Addenda Summary-2018

Note: Due to the issuance of certain new accounting literature, changes in the status of ongoing projects during the past year, or evolution of practice, the following updates to the existing cases should be noted.

Case 11-2as: Fair Value Hierarchy
Current Status of the Hedging Project — June 2018

The objective of the hedging project is to make targeted improvements to the hedge accounting model on the basis of feedback received from preparers, auditors, users, and other stakeholders. The FASB issued a proposed ASU on this topic in September 2016 for deliberation, and issued its final ASU (ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities) on August 28, 2017. Refer to the FASB’s Web site for the full text of the ASU.

The ASU does not affect the conclusions in this case.

Case 12-3: Provisions and Contingencies
IASB — Research Project Status

In March 2018, the revised Conceptual Framework for Financial Reporting was issued. For companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted. As of July 2018, the Interpretations Committee has decided to develop a narrow scope amendment to “Costs considered in assessing whether a contract is onerous” under IAS 37, but has not yet added to the IASB’s work plan. Furthermore, “Payments relating to taxes other than income tax” under IAS 37 is subject to ongoing Interpretations Committee discussions.

FASB — Research Project Status

As of July 2018, the FASB has no future plans to revisit the accounting for contingencies.

Case 15-9: Settled or Not Settled

In June 2017, the IASB issued IFRIC 23, which provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The interpretation clarifies how uncertainty in income taxes would be accounted for under IAS 12, in an effort to reduce diversity in practice. However, the guidance is different from U.S. GAAP guidance for accounting for uncertainty in income taxes.
More specifically, IFRIC 23 allows an entity to evaluate uncertain tax treatments separately or together with one or more other uncertain tax treatments. It also requires an entity to determine tax amounts in a manner consistent with those reported on the tax return if it is probable that the taxation authority will accept the position, or if it is not probable, reflect the uncertainty at either the “most likely amount” or the “expected value.”

IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019. Early application is permitted.

**Case 16-6: Closely Associated Cars**

On June 22, 2017, the FASB issued proposed guidance that amends how a reporting entity should consider certain common-control relationships in its consolidation assessment of a VIE. Proposed changes include:

- If certain conditions are met, a private company may choose not to apply the VIE consolidation guidance to entities under common control. Electing this accounting policy would require the reporting entity to provide additional disclosures about its involvement with and exposure to each party under common control.

- In the determination of whether fees paid by a VIE are variable interests, indirect interests in the VIE held by a decision maker or service provider through parties under common control would be considered on a proportionate basis.

At its June 6, 2018, meeting, the FASB directed its staff to draft a final ASU for a vote by written ballot.

We encourage you to check the FASB’s [Web site](https://www.fasb.org) for further details and developments. In addition, be sure to visit [US GAAP Plus](https://www.usgaapplus.com) for Deloitte publications on proposals and final standards as they are issued.

The FASB’s project is not expected to affect the conclusions in this case.

**Case 16-8: Frozen**

In February 2018, the IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19), which will require an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment, or settlement when the entity remeasures its net defined benefit liability (asset). The amendments further clarify the measurement of past service cost, or the amount recognized in profit or loss. These amendments are effective on or after January 1, 2019. See the Addendum to this solution for additional information.

**Accounting Standards Update No. 2015-04, Practical Expedient for the Measurement Date of an Employer’s Defined Benefit Obligation and Plan Assets**

ASU 2015-04 provides an employer, as practical expedient, an alternative date to measure its defined benefit retirement obligations and related plan assets as of the month-
end closest to the employer’s fiscal year-end (e.g., the entity has a 52- or 53-week fiscal year). Further, if a significant plan event occurs (e.g., plan amendment, settlement, or curtailment) between the alternative measurement date and the employer’s fiscal year-end, the effect of the significant event should be accounted within the employer’s fiscal year. However, an employer would not recognize the effect of other events outside an entity’s control (e.g., changes in market prices or interest rates) as a result of a significant plan event.

ASU 2015-04 also provides a practical expedient, permitting an entity to elect to measure the effects of a significant event as of the calendar month-end closest to the date of the significant event.

ASU 2015-04 is effective for public business entities for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. For all other entities, the ASU is effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. Early application is permitted, and the ASU should be applied prospectively.

Note that IFRS Standards do not have a practical expedient that permits an entity to measure defined benefit plan assets and obligations as of the month-end that is closest to the entity’s fiscal year-end (or the month-end that is closest to the date of a significant event that occurred in an interim period), whereas the amendments in ASU 2015-04 provide that practical expedient for purposes of U.S. GAAP reporting.

**Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)**

The amendments require entities to use updated actuarial assumption to determine current service cost and net interest cost for the remainder of the annual reporting period after a plan amendment, curtailment, or settlement. The amendments also clarify the effect of a plan amendment, curtailment, or settlement on the requirements regarding the asset ceiling.

The current service cost and net interest are usually calculated using assumptions determined at the beginning of the annual reporting period. Before the amendments to IAS 19, entities did not revise the assumptions for the calculation of the current service cost and net interest during the period, even if an entity remeasured the net defined benefit liability (asset) upon a plan amendment, curtailment, or settlement. The amendments require an entity to use the updated assumptions from the remeasurement to determine the current service cost and net interest for the remainder of the reporting period after the change to the plan.

The amendments clarify that the past service cost (or the gain or loss on amendment, curtailment, or settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment, curtailment, or settlement, but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). That is, the
entity first determines any past service cost, without considering the effects of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment, or settlement. Any change in that effect is recognized in other comprehensive income.

The amendments are effective on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, and are applied prospectively. Early application is permitted but must be disclosed.

After the amendments to IAS 19, there remain significant differences in the recognition of past service costs and actuarial gains and losses under IFRS Standards and U.S. GAAP, and as such the curtailment gain or loss could differ significantly.