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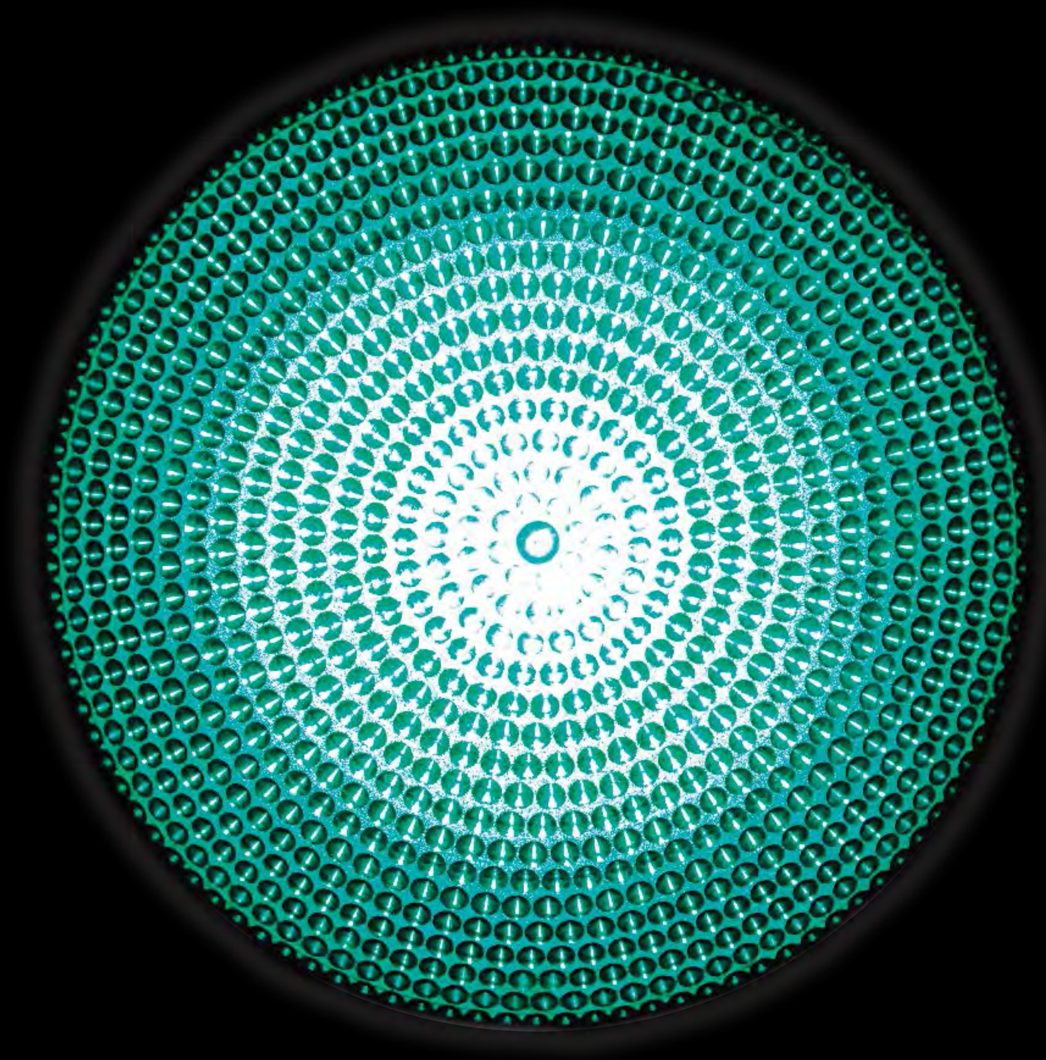

A Roadmap to Pushdown Accounting

June 2016

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Preface

June 2016

To our friends and clients:

We are pleased to present *A Roadmap to Pushdown Accounting*. This Roadmap provides Deloitte's insights into and interpretations of the guidance on the application of pushdown accounting.

The body of this Roadmap combines the principles from the pushdown accounting subsections of ASC 805-50 with Deloitte's interpretations and examples in a comprehensive, reader-friendly format. Further, the table of contents is a helpful navigational tool, providing links to topics and interpretations.

We intend to incorporate this Roadmap — along with others covering additional business combinations issues addressed in subsections of ASC 805-50 — into a comprehensive business combinations Roadmap in the future.

We hope that you find this publication a valuable resource when considering the guidance on pushdown accounting.

Sincerely,

Deloitte & Touche LLP

Pushdown Accounting

PD.1 Overview of Pushdown Accounting

When an entity obtains control of a business, a new basis of accounting is established in the acquirer's financial statements for the assets acquired and liabilities assumed. ASC 805-10,[1] ASC 805-20, and ASC 805-30 provide guidance on accounting for an acquisition of a business in the acquirer's consolidated financial statements. Sometimes the acquiree will prepare separate financial statements after its acquisition. Use of the acquirer's basis of accounting in the preparation of an acquiree's separate financial statements is called "pushdown accounting."

In November 2014, the FASB issued ASU 2014-17, which became effective upon issuance. This ASU gives an acquiree the option to apply pushdown accounting in its separate financial statements when it has undergone a change in control. Before the issuance of ASU 2014-17, entities applied the pushdown accounting guidance in SAB Topic 5.J, EITF Topic D-97, and comments made by the SEC observer at EITF meetings. In addition, practice developed on the basis of SEC staff speeches; the AICPA's October 30, 1979, issues paper on pushdown accounting; and the FASB's December 18, 1991, discussion memorandum on this topic. However, such guidance was complicated and incomplete, only applied to SEC registrants, and was based on bright lines that provided opportunities for structuring and misapplication.

To address these concerns, the FASB undertook a project to reconsider the application of pushdown accounting. In response to the issuance of ASU 2014-17, the SEC staff issued SAB 115 to rescind the guidance in SAB Topic 5.J and the FASB issued ASU 2015-08 to rescind the remaining guidance on pushdown accounting and collaborative groups in ASC 805-50-S99. ASU 2014-17, which was codified into the pushdown accounting subsections of ASC 805-50, now provides both public and nonpublic entities with authoritative guidance on applying pushdown accounting.

PD.2 Scope

ASC 805-50

05-9 The guidance in the Pushdown Accounting Subsections addresses whether and at what threshold an acquiree that is a business or nonprofit activity can apply pushdown accounting in its separate financial statements.

15-10 The guidance in the Pushdown Accounting Subsections applies to the separate financial statements of an acquiree and its subsidiaries.

[1] For a list of the titles of standards and other literature referred to in this publication, see Appendix B. For a list of abbreviations used in this publication, see Appendix C.

The pushdown accounting subsections in ASC 805-50 address when an acquiree may elect to apply pushdown accounting. ASU 2014-17 indicates that the scope of pushdown accounting includes "the separate financial statements of an [acquiree] and its subsidiaries" that meet the definition of a business in ASC 805-10 or a nonprofit activity "upon the occurrence of an event in which an acquirer (an individual or an entity) obtains control of the [acquiree]." The scope includes both public and nonpublic entities.

