessary to apply the guidance.

35. Amend paragraph 954-405-25-5, with a link to transition paragraph 105-10-65-9, as follows:

Health Care Entities—Liabilities

Recognition

> Medicare Settlement Agreements

954-405-25-5 The settlement agreement represents a promise by a health care entity to perform future compliance audits and a duty or responsibility on which others are justified in relying is created by that promise. However, that promise creates a present duty or responsibility only if an obligating event has already occurred ~~(the third characteristic of a liability; see paragraph 6 of FASB Concepts Statement No. 6, Elements of Financial Statements)~~ that leaves the health care entity with little or no discretion to avoid the future transfer or use of assets. The obligating event for the costs of the future compliance audits is not entering into the agreement. Therefore, the entity shall not recognize a liability for the future Medicare compliance audits on the date the settlement is agreed to.

Amendments to Subtopic 105-10, Generally Accepted Accounting Principles—Overall

36. Add paragraph 105-10-65-9 and its related heading as follows:

Generally Accepted Accounting Principles—Overall

Transition and Open Effective Date Information

> Transition Related to Accounting Standards Update No. 2024-02, Codification Improvements—Amendments to Remove References to the Concepts Statements

105-10-65-9 The following represents the transition and effective date information related to Accounting Standards Update No. 2024-02, *Codification Improvements—Amendments to Remove References to the Concepts Statements*:

- a. For **public business entities**, the pending content that links to this paragraph shall be effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years.
- b. For all other entities, the pending content that links to this paragraph shall be effective for fiscal years beginning after December 15, 2025, including interim periods within those fiscal years.
- c. Early application of the pending content that links to this paragraph is permitted for any fiscal year or interim period for which the entity's financial statements have not yet been issued (or made available for issuance). If an entity adopts the pending content that links to this paragraph in an interim period, it must adopt that pending content as of the beginning of the fiscal year that includes that interim period.
- d. An entity shall apply the pending content that links to this paragraph using one of the following transition methods:
 1. Prospectively to all new or modified transactions recognized on or after the date that the entity first applies the pending content that links to this paragraph
 2. Retrospectively to the beginning of the earliest comparative period presented in which the pending content that links to this paragraph was first applied. An entity shall adjust the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) as of the beginning of the earliest comparative period presented.
- e. An entity applying the pending content that links to this paragraph retrospectively in accordance with (d)(2) shall provide the transition disclosures required by paragraphs 250-10-50-1 through 50-3.

Amendments to Status Sections

37. Amend paragraph 105-10-00-1, by adding the following item to the table, as follows:

105-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
105-10-65-9	Added	2024-02	03/29/2024

38. Amend paragraph 235-10-00-1, by adding the following item to the table, as follows:

235-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Financial Instrument	Amended	2024-02	03/29/2024

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

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

Paragraph	Action	Accounting Standards Update	Date
Financial Instrument	Amended	2024-02	03/29/2024

40. Amend paragraph 350-30-00-1, by adding the following items to the table, as follows:

350-30-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Identifiable	Added	2024-02	03/29/2024
350-30-25-4	Amended	2024-02	03/29/2024

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

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

Paragraph	Action	Accounting Standards Update	Date
410-20-25-1 through 25-3A	Superseded	2024-02	03/29/2024
410-20-55-26	Amended	2024-02	03/29/2024

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

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

Paragraph	Action	Accounting Standards Update	Date
420-10-25-2	Amended	2024-02	03/29/2024

43. Amend paragraph 480-10-00-1, by adding the following items to the table, as follows:

480-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Financial Instrument	Amended	2024-02	03/29/2024
Obligation	Amended	2024-02	03/29/2024
Transfer (1st def.)	Amended	2024-02	03/29/2024

44. Amend paragraph 505-10-00-1, by adding the following item to the table, as follows:

505-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Financial Instrument	Amended	2024-02	03/29/2024

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

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

Paragraph	Action	Accounting Standards Update	Date
805-20-25-2	Amended	2024-02	03/29/2024

