

# FINANCIAL ACCOUNTING SERIES



## ACCOUNTING STANDARDS UPDATE

No. 2010-09  
February 2010

### Subsequent Events (Topic 855)

Amendments to Certain Recognition and  
Disclosure Requirements

An Amendment of the *FASB Accounting Standards Codification*<sup>™</sup>

Financial Accounting Standards Board  
of the Financial Accounting Foundation

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401 MERRITT 7, PO BOX 5116, NORWALK, CONNECTICUT 06856-5116



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## Summary

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

Questions have arisen in practice about Topic 855, Subsequent Events. Specifically, constituents have informed the Board that the requirements to disclose the date that the financial statements are issued potentially conflict with some of the Securities and Exchange Commission's (SEC) guidance. This Update addresses both the interaction of the requirements of this Topic with the SEC's reporting requirements and the intended breadth of the reissuance disclosure provision related to subsequent events (paragraph 855-10-50-4).

### Who Is Affected by the Amendments in This Update?

The amendments in this Update affect all entities.

### What Are the Main Provisions?

This Update provides amendments to Subtopic 855-10 as follows:

1. An entity that either (a) is an SEC filer or (b) is a conduit bond obligor for conduit debt securities that are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local or regional markets) is required to evaluate subsequent events through the date that the financial statements are issued. If an entity meets neither of those criteria, then it should evaluate subsequent events through the date the financial statements are available to be issued.
2. The glossary of Topic 855 is amended to include the definition of *SEC filer*. An SEC filer is an entity that is required to file or furnish its financial statements with either the SEC or, with respect to an entity subject to Section 12(i) of the Securities Exchange Act of 1934, as amended, the appropriate agency under that Section. It does not include an entity that is not otherwise an SEC filer whose financial statements are included in a submission by another SEC filer.
3. An entity that is an SEC filer is not required to disclose the date through which subsequent events have been evaluated. This change alleviates potential conflicts between Subtopic 855-10 and the SEC's requirements.
4. The glossary of Topic 855 is amended to remove the definition of *public entity*. The definition of a public entity in Topic 855 was used to determine the date through which subsequent events should be

evaluated. Based on the amendments, that definition is no longer necessary for purposes of Topic 855.

5. The scope of the reissuance disclosure requirements is refined to include revised financial statements only. The term *revised financial statements* is added to the glossary of Topic 855. Revised financial statements include financial statements revised either as a result of correction of an error or retrospective application of U.S. generally accepted accounting principles.

## How Do the Main Provisions Differ from Current U.S. Generally Accepted Accounting Principles (GAAP) and Why Are They an Improvement?

The amendments remove the requirement for an SEC filer to disclose a date in both issued and revised financial statements. Revised financial statements include financial statements revised as a result of either correction of an error or retrospective application of U.S. GAAP. Additionally, the Board has clarified that if the financial statements have been revised, then an entity that is not an SEC filer should disclose both the date that the financial statements were issued or available to be issued and the date the revised financial statements were issued or available to be issued. Those amendments remove potential conflicts with the SEC's literature.

## When Will the Amendments Be Effective?

All of the amendments in this Update are effective upon issuance of the final Update, except for the use of the issued date for conduit debt obligors. That amendment is effective for interim or annual periods ending after June 15, 2010.

## How Do the Provisions Compare with International Financial Reporting Standards (IFRS)?

IAS 10, *Events after the Reporting Period*, requires disclosure of the date that the financial statements were authorized for issuance. The amendments to U.S. GAAP no longer require that an SEC filer disclose the date financial statements were issued.

# Amendments to the *FASB Accounting Standards Codification*<sup>TM</sup>

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## Introduction

1. The Accounting Standards Codification is amended as described in paragraphs 2–13. In some cases, not only are the amended paragraphs shown but also the preceding and following paragraphs are shown to put the change in context. Terms from the Master Glossary are in **bold** type. Added text is underlined, and deleted text is ~~struck out~~.