The EITF considered whether the scope of the pushdown accounting subsections in ASC 805-50 should be limited to transactions in which an entity becomes substantially wholly owned rather than applying to all transactions or events in which an acquirer obtains control of a business or nonprofit activity. The Task Force ultimately decided that the scope of the guidance should be broader and should be consistent with the scope of ASC 805-10, ASC 805-20, and ASC 805-30, which apply to all transactions or events in which an acquirer obtains control of a business or nonprofit activity. As indicated in the Background Information and Basis for Conclusions of ASU 2014-17, the Task Force reasoned that the FASB had already decided in ASC 805-10, ASC 805-20, and ASC 805-30 that obtaining control of a business is a significant event for which a new basis of accounting is required "for the net assets acquired and, in the absence of another distinct threshold that is conceptually grounded in GAAP, change-in-control events also could serve as the basis for establishing a new basis in an [acquiree's] separate financial statements." The Task Force also decided that a change-in-control threshold for pushdown accounting could reduce the complexity of the pushdown accounting guidance by eliminating the need to reconsider or develop collaborative group guidance, under which a group of investors may be regarded as a single investor in some circumstances.

An acquiree may only elect pushdown accounting if another entity or individual (i.e., an acquirer) has obtained control of the acquiree. Certain transactions are not within the scope of the pushdown accounting subsections of ASC 805-50 because they are not transactions in which an acquirer obtains control of a business or nonprofit activity (i.e., they are not within the scope of ASC 805-10, ASC 805-20, and ASC 805-30). Such transactions include the formation of a joint venture; acquisitions of assets or groups of assets that do not constitute a business; combinations between entities, businesses, or nonprofit activities under common control; and mergers of not-for-profit entities. For example, the pushdown accounting election does not apply to the formation of a joint venture because, while an entity loses control of a subsidiary in such a transaction, no other individual or entity obtains control of it.

PD.3 Option to Apply Pushdown Accounting Upon a Change in Control

ASC 805-50

25-4 An acquiree shall have the option to apply pushdown accounting in its separate financial statements when an acquirer — an entity or individual — obtains control of the acquiree. An acquirer might obtain control of an acquiree in a variety of ways, including any of the following:

a. By transferring cash or other assets
b. By incurring liabilities
c. By issuing equity interests
d. By providing more than one type of consideration
e. Without transferring consideration, including by contract alone as discussed in paragraph 805-10-25-11.

ASC 805-50 (continued)

25-5 The guidance in the General Subsections of Subtopic 810-10 on consolidation, related to determining the existence of a controlling financial interest shall be used to identify the acquirer. If a business combination has occurred but applying that guidance does not clearly indicate which of the combining entities is the acquirer, the factors in paragraphs 805-10-55-11 through 55-15 shall be considered in identifying the acquirer. However, if the acquiree is a variable interest entity (VIE), the primary beneficiary of the acquiree always is the acquirer. The determination of which party, if any, is the primary beneficiary of a VIE shall be made in accordance with the guidance in the Variable Interest Entities Subsections of Subtopic 810-10, not by applying the guidance in the General Subsections of that Subtopic relating to a controlling financial interest or the guidance in paragraphs 805-10-55-11 through 55-15.

25-6 The option to apply pushdown accounting may be elected each time there is a change-in-control event in which an acquirer obtains control of the acquiree. An acquiree shall make an election to apply pushdown accounting before the financial statements are issued (for a Securities and Exchange Commission (SEC) filer and a conduit bond obligor for conduit debt securities that are traded in a public market) or the financial statements are available to be issued (for all other entities) for the reporting period in which the change-in-control event occurred. If the acquiree elects the option to apply pushdown accounting, it must apply the accounting as of the acquisition date.

An acquiree can elect to apply pushdown accounting in its separate financial statements each time another entity or individual obtains control of it. The decision of whether to apply pushdown accounting upon a change in control is not an accounting policy election. For example, an acquiree may elect to apply pushdown accounting upon its acquisition in one year and, if it is acquired again in a subsequent year, may elect not to apply pushdown accounting at that time. An acquiree that elects to apply pushdown accounting must do so in its separate financial statements as of the date on which the acquirer obtains control of the acquiree (i.e., the acquisition date). ASC 805-10-25-6 and 25-7 provide guidance on identifying the acquisition date.

The term "control" is used in both the business combinations guidance and the pushdown accounting guidance and has the same meaning as the term "controlling financial interest" in ASC 810-10. ASC 810-10 indicates that a controlling financial interest generally results when one entity obtains, either directly or indirectly, more than 50 percent of the outstanding shares of another entity. However, control can also be obtained in other ways, such as through a contractual arrangement or when an entity becomes the primary beneficiary of a variable interest entity.

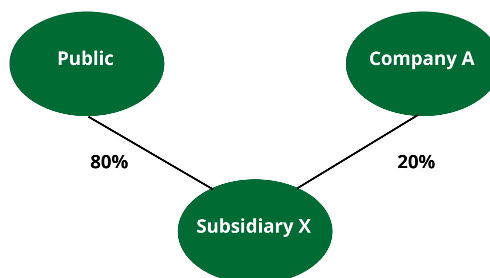
As noted in the Background Information and Basis for Conclusions of ASU 2014-17, the Task Force considered whether pushdown accounting should be required or optional. The Task Force ultimately decided that requiring pushdown accounting may not be beneficial for some users and could be costly for preparers, since such a requirement would cause many more entities to apply pushdown accounting and may result in more frequent application of pushdown accounting by the same entity. The Task Force also noted that users' views on the benefits and relevance of pushdown accounting differed, with some indicating that they "prefer not to distort historical trends by establishing a new basis of accounting for each change-in-control event" and others stressing that they "would prefer a new basis and consider an [acquiree's] financial information in the context of its parent." The Task Force acknowledged that giving entities an option reduces comparability in this area but decided that "allowing entities to apply judgment on the basis of their unique set of facts and circumstances" was more important than achieving such comparability. Before deciding whether to elect pushdown accounting, entities should consider the information needs and preferences of their financial statement users. When pushdown accounting is not elected, no adjustment is made to the acquiree's financial records in connection with the acquisition. Therefore, in such cases, the acquiree will need to maintain accounting records that are

separate from those of the parent to track items such as depreciation and amortization and will need to perform separate impairment analyses. It will be more difficult to maintain two sets of accounting records if multiple entities are acquired at different times. Thus, entities may consider the burden of record keeping when deciding whether to apply pushdown accounting.

Example 1

Loss of Control of a Subsidiary

Company A has a wholly owned subsidiary, X. Company A sells 80 percent of its shares in X to the public in an initial public offering. The public shareholders are widely dispersed, and no individual shareholder acquires more than 3 percent of X's shares. Company A concludes that it no longer controls X.



Company A loses control of X upon the sale of X's shares to the public. Because no entity or individual obtains control of X, a new basis of accounting cannot be established in X's separate financial statements.

If a new legal entity is established to effect an acquisition, one must determine whether that newly formed entity (commonly called a "newco") should be identified as the acquirer or whether it should be disregarded for accounting purposes. If the newco is identified as the acquirer, acquisition accounting, rather than pushdown accounting, would be applied to establish a new basis of accounting for the acquiree's assets and liabilities in the newco's financial statements. See Section PD.18 for further discussion.

PD.4 Common-Control Transactions May Trigger Pushdown Accounting

In a common-control transaction, the receiving entity recognizes the transferred assets and liabilities at their carrying amounts on the date of transfer. However, sometimes the carrying amounts of the assets and liabilities transferred in the parent's consolidated financial statements differ from those in the transferring entity's separate financial statements (e.g., if the transferring entity had not applied pushdown accounting). ASC 805-50-30-5 states that, in such cases, the receiving entity's financial statements must "reflect the transferred assets and liabilities at the historical cost of the parent of the entities under common control." While ASU 2014-17 made it optional to apply pushdown accounting in the acquiree's separate financial statements, it did not amend the guidance in ASC 805-50-30-5.

