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FASB Proposes Improvements to Accounting Guidance for Contributions

Background

On 3 August 2017, the FASB issued a proposed ASU, *Not-for-Profit Entities – (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.

What's new?

The areas noted for improvement in this proposed ASU include the following:

- The proposed amendments would clarify how an entity determines whether the resource provider is participating in an exchange transaction by evaluating whether the provider is receiving commensurate value in return for the resources transferred.
- The amendments would clarify that, consistent with current U.S. GAAP, in instances in which a resource provider is not itself receiving commensurate value for the resources provided, an entity must determine whether a transfer of assets represents a payment from a third party payer on behalf of an existing exchange transaction between the recipient and an identified customer.
- The amendments in this proposed update would require that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. Indicators would be used to guide the assessment of whether an agreement contains a barrier.

The amendments in the proposed update would provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance. The proposed amendments also would provide additional guidance about how to determine whether a contribution is conditional or unconditional.

Accounting for contributions is typically a significant source of revenue for Not-for-Profit entities; however, this proposed ASU would apply to all entities, including business entities that receive or make contributions of cash and other assets.

Effective dates and transition requirements

The FASB has stated that the effective date of the amendments in this proposed ASU would be the same as the effective date of the amendments in ASU 2014-09. The submission deadline for comments from interested parties to the FASB is 1 November 2017.

Early adoption would be allowed once the ASU is issued.

About us

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