## Amendments to Subtopic 855-10

2. Supersede the Master Glossary term *Public Entity*, with no link to a transition paragraph, as follows:

### **Public Entity**

~~Any entity that meets any of the following conditions:~~

- ~~a. Its debt or equity securities trade in a public market either on a stock exchange (domestic or foreign) or in an over the counter market, including securities quoted only locally or regionally.~~
- ~~b. It is a conduit bond obligor for conduit debt securities that are traded in a public market (a domestic or foreign stock exchange or an over the counter market, including local or regional markets).~~
- ~~c. It files with a regulatory agency in preparation for the sale of any class of debt or equity securities in a public market.~~
- ~~d. It is required to file or furnish financial statements with the SEC.~~
- ~~e. It is controlled by an entity covered by criteria (a) through (d).~~

3. Add new Master Glossary terms *Revised Financial Statements* and *SEC Filer* and their definitions, with no link to a transition paragraph, as follows:

### **Revised Financial Statements**

Financial statements revised only for either of the following conditions:

- a. Correction of an error
- b. Retrospective application of U.S. GAAP.

## **Securities and Exchange Commission (SEC) Filer**

An entity that is required to file or furnish its financial statements with either of the following:

- a. The Securities and Exchange Commission (SEC)
- b. With respect to an entity subject to Section 12(i) of the Securities Exchange Act of 1934, as amended, the appropriate agency under that Section.

Financial statements for other entities that are not otherwise SEC filers whose financial statements are included in a submission by another SEC filer are not included within this definition.

4. Add paragraph 855-10-25-1A, with no link to a transition paragraph, as follows:

### **Subsequent Events—Overall**

#### **Recognition**

**855-10-25-1A** An entity that meets the following criterion shall evaluate subsequent events through the date the financial statements are issued:

- a. It is an **SEC filer**.

5. Amend paragraph 855-10-25-1A, with a link to transition paragraph 855-10-65-1, as follows:

### **Subsequent Events—Overall**

#### **Recognition**

**855-10-25-1A** An entity that meets either of the following criterion shall evaluate subsequent events through the date the financial statements are issued:

- a. It is an **SEC filer**.
- b. It is a conduit bond obligor for conduit debt securities that are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local or regional markets).

6. Amend paragraph 855-10-25-2, with no link to a transition paragraph, as follows:

**855-10-25-2** An entity that does not meet the criterion in the preceding paragraph shall evaluate subsequent events through the date that the financial statements are available to be issued. ~~has a current expectation of widely distributing its financial statements to its shareholders and other financial statement users (including a public entity) shall evaluate subsequent events through the date that the financial statements are issued. All other entities shall evaluate~~

~~subsequent events through the date that the financial statements are available to be issued.~~

7. Amend paragraph 855-10-25-2, with a link to transition paragraph 855-10-65-1, as follows:

**855-10-25-2** An entity that ~~does not meet~~meets ~~the criterion~~neither criteria in the preceding paragraph shall evaluate subsequent events through the date that the financial statements are available to be issued.

8. Amend paragraph 855-10-50-1 and its related heading, with no link to a transition paragraph, as follows:

## **Disclosure**

### **> ~~Date through~~Through Which Subsequent Events Have Been Evaluated**

**855-10-50-1** ~~If an entity is not an SEC filer, An~~then the entity shall disclose both of the following:

- a. ~~the~~The date through which **subsequent events** have been ~~evaluated,~~evaluated
- b. ~~as well as whether~~Whether that date is either of the following:
  1. ~~the~~The date the **financial statements were issued** ~~of~~
  2. ~~the~~The date the **financial statements were available to be issued**.

9. Amend paragraph 855-10-50-4 and its related heading, with no link to a transition paragraph, as follows:

### **> ~~Reissuance of Revised~~ Revised Financial Statements**

**855-10-50-4** ~~Unless the entity is an SEC filer, An~~an entity shall disclose in the revised financial statements the ~~date~~dates through which subsequent events have been evaluated in both of the following:

- a. ~~The issued or available-to-be-issued~~ the originally issued financial statements ~~and the reissued~~
- b. The revised financial statements.

10. Add paragraph 855-10-50-5, with no link to a transition paragraph, as follows:

**855-10-50-5** Revised financial statements are considered reissued financial statements. For guidance on the recognition of subsequent events in reissued financial statements, see paragraph 855-10-25-4.

11. Except as noted in paragraph 12, all other amendments or additions by Accounting Standards Update No. 2010-09, *Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure Requirements*, are effective upon issuance of that Update.

12. Add paragraph 855-10-65-1 and its related heading as follows:

**> Transition Related to Accounting Standards Update No. 2010-09, Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure Requirements**

**855-10-65-1** The following represents the transition and effective date information related to Accounting Standards Update No. 2010-09, *Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure Requirements*:

- a. The pending content that links to this paragraph shall both:
  - 1. Be effective for interim or annual financial periods ending after June 15, 2010
  - 2. Be applied prospectively.