PD.5 Subsequent Election to Apply Pushdown Accounting

ASC 805-50

25-7 If the acquiree does not elect to apply pushdown accounting upon a change-in-control event, it can elect to apply pushdown accounting to its most recent change-in-control event in a subsequent reporting period as a change in accounting principle in accordance with Topic 250 on accounting changes and error corrections. Pushdown accounting shall be applied as of the acquisition date of the change-in-control event.

An acquiree that does not elect to apply pushdown accounting before the financial statements are issued (SEC filer) or are available to be issued (other entities) may subsequently elect to apply pushdown accounting to its most recent change-in-control event in a later reporting period. However, such a later election is a change in accounting principle and the acquiree would be required to apply the guidance on a change in accounting principle in ASC 250 in such circumstances, including all relevant disclosure requirements. We believe that an election to apply pushdown accounting would generally be preferable. ASC 250-10-45-5 requires that an entity "report a change in accounting principle through retrospective application . . . to all prior periods," unless doing so would be impracticable. We would expect entities that elect pushdown accounting on a later date to apply it retroactively to the acquisition date since the parent generally would be expected to have maintained the records for all prior periods.

An SEC registrant that elects a voluntary change in accounting principle must file a preferability letter with the SEC (i.e., a letter from the entity's independent accountant indicating why the new accounting principle is preferable). Such a letter must be included in the registrant's first filing under the Securities Exchange Act of 1934 (i.e., Form 10-Q or Form 10-K) after the date of the accounting change.

PD.6 Election to Apply Pushdown Accounting Is Irrevocable

ASC 805-50

25-9 The decision to apply pushdown accounting to a specific change-in-control event if elected by an acquiree is irrevocable.

While an entity can elect to apply pushdown accounting in a subsequent reporting period, it cannot reverse the application of pushdown accounting in financial statements that have been issued (SEC filer) or are available to be issued (other entities). In addition, if an acquiree elects to apply pushdown accounting and that acquiree is subsequently acquired by another entity, the historical cost basis of the acquiree is based on the "pushed down" amounts. The new acquirer cannot revert to the acquiree's historical cost basis that existed before the election to apply pushdown accounting.

According to the Background Information and Basis for Conclusions of ASU 2014-17, the Task Force decided that an entity should be allowed to apply pushdown accounting on a later date if, for example, the investor mix changes significantly and "pushdown accounting would be more relevant to the current investors." Nonetheless, the Task Force decided that entities should be prohibited from subsequently reversing the application of pushdown accounting. Because an acquirer applies acquisition accounting to establish a new basis of accounting in its consolidated financial statements and subsequently accounts for the related assets and liabilities under GAAP, the acquiree would generally have the information to apply pushdown accounting on a later date. However, once a new basis is established in the acquiree's separate financial statements, the historical cost basis for the acquiree's assets and liabilities would often not be available.

PD.7 Subsidiary's Election to Apply Pushdown Accounting

ASC 805-50

25-8 Any subsidiary of an acquiree also is eligible to make an election to apply pushdown accounting to its separate financial statements in accordance with the guidance in paragraphs 805-50-25-4 through 25-7 irrespective of whether the acquiree elects to apply pushdown accounting.

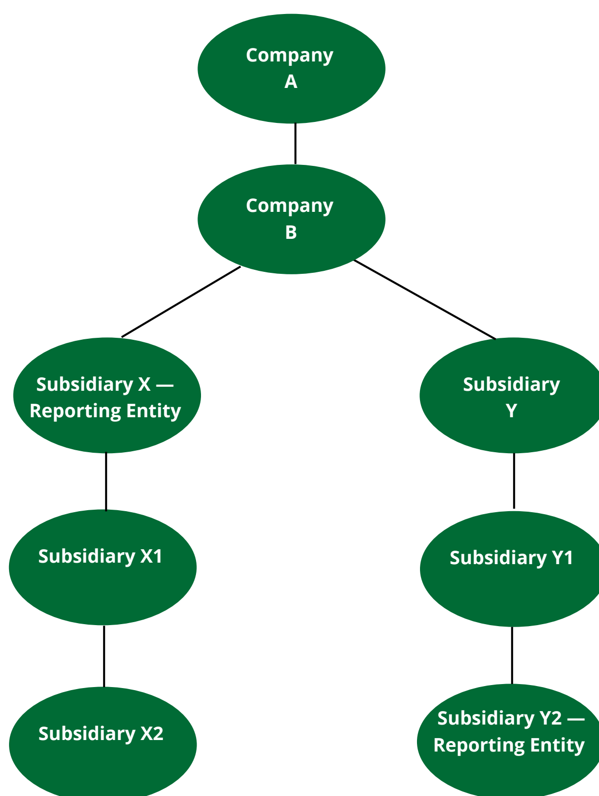
A subsidiary of an acquiree is not constrained by the acquiree's or a higher-level subsidiary's decision of whether to apply pushdown accounting upon a change-in-control event. If multiple entities are acquired in a business combination, the acquiree and any of its subsidiaries independently have the option to apply pushdown accounting in their separate financial statements.

The Background Information and Basis for Conclusions of ASU 2014-17 points out that the Task Force "considered, but ultimately rejected, a view in which an [acquiree] must elect to apply pushdown accounting in order for its subsidiaries to be able to elect the option to apply pushdown accounting" because "subsidiaries should reflect their parent's basis."

However, the Task Force rejected that view on the basis that "each entity has different users and their perspectives may be different from one another." Therefore, each entity within the group of acquired entities "should be allowed to separately evaluate whether pushdown accounting applies to their separate financial statements."

Example 2

Subsidiary's Elections to Apply Pushdown Accounting



Company A obtains control of Company B in a transaction accounted for as a business combination, and B becomes a subsidiary of A. Company B has two wholly owned subsidiaries, Subsidiary X and Subsidiary Y, each of which has two subsidiaries. Subsidiary X and Subsidiary Y2 each issue separate financial statements, and each may independently elect to apply pushdown accounting irrespective of whether B, Y, or any other acquired entity elects to do so. In addition, X's or Y2's ability to elect pushdown accounting does not depend on whether B issues separate financial statements.

PD.8 Specific Initial Recognition and Measurement Guidance in an Acquiree's Separate Financial Statements

ASC 805-50

30-10 If an acquiree elects the option in this Subtopic to apply pushdown accounting, the acquiree shall reflect in its separate financial statements the new basis of accounting established by the acquirer for the individual assets and liabilities of the acquiree by applying the guidance in other Subtopics of Topic 805. If the acquirer did not establish a new basis of accounting for the individual assets and liabilities of the acquiree because it was not required to apply Topic 805 (for example, if the acquirer was an individual or an investment company — see Topic 946 on investment companies), the acquiree shall reflect in its separate financial statements the new basis of accounting that would have been established by the acquirer had the acquirer applied the guidance in other Subtopics of Topic 805.