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

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

Paragraph	Action	Accounting Standards Update	Date
Expected Cash Flow	Added	2024-02	03/29/2024
Expected Losses and Expected Residual Returns	Amended	2024-02	03/29/2024

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

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

Paragraph	Action	Accounting Standards Update	Date
Financial Instrument	Amended	2024-02	03/29/2024
Readily Convertible to Cash	Amended	2024-02	03/29/2024
Transaction	Amended	2024-02	03/29/2024

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

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

Paragraph	Action	Accounting Standards Update	Date
Financial Instrument	Amended	2024-02	03/29/2024
Readily Convertible to Cash	Amended	2024-02	03/29/2024
Transaction	Amended	2024-02	03/29/2024

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

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

Paragraph	Action	Accounting Standards Update	Date
Financial Instrument	Amended	2024-02	03/29/2024
Readily Convertible to Cash	Amended	2024-02	03/29/2024
Transaction	Amended	2024-02	03/29/2024
815-20-25-79	Amended	2024-02	03/29/2024

50. Amend paragraph 815-25-00-1, by adding the following items to the table, as follows:

815-25-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Financial Instrument	Amended	2024-02	03/29/2024
Readily Convertible to Cash	Amended	2024-02	03/29/2024
Transaction	Amended	2024-02	03/29/2024

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

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

Paragraph	Action	Accounting Standards Update	Date
Financial Instrument	Amended	2024-02	03/29/2024
Transaction	Amended	2024-02	03/29/2024

52. Amend paragraph 815-40-00-1, by adding the following items to the table, as follows:

815-40-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Financial Instrument	Amended	2024-02	03/29/2024
Transaction	Amended	2024-02	03/29/2024

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

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

Paragraph	Action	Accounting Standards Update	Date
Financial Instrument	Amended	2024-02	03/29/2024

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

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

Paragraph	Action	Accounting Standards Update	Date
Financial Instrument	Amended	2024-02	03/29/2024

55. Amend paragraph 825-20-00-1, by adding the following item to the table, as follows:

825-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Financial Instrument	Amended	2024-02	03/29/2024

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

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

Paragraph	Action	Accounting Standards Update	Date
845-10-30-4	Amended	2024-02	03/29/2024

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

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

Paragraph	Action	Accounting Standards Update	Date
Derivative Financial Instrument	Amended	2024-02	03/29/2024
Financial Instrument	Amended	2024-02	03/29/2024
860-10-55-15	Amended	2024-02	03/29/2024

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

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

Paragraph	Action	Accounting Standards Update	Date
Derivative Financial Instrument	Amended	2024-02	03/29/2024
Financial Instrument	Amended	2024-02	03/29/2024

59. Amend paragraph 946-20-00-1, by adding the following item to the table, as follows:

946-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
946-20-25-4	Amended	2024-02	03/29/2024

60. Amend paragraph 946-720-00-1, by adding the following item to the table, as follows:

946-720-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
946-720-25-2	Amended	2024-02	03/29/2024

61. Add paragraph 954-325-00-1 as follows:

954-325-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Financial Instrument	Amended	2024-02	03/29/2024

62. Amend paragraph 954-405-00-1, by adding the following item to the table, as follows:

954-405-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
954-405-25-5	Amended	2024-02	03/29/2024

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

Richard R. Jones, *Chair*
James L. Kroeker, *Vice Chairman*
Christine A. Botosan
Frederick L. Cannon
Susan M. Cosper
Marsha L. Hunt
Dr. Joyce T. Joseph

Amendments to the GAAP Taxonomy

The amendments to the *FASB Accounting Standards Codification*[®] in this Accounting Standards Update require improvements to the GAAP Financial Reporting Taxonomy and SEC Reporting Taxonomy (collectively referred to as the “GAAP Taxonomy”). Those improvements, which will be incorporated into the proposed 2025 GAAP Taxonomy, are available through GAAP Taxonomy Improvements provided at www.fasb.org, and finalized as part of the annual release process.