13. Amend paragraph 855-10-00-1 as follows:

**855-10-00-1** ~~No updates have been made to this Subtopic.~~ The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
Public Entity	Superseded	2010-09	02/24/2010
Revised Financial Statements	Added	2010-09	02/24/2010
Securities and Exchange Commission (SEC) Filer	Added	2010-09	02/24/2010
855-10-25-1A	Added	2010-09	02/24/2010
855-10-25-1A	Amended	2010-09	02/24/2010
855-10-25-2	Amended	2010-09	02/24/2010
855-10-50-1	Amended	2010-09	02/24/2010
855-10-50-4	Amended	2010-09	02/24/2010
855-10-50-5	Added	2010-09	02/24/2010
855-10-65-1	Added	2010-09	02/24/2010

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

Robert H. Herz, *Chairman*  
Thomas J. Linsmeier  
Leslie F. Seidman  
Marc A. Siegel  
Lawrence W. Smith

# Background Information and Basis for Conclusions

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BC1. The following summarizes the Board's considerations in reaching the conclusions in this Update. It includes reasons for accepting certain approaches and rejecting others. Individual Board members gave greater weight to some factors than to others.

## Background Information

BC2. After the issuance of its guidance on subsequent events in Topic 855 (originally issued as FASB Statement No. 165, *Subsequent Events*), the Board was informed of two implementation issues, including:

- a. The SEC has specific requirements related to the identification and disclosure of subsequent events that potentially conflict with certain aspects of that guidance.
- b. An SEC registrant would no longer be permitted to incorporate financial statements by reference because this could be considered a reissuance that would then trigger updating the disclosure required by paragraph 855-10-50-4 for the evaluation of subsequent events.

BC3. In response to the implementation issues noted above, the Board issued a proposed Accounting Standards Update, *Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure Requirements*, on December 29, 2009. The Board received 15 comment letters in response to questions in the proposed Update. The Board considered those comments during its redeliberations of the issues addressed by the proposed Update at a public Board meeting in February 2010.

## SEC Requirements

BC4. The SEC's requirements are clear on a registrant's responsibilities for evaluating subsequent events, and the entity is additionally subject to the SEC's continuous disclosure regime. Respondents that commented on this issue supported the Board's efforts to resolve practice issues associated with an entity that files or furnishes financial statements with the SEC. Respondents noted, however, that there are certain entities whose financial statements are filed or furnished with the SEC by another entity in accordance with the SEC's requirements. As such, to clarify the requirements, the amendments in this Update no longer require disclosure of either the issuance date or the revised issuance date if an entity is an SEC filer. However, the Board decided to clarify that this Update would have no effect on disclosure of the issuance date for an entity that is not an SEC filer.

## Reissuances

BC5. When the Board issued its subsequent events guidance, it was primarily concerned that the disclosure of the date for the evaluation of subsequent events be updated when an entity revised its financial statements, that is, revised for either correction of an error or retrospective application of U.S. GAAP. Therefore, the Board decided to clarify which reissuances would be subject to those disclosures by replacing the term *reissuance* with *revised*. Revised financial statements include restatements or retrospective application of U.S. GAAP.

## Determination of Issued versus Available-to-Be-Issued

BC6. Additionally, respondents commented that there are inconsistencies in practice for determining whether an entity has an expectation of widely distributing its financial statements to its shareholders and other financial statement users. The Board decided to eliminate the concept of “wide distribution” for determining the appropriate date through which an entity should evaluate subsequent events. The Board decided that an entity that is either an SEC filer or a conduit bond obligor for conduit debt securities that are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local or regional markets) should be required to evaluate subsequent events through the date that the financial statements are issued. All other entities are required to evaluate subsequent events through the date the financial statements are available to be issued.

## Conduit Debt Obligors

BC7. The Board acknowledges that after the issuance of Statement 165 there was confusion and diversity in practice in determining the appropriate date through which conduit debt obligors should evaluate subsequent events. The Board clarified that these entities are public entities and, therefore, are subject to evaluation of subsequent events through the date the financial statements are issued, consistent with Statement 165 as issued. The Board, however, delayed the effective date for those entities to evaluate subsequent events through the date that the financial statements are issued until interim or annual financial periods ending after June 15, 2010.

## Amendments to the XBRL Taxonomy

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There are no proposed amendments to the XBRL taxonomy as a result of the amendments in this Update.