If an acquiree elects to apply pushdown accounting, the carrying amounts of its assets and liabilities in its separate financial statements are adjusted to reflect the amounts recognized in the acquirer's consolidated financial statements as of the date on which control was obtained. As discussed in the paragraphs below, ASC 805-50 contains guidance on the initial recognition and measurement of certain assets, liabilities, and gains in an acquiree's separate financial statements. For assets, liabilities, gains, and losses not specifically addressed in ASC 805-50, we believe that an acquiree should apply the recognition and measurement guidance in ASC 805-20 and ASC 805-30 that the acquirer applies.

An acquiree that elects pushdown accounting must apply it in its entirety; the acquiree cannot pick and choose which assets or liabilities to recognize in its separate financial statements. However, assets or liabilities that are the legal right or obligation of the parent or acquirer, rather than the acquiree, should not be pushed down unless they must be recognized in the acquiree's financial statements in accordance with other GAAP (see Section PD.11). In addition, expenses are not part of the acquirer's basis in the assets acquired and liabilities assumed. Expenses incurred by the acquirer should not be pushed down to the acquiree's separate financial statements unless the acquirer incurred such expenses on behalf of, or for the benefit of, the acquiree (see Section PD.12).

An acquirer sometimes is not required to apply ASC 805-10, ASC 805-20, and ASC 805-30 to the acquiree's assets acquired or liabilities assumed (e.g., the acquirer is an individual or an investment company). In such cases, the acquiree may nonetheless elect to apply pushdown accounting by recognizing in its separate financial statements the basis the acquirer would have recognized had it applied ASC 805-10, ASC 805-20, and ASC 805-30.

PD.9 Subsequent Measurement Guidance

ASC 805-50

35-2 An acquiree shall follow the subsequent measurement guidance in other Subtopics of Topic 805 and other applicable Topics to subsequently measure and account for its assets, liabilities, and equity instruments, as applicable.

ASC 805-50 contains no specific subsequent-measurement guidance related to an acquiree's separate financial statements. An acquiree that elects pushdown accounting should apply the subsequent-measurement guidance in ASC 805-20 and ASC 805-30 and other applicable GAAP to subsequently measure and account for its assets, liabilities, and equity instruments.

PD.10 Goodwill and Bargain Purchase Gains

ASC 805-50

30-11 An acquiree shall recognize goodwill that arises because of the application of pushdown accounting in its separate financial statements. However, bargain purchase gains recognized by the acquirer, if any, shall not be recognized in the acquiree's income statement. The acquiree shall recognize the bargain purchase gains recognized by the acquirer as an adjustment to additional paid-in capital (or net assets of a not-for-profit acquiree).

An acquiree that applies pushdown accounting must recognize the goodwill related to the acquisition in its separate financial statements. Certain items, such as liabilities that are not the legal obligation of the acquiree or bargain purchase gains, are not pushed down to the acquiree. Because these items are not pushed down to the acquiree's financial statements on the acquisition date, there will be an adjustment to the acquiree's APIC rather than to goodwill.

ASC 350-20 requires that an acquirer assign all goodwill acquired in a business combination on the acquisition date to the acquirer's reporting units "that are expected to benefit from the synergies of the combination." Such an allocation could result in a difference between the amount of goodwill recognized in the acquiree's separate financial statements and the amount of goodwill assigned to the acquiree in the parent's consolidated financial statements if some of the goodwill is assigned to one or more reporting units that do not include the assets or liabilities of the acquiree.

Example 3

Goodwill Assigned to a Reporting Unit as Opposed to Goodwill That Is Recognized in the Acquiree's Financial Statements

Company A acquires Company B in a business combination. Company A retains B as a separate subsidiary, and B elects to apply pushdown accounting in its separate financial statements. Company A recognizes goodwill of $200 from the acquisition of B in its consolidated financial statements. In applying pushdown accounting, B also recognizes $200 of goodwill in its separate financial statements. Company A determines that B represents a separate reporting unit in accordance with ASC 350-20.

On the basis of the expected synergies from the acquisition of B, A assigns $150 of the $200 of recognized goodwill to B and $50 to Subsidiary X, a different reporting unit of A. For purposes of A's consolidated financial statements, when A tests its B reporting unit for impairment, it will test goodwill of $150, which was the amount assigned to the B reporting unit. ASC 350-20 also requires that subsidiaries that issue separate financial statements test goodwill at the subsidiary level by using the subsidiary's reporting units. Subsidiary B will test the goodwill of $200 recognized in its separate financial statements. Any impairment loss recognized in B's separate financial statements would not necessarily result in an impairment loss in A's consolidated financial statements, but it may represent a triggering event for A.

If A were to dispose of B in its entirety, A would only include the $150 of assigned goodwill in determining the gain or loss on the disposal of B. To appropriately account for the gain or loss on disposal in its consolidated financial statements, A would therefore need to make an adjustment at the consolidated level to exclude $50 of goodwill assigned to X from the disposed assets. Just as if A were to dispose of X in its entirety, A would include the assigned goodwill amount of $50 in calculating the gain or loss on the disposal. To appropriately account for the gain or loss on disposal, A would therefore need to make an adjustment at the consolidated level to include the $50 of goodwill assigned to X with X's disposed assets.

In both cases, B's and X's separate financial statements would not reflect A's consolidated-level adjustments. For example, assume that another company, C, acquires B from A and is required to present B's historical financial statements in accordance with SEC Regulation S-X, Rule 3-05. In this case, B's historical financial statements would exclude any adjustments made by A at the consolidated level in connection with the assignment of goodwill. Therefore, B's historical financial statements would include $200 of goodwill.

PD.11 Acquisition-Related Liabilities

ASC 805-50

30-12 An acquiree shall recognize in its separate financial statements any acquisition-related liability incurred by the acquirer only if the liability represents an obligation of the acquiree in accordance with other applicable Topics.

ASC 805-50 provides guidance on applying pushdown accounting to acquisition-related liabilities that the acquirer (or acquiree) incurs at the time of the acquisition (e.g., acquisition-related debt or contingent consideration). Such liabilities differ from liabilities assumed, which were liabilities of the acquiree before the acquisition that the acquirer assumes as part of the acquisition.

In discussing the requirement cited in ASC 805-50-30-12 above, the Task Force referred to the definition of a liability in FASB Concepts Statement 6, which states that "[l]iabilities 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." The Background Information and Basis for Conclusions of ASU 2014-17 notes that the Task Force concluded that an acquiree should "recognize a liability incurred by the acquirer only if that obligation is the [acquiree's] liability" (i.e., the liability is the acquiree's legal obligation even if the acquirer incurred the liability on behalf of the acquiree). The Background Information and Basis for Conclusions also cites the guidance in ASC 405-40, which applies to obligations related to joint-and-several liability arrangements for which the total amount under the arrangement is fixed as of the reporting date. ASC 405-40-30-1 requires entities to recognize and measure liabilities resulting from joint-and-several liability arrangements as the sum of the following:

a. The amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors.
b. Any additional amount the reporting entity expects to pay on behalf of its co-obligors.

PD.11.1 Acquisition-Related Debt

Acquisition-related liabilities include debt incurred at the time of the acquisition. Under ASC 805-50-30-12, an acquiree must recognize any acquisition-related debt in its separate financial statements only if it is required to do so under other GAAP. Thus, acquisition-related debt should be recognized in the acquiree's separate financial statements only if (1) the debt is the legal obligation of the acquiree or (2) the acquirer and acquiree are joint and severally liable and the criteria in ASC 405-40 are met. We believe that if the acquiree recognizes the acquisition-related debt in its separate financial statements, it should also recognize the related interest expense and debt issue costs.

An acquiree may be required to recognize acquisition-related debt and liabilities in its separate financial statements as a result of other GAAP even if the acquiree does not elect to apply pushdown accounting. For example, if the acquirer incurs debt to finance the acquisition but the acquiree is named as the legal obligor, that debt would need to be recognized in the acquiree's separate financial statements even if the acquiree does not apply pushdown accounting. As a result, the acquiree could potentially present negative equity in its financial statements if pushdown accounting is not elected.

Before being rescinded by SAB 115, SAB Topic 5.J expressed the SEC staff's views on the pushdown of acquisition-related debt to the acquiree's separate financial statements. SAB Topic 5.J stated that the

parent's acquisition-related debt, related interest expense, and allocable debt issue costs should be included in a subsidiary's financial statements in any of the following circumstances:

- The subsidiary was to assume the parent's debt "either presently or in a planned transaction in the future."
- The proceeds of a debt or equity offering of the subsidiary were to be "used to retire all or a part of [the parent's] debt."
- The subsidiary guaranteed or pledged "its assets as collateral for [the parent's] debt."

Because an acquiree's assets are often pledged as collateral against an acquirer's debt, we believe that the rescission of SAB Topic 5.J will result in fewer instances in which acquisition-related debt is recognized in the acquiree's separate financial statements.

PD.11.2 Contingent Consideration

ASC 805-10-20 defines contingent consideration as follows:

> Usually an obligation of the acquirer to transfer additional assets or equity interests to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future events occur or conditions are met. However, contingent consideration also may give the acquirer the right to the return of previously transferred consideration if specified conditions are met.

ASC 805-30-25-5 requires that an acquirer recognize any contingent consideration at fair value on the acquisition date "as part of the consideration transferred in exchange for the acquiree."

ASC 805-50 does not specify whether contingent consideration should be pushed down to the acquiree's separate financial statements. We believe that the general principles for acquisition-related liabilities incurred by the acquirer apply and that contingent consideration should be recognized in the acquiree's separate financial statements only if it is the acquiree's legal obligation to pay (or legal right to receive) the contingent consideration. If contingent consideration is not pushed down to the acquiree's separate financial statements, the acquiree would not recognize any changes in the fair value of the contingent consideration in its separate statement of operations.

PD.12 Acquisition-Related Costs

ASC 805-10-25-23 states:

> Acquisition-related costs are costs the acquirer incurs to effect a business combination. Those costs include finder's fees; advisory, legal, accounting, valuation, and other professional or consulting fees; general administrative costs, including the costs of maintaining an internal acquisitions department; and costs of registering and issuing debt and equity securities. The acquirer shall account for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received, with one exception. The costs to issue debt or equity securities shall be recognized in accordance with other applicable GAAP.

We believe that the acquirer's direct expenses for acquisition-related costs should not be recognized in the acquiree's separate financial statements unless the acquirer incurred such costs on behalf of, or for the benefit of, the acquiree. SAB Topic 1.B states, that "[i]n general, the staff believes that the historical income statements of a registrant should reflect all of its costs of doing business. Therefore, in specific situations, the staff has required the subsidiary to revise its financial statements to include certain expenses incurred by the parent on its behalf." Similarly, SAB Topic 5.T discusses the concept of reflecting costs incurred by a shareholder on behalf of a company in the company's financial statements. SAB Topic 5.T states that a transaction in which "a principal stockholder pays an expense for the company, unless the stockholder's action is caused by a relationship or obligation completely

unrelated to his position as a stockholder or such action clearly does not benefit the company," should be reflected as an expense in the company's financial statements, with a corresponding credit to APIC. While the guidance in SAB Topic 1.B and SAB Topic 5.T applies to public companies, we believe that private companies should also apply this guidance when evaluating the recognition of acquisition-related costs.

An acquiree will most likely also incur acquisition-related costs. Such costs should be recognized in the acquiree's separate financial statements. Any expenses the acquiree incurs but does not pay before the acquisition date should be recognized as an assumed liability as part of acquisition accounting. If the acquiree is the legal obligor, such a liability should be recognized in the acquiree's separate financial statements regardless of whether it elects pushdown accounting.

PD.13 Income Taxes

Although the application of pushdown accounting is optional under ASC 805-50, ASC 740-10-30-5 states that deferred taxes must be "determined separately for each tax-paying component . . . in each tax jurisdiction." Therefore, to properly determine the temporary differences and to apply ASC 740 accurately, an entity must push down, to each tax-paying component, the amounts assigned to the individual assets and liabilities for financial reporting purposes. That is, because the cash inflows from assets acquired or cash outflows from liabilities assumed will be reflected on the tax return of the respective tax-paying component, the acquirer has a taxable or deductible temporary difference related to the entire amount recorded under the acquisition method (compared with its tax basis), regardless of whether such acquisition-method adjustments are actually pushed down and reflected in the acquiree's separate financial statements.

An entity can either record the amounts in its subsidiary's books (i.e., actual pushdown accounting) or maintain the records necessary to adjust the consolidated amounts to what they would have been had the amounts been recorded on the subsidiary's books (i.e., notional pushdown accounting). In many instances, the latter method can make record keeping more complex.

Further, the entire amount recorded under the acquisition method for a particular asset or liability must be converted to the currency in which the tax-paying component files its tax return (the "tax currency") to properly determine the temporary difference associated with the particular asset or liability and the corresponding deferred tax asset or deferred tax liability (i.e., deferred taxes are calculated in the tax currency and then translated or remeasured in accordance with ASC 830).

PD.14 Foreign Currency Translation

ASC 830-30-45-11 states that "[a]fter a business combination, the amount assigned at the acquisition date to the assets acquired and the liabilities assumed (including goodwill or the gain recognized for a bargain purchase in accordance with Subtopic 805-30) shall be translated in conformity with the requirements of [ASC 830-30]." This requirement applies regardless of whether the entity elects to apply pushdown accounting.

PD.15 Disclosures

ASC 805-50

50-5 If an acquiree elects the option to apply pushdown accounting in its separate financial statements, it shall disclose information in the period in which the pushdown accounting was applied (or in the current reporting period if the acquiree recognizes adjustments that relate to pushdown accounting) that enables users of financial statements to evaluate the effect of pushdown accounting. To meet this disclosure objective, the acquiree shall consider the disclosure requirements in other Subtopics of Topic 805.

50-6 Information to evaluate the effect of pushdown accounting may include the following:

a. The name and a description of the acquirer and a description of how the acquirer obtained control of the acquiree.

b. The acquisition date.

c. The acquisition-date fair value of the total consideration transferred by the acquirer.

d. The amounts recognized by the acquiree as of the acquisition date for each major class of assets and liabilities as a result of applying pushdown accounting. If the initial accounting for pushdown accounting is incomplete for any amounts recognized by the acquiree, the reasons why the initial accounting is incomplete.

e. A qualitative description of the factors that make up the goodwill recognized, such as expected synergies from combining operations of the acquiree and the acquirer, or intangible assets that do not qualify for separate recognition, or other factors. In a bargain purchase (see paragraphs 805-30-25-2 through 25-4), the amount of the bargain purchase recognized in additional paid-in capital (or net assets of a not-for-profit acquiree) and a description of the reasons why the transaction resulted in a gain.

f. Information to evaluate the financial effects of adjustments recognized in the current reporting period that relate to pushdown accounting that occurred in the current or previous reporting periods (including those adjustments made as a result of the initial accounting for pushdown accounting being incomplete [see paragraphs 805-10-25-13 through 25-14]).

The information in this paragraph is not an exhaustive list of disclosure requirements. The acquiree shall disclose whatever additional information is necessary to meet the disclosure objective set out in paragraph 805-50-50-5.

The disclosures that an entity applying pushdown accounting is required to provide under ASC 805-50 are generally based on the disclosures that an acquirer is required to provide for a business combination under ASC 805-10, ASC 805-20, and ASC 805-30. However, the ASC 805-50 requirements exclude certain disclosures that would only be relevant to users of the acquirer's consolidated financial statements. For example, an acquiree is not required to disclose items such as the percentage of voting equity interests acquired by the acquirer, any transactions the acquirer recognized separately from the acquisition, and supplemental pro forma information. In subsequent reporting periods, the acquiree would need to provide any required disclosures for items such as goodwill and intangible assets.

There are no disclosure requirements for an acquiree that does not elect to apply pushdown accounting. Therefore, an acquiree would not be required to disclose that it was acquired or that it elected not to apply pushdown accounting.

PD.16 Transition and Effective Date

ASU 2014-17 became effective on November 18, 2014, its date of issuance. An acquiree may elect to apply the guidance to (1) any future transaction or event in which an acquirer obtains control of the acquiree or (2) a past transaction or event in which an acquirer obtains control of the acquiree "when the financial statements of the reporting period that contains the acquisition date have not been issued" (conduit bond obligors or SEC filers) or made available to be issued (all other entities). If the

financial statements for the period that includes the most recent event in which an acquirer obtained control of the acquiree have already been issued or made available to be issued, the entity may still apply pushdown accounting; however, in such cases, the event must be accounted for as a change in accounting principle (see Section PD.5). Nevertheless, an acquiree that applied pushdown accounting before ASU 2014-17 was issued cannot reverse such application, even if ASU 2014-17 would not have required such accounting.

ASU 2014-17 does not contain transition requirements for nonpublic entities whose financial statements were issued or were available to be issued before November 18, 2014, when such entities elected not to apply pushdown accounting but would have been required to if they had been public entities under the guidance that was in effect before ASU 2014-17 was issued. Therefore, we believe that if an entity subsequently files a registration statement or files financial statements with the SEC (e.g., Regulation S-X, Rule 3-05, financial statements), and those financial statements do not reflect pushdown accounting that otherwise would have been required, the entity should discuss such presentation with the SEC staff on a prefiling basis.

PD.17 Financial Statement Presentation

The application of pushdown accounting and the presentation of a new basis of accounting in a subsidiary's separate financial statements are akin to the termination of an old reporting entity and the creation of a new reporting entity. Therefore, it is not appropriate to combine preacquisition and postacquisition periods in a single set of financial statements. In both the financial statements and any footnote disclosures presented in tabular format, the preacquisition and postacquisition periods are separated by a vertical "black line." The periods before the acquisition are labeled as the "predecessor" periods and the periods after the acquisition and the application of pushdown accounting are labeled as the "successor" periods. Since the application of pushdown accounting is akin to the creation of a new reporting entity, the predecessor entity's equity structure is not carried forward and the new equity structure is presented in the successor period. The footnotes to the financial statements should include separate footnote disclosures for the preacquisition and postacquisition periods. In addition, the footnote disclosures should include a description of the acquisition to alert users that pushdown accounting was applied and that, accordingly, the acquiree's results of operations and cash flows in the predecessor and successor periods are not comparable.

PD.17.1 Recognizing Expenses on the "Black Line"

In a speech at the 2014 AICPA Conference on Current SEC and PCAOB Developments, an SEC staff member (Carlton E. Tartar) discussed whether it is appropriate for an entity that is applying pushdown accounting to exclude, from both the predecessor and successor income statement periods, certain expenses triggered by the consummation of a business combination that were incurred by the acquiree. Examples of such expenses include investment banking fees paid by the acquiree that are contingent on the closing of the acquisition and share-based compensation awards with a preexisting provision that accelerated their vesting upon a change in control. While the staff acknowledged that a registrant needs to consider its specific facts and circumstances, it observed that registrants sometimes exclude expenses that are contingent on a change-in-control event from the predecessor and successor periods and record those expenses on the "black line" separating the two periods (i.e., neither the predecessor's nor the successor's financial statements would report the contingent payments as expenses). The staff encouraged "registrants to evaluate whether it is appropriate to record expenses that are related to the business combination in either the predecessor or successor periods as appropriate, based on

the specific facts and circumstances underlying each individual transaction." However, the staff also noted that it would not object to black line presentation "provided that transparent and disaggregated disclosure of the nature and amount of such expenses was made."

This view is supported by analogy to the guidance in ASC 805-20-55-51, which prohibits entities from recognizing a liability for contractual termination benefits and curtailment losses under employee benefit plans that will be triggered by a business combination until the business combination is consummated. Similarly, the argument in support of recognizing expenses on the black line is that any expenses that do not become payable until the change in control should not be recognized until consummation occurs and should not be recognized in the period before the business combination (i.e., the predecessor period).

Another acceptable view is that all of the acquiree's acquisition expenses, even those that are contingent on a change in control, should be recognized in the period in which they were incurred. Because the financial statements present the acquiree's results of operations for the period up to the acquisition date, there is no longer a risk that the business combination will not occur. Thus, recognition of the expenses in the predecessor period is appropriate.

We believe that either alternative is acceptable provided that an acquiree recognizes all expenses triggered by a change in control consistently, either in the predecessor period or on the black line.

PD.18 Identifying When a Newly Formed Entity to Effect an Acquisition Is the Acquirer

While ASU 2014-17 simplified the application of pushdown accounting, it did not resolve certain long-standing practice issues related to whether a newly formed entity (commonly called a "newco") should be identified as the acquirer in a business combination. Entities will often establish a newco to effect the acquisition of a business. If the newco is identified as the acquirer and is the reporting entity, it would apply acquisition accounting, rather than pushdown accounting. Therefore, recognizing a new basis for the assets acquired and liabilities assumed in the newco's financial statements would not be optional.

ASC 805-10-55-15 provides limited guidance on whether a newco should be identified as the accounting acquirer and states:

> A new entity formed to effect a business combination is not necessarily the acquirer. If a new entity is formed to issue equity interests to effect a business combination, one of the combining entities that existed before the business combination shall be identified as the acquirer by applying the guidance in paragraphs 805-10-55-10 through 55-14. In contrast, a new entity that transfers cash or other assets or incurs liabilities as consideration may be the acquirer.

That is, if a newly formed entity only issues equity interests to effect the acquisition, the newly formed entity is disregarded for accounting purposes and one of the combining entities should be identified as the acquirer.

Example 4

Newco Only Issues Equity Interests and Is Not the Acquirer

Company A and Company B enter into an agreement to merge. Both A and B meet the definition of a business in ASC 805-10. Either A or B forms a new legal entity (Newco) to effect the combination. The former shareholders of A and B exchange their equity interests in A and B for equity interests in Newco, and A and B become subsidiaries of Newco. Newco is not a corporate joint venture.

Newco is newly formed and only issued equity interests to effect the merger of A and B. Since the transaction was not the formation of a joint venture, ASC 805-10-55-15 indicates that either A or B should be identified as the acquirer under ASC 805-10-25-4 and 25-5. The transaction described above is economically the same as a transaction in which either A or B directly acquires the other company in exchange for shares in the acquiring company.

In some cases, a newco may be identified as the acquirer if the newco is substantive. In an August 2001 correspondence to the FASB staff, Lynn E. Turner (then SEC chief accountant) indicated the following:

> The staff continues to believe however, that when a Newco has any precombination activities that are deemed to be significant, the Newco cannot be viewed as a new corporation solely formed to issue stock to effect a business combination and therefore could be deemed the accounting acquirer.

We understand that the FASB staff has stated that the SEC staff's interpretation is consistent with the guidance in FASB Statement 141, which was carried forward into ASC 805-10-55-15.

In the absence of authoritative guidance, an entity must often use judgment in determining, on the basis of an evaluation of the specific facts and circumstances, whether a newco is "substantive" or involved in "significant precombination activities." A newco that only issues equity interests to effect an acquisition would generally not be considered to have significant precombination activities (see Example 4). A newco may be deemed to have significant precombination activities if it has substantive operations or assets other than cash contributed or loaned by its parent or investors to fund the acquisition, if it raises cash to fund an acquisition from third-party debt financing or from third parties in the public market (e.g., a special-purpose acquisition company or SPAC), or if it had any ownership in the acquiree before the acquisition. Some also believe that a newco has significant precombination activities if its parent or investors loan or contribute cash to the newco and that cash is used to fund the acquisition, although others disagree (see Example 5). In addition, some regard a newco that survives the transaction (i.e., surviving newco) as substantive regardless of the significance of its precombination activities; on the other hand, a newco that does not survive the acquisition (i.e., transitory newco) is not considered substantive and therefore would not be identified as an acquirer regardless of whether it had any precombination activities (see Example 6).

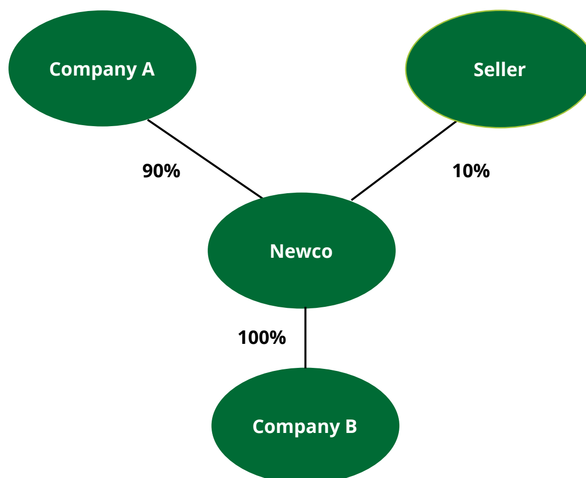
Example 5

Surviving Newco Is the Acquirer

Company A forms a new legal entity, Newco, to effect the acquisition of Company B from an unrelated seller. Company B meets the definition of a business in ASC 805-10. Company A contributes cash to Newco in exchange for 90 percent of Newco's issued shares. Newco transfers the cash and 10 percent of its issued shares to the seller in exchange for all of B's outstanding shares. Newco is a surviving legal entity and is a reporting entity after the transaction. Company B becomes a subsidiary of Newco.

Immediately Before the Acquisition

Immediately After the Acquisition



ASC 805-10-55-15 states that "a new entity that transfers cash or other assets or incurs liabilities as consideration may be the acquirer." We believe that it would be appropriate to identify Newco as the acquirer in this transaction since it survived the transaction and transferred cash to acquire the equity interests in B. In that case, Newco would apply acquisition accounting and recognize in its separate financial statements a new basis of accounting for B's assets and liabilities. However, we acknowledge that ASC 805-10-55-15 is not clear and that some may believe that using the cash contributed by a parent or investor as consideration does not constitute a significant precombination activity. In addition, this transaction is economically the same as the transaction described in Example 6 below, in which no new basis was recognized because B did not elect to apply pushdown accounting.

Assume the same facts except that instead of A contributing cash to Newco, Newco obtains debt financing to fund the acquisition of B. Obtaining debt financing may be a significant precombination activity, in which case Newco would be identified as the acquirer.

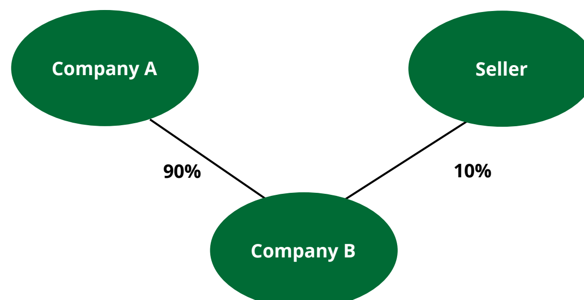
Example 6

Transitory Newco Is Not the Acquirer

Company A forms a new legal entity, Newco, to effect the acquisition of Company B from an unrelated seller. Company B meets the definition of a business in ASC 805-10. Company A contributes cash to Newco in exchange for all of the issued shares in Newco. Newco transfers the cash to the seller in exchange for 90 percent of B's outstanding shares. Newco merges with and into Company B. Company B is the surviving legal entity and a reporting entity after the transaction.

Immediately Before the Acquisition

Immediately After the Acquisition



Although Newco transferred cash to acquire the majority of B's outstanding shares, Newco is transitory, is not substantive, and cannot be identified as the acquirer. Thus, Newco is disregarded and A is identified as the acquirer. Company A has obtained control of B and accounts for the transaction as a business combination. This transaction is effectively the same as one in which A acquires 90 percent of B's shares directly from the seller. Company B elects not to apply pushdown accounting. Therefore, B does not recognize a new basis of accounting for its assets and liabilities in its separate financial statements.

PD.18.1 Newco and Acquisition-Related Costs

If the newco is identified as the acquirer, the buyer's acquisition-related costs should generally be reflected in the newco's financial statements in accordance with SAB Topic 1.B and SAB Topic 5.T. If the newco's parent incurred costs on the newco's behalf, such costs should generally be recognized as an expense in the newco's financial statements, with a corresponding credit to APIC. See Section PD.12 for more information.

PD.19 Recapitalization Transactions

A recapitalization is a type of reorganization designed to change an entity's capital structure (i.e., mix of debt and equity). Usually, these transactions involve new debt financing, issuing new shares, or repurchasing outstanding shares. These transactions sometimes result in a change in control of the

entity undergoing the recapitalization and may or may not result in a new basis of accounting at the entity level.

Example 7

Recapitalization Transaction Without a Change in Control

Entities A, B, C, D, and E each own 20 percent of Company X's issued and outstanding shares. None of the entities has control of X. Company X buys back all of E's shares, and the ownership of A, B, C, and D increases to 25 percent each. However, no entity obtains control of X. The transaction is a recapitalization transaction for X, but there is no change in control over X.

Example 8

Recapitalization Transaction With a Change in Control

Entities A, B, and C own all of Company X's issued and outstanding shares. Entity A owns 45 percent, B owns 40 percent, and C owns 15 percent. None of the entities has control of X. Company X buys back all of C's shares. Entity A's ownership increases to 52 percent and A obtains control of X. Company X elects not to apply pushdown accounting. The transaction is a recapitalization transaction for X and, since X elects not to apply pushdown accounting, the basis of X's assets or liabilities does not change when A obtains control.

PD.19.1 Transaction Costs in a Recapitalization

Entities may incur costs related to structuring a recapitalization. An entity undergoing a recapitalization should account for its costs on the basis of the nature of those costs. For example, costs related to issuing debt are capitalized as debt issuance costs and amortized over the life of the debt by using the effective interest method, costs related to issuing equity and raising capital are recognized as a reduction to the total amount of equity raised, and costs related to advisory or legal services should be expensed as incurred.

If the costs are billed to the entity as a single amount, we believe that the entity should apply the guidance in paragraph 6 of SAB Topic 2.A, which states, in part:

> When an investment banker provides services in connection with a business combination or asset acquisition and also provides underwriting services associated with the issuance of debt or equity securities, the total fees incurred by an entity should be allocated between the services received on a relative fair value basis. The objective of the allocation is to ascribe the total fees incurred to the actual services provided by the investment banker.

We believe that the amounts allocated to debt issuance costs should result in an effective interest rate on the debt that is consistent with an effective market interest rate and that the amounts allocated to equity issuance costs should be consistent with fees an underwriter would charge.

Further, we believe that if the fees are incurred by a new investor, those costs should not be recognized in the financial statements of the entity undergoing the recapitalization unless they were incurred by the investor on the entity's behalf. We believe that entities should consider the guidance in SAB Topic 1.B and SAB Topic 5.T in determining whether such costs were incurred on behalf of, and for the benefit of, the entity. See Section PD.12 for more information.

Appendix A — Selected Glossary Terms From ASC 805-50

ASC 805-50-20

Acquiree

The business or businesses that the acquirer obtains control of in a business combination. This term also includes a nonprofit activity or business that a not-for-profit acquirer obtains control of in an acquisition by a not-for-profit entity.

Acquirer

The entity that obtains control of the acquiree. However, in a business combination in which a variable interest entity (VIE) is acquired, the primary beneficiary of that entity always is the acquirer.

Acquisition Date

The date on which the acquirer obtains control of the acquiree.

Business

An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or other economic benefits directly to investors or other owners, members, or participants. Additional guidance on what a business consists of is presented in paragraphs 805-10-55-4 through 55-9.

Business Combination

A transaction or other event in which an acquirer obtains control of one or more businesses. Transactions sometimes referred to as true mergers or mergers of equals also are business combinations. See also Acquisition by a Not-for-Profit Entity.

Change in Accounting Principle

A change from one generally accepted accounting principle to another generally accepted accounting principle when there are two or more generally accepted accounting principles that apply or when the accounting principle formerly used is no longer generally accepted. A change in the method of applying an accounting principle also is considered a change in accounting principle.

Conduit Debt Securities

Certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by a state or local governmental entity for the express purpose of providing financing for a specific third party (the conduit bond obligor) that is not a part of the state or local government's financial reporting entity. Although conduit debt securities bear the name of the governmental entity that issues them, the governmental entity often has no obligation for such debt beyond the resources provided by a lease or loan agreement with the third party on whose behalf the securities are issued. Further, the conduit bond obligor is responsible for any future financial reporting requirements.

Control

The same as the meaning of controlling financial interest in paragraph 810-10-15-8.

ASC 805-50-20

Equity Interests

Used broadly to mean ownership interests of investor-owned entities; owner, member, or participant interests of mutual entities; and owner or member interests in the net assets of not-for-profit entities.

Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial Statements Are Available to Be Issued

Financial statements are considered available to be issued when they are complete in a form and format that complies with GAAP and all approvals necessary for issuance have been obtained, for example, from management, the board of directors, and/or significant shareholders. The process involved in creating and distributing the financial statements will vary depending on an entity's management and corporate governance structure as well as statutory and regulatory requirements.

Financial Statements Are Issued

Financial statements are considered issued when they are widely distributed to shareholders and other financial statement users for general use and reliance in a form and format that complies with GAAP. (U.S. Securities and Exchange Commission [SEC] registrants also are required to consider the guidance in paragraph 855-10-S99-2.)

Goodwill

An asset representing the future economic benefits arising from other assets acquired in a business combination or an acquisition by a not-for-profit entity that are not individually identified and separately recognized. For ease of reference, this term also includes the immediate charge recognized by not-for-profit entities in accordance with paragraph 958-805-25-29.

Legal Entity

Any legal structure used to conduct activities or to hold assets. Some examples of such structures are corporations, partnerships, limited liability companies, grantor trusts, and other trusts.

Nonprofit Activity

An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing benefits, other than goods or services at a profit or profit equivalent, as a fulfillment of an entity's purpose or mission (for example, goods or services to beneficiaries, customers, or members). As with a not-for-profit entity, a nonprofit activity possesses characteristics that distinguish it from a business or a for-profit business entity.

Pushdown Accounting

Use of the acquirer's basis in the preparation of the acquiree's separate financial statements.

Reorganization

A way to create a master limited partnership in which all of the assets of an entity are placed into a master limited partnership and that entity ceases to exist.

Securities and Exchange Commission (SEC) Filer

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

- The Securities and Exchange Commission (SEC)
- 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.

Variable Interest Entity

A legal entity subject to consolidation according to the provisions of the Variable Interest Entities Subsections of Subtopic 810-10.

Appendix B — Glossary of Standards and Other Literature

The following are the titles of standards and other literature mentioned in this publication:

FASB Accounting Standards Codification (ASC) Topics

ASC 250, *Accounting Changes and Error Corrections*
ASC 350, *Intangibles — Goodwill and Other*
ASC 405, *Liabilities*
ASC 740, *Income Taxes*
ASC 805, *Business Combinations*
ASC 810, *Consolidation*
ASC 830, *Foreign Currency Matters*
ASC 855, *Subsequent Events*
ASC 946, *Financial Services — Investment Companies*
ASC 958, *Not-for-Profit Entities*

FASB Accounting Standards Updates (ASUs)

ASU 2015-08, *Business Combinations (Topic 805): Pushdown Accounting: Amendments to SEC Paragraphs Pursuant to Staff Accounting Bulletin No. 115*
ASU 2014-17, *Business Combinations (Topic 805): Pushdown Accounting*

FASB Statement (Pre-Codification Literature)

No. 141, *Business Combinations*

FASB Concepts Statement (Pre-Codification Literature)

No. 6, *Elements of Financial Statements*

EITF Issue (Pre-Codification Literature)

Topic D-97, "Push-Down Accounting"

SEC Regulation S-X

Rule 3-05, "Financial Statements of Businesses Acquired or to Be Acquired"

SEC Staff Accounting Bulletin (SAB) Topics

SAB Topic 1.B, "Allocation of Expenses and Related Disclosure in Financial Statements of Subsidiaries, Divisions or Lesser Business Components of Another Entity"
SAB Topic 2.A, "Acquisition Method"
SAB Topic 5.J, "New Basis of Accounting Required in Certain Circumstances" (rescinded by SAB 115)
SAB Topic 5.T, "Accounting for Expenses or Liabilities Paid by Principal Stockholder(s)"

Appendix C — Abbreviations

Abbreviation	Description
AICPA	American Institute of Certified Public Accountants
APIC	additional paid-in capital
ASC	FASB Accounting Standards Codification
ASU	FASB Accounting Standards Update
CU	currency unit
EITF	Emerging Issues Task Force
FASB	Financial Accounting Standards Board
GAAP	generally accepted accounting principles
PCAOB	Public Company Accounting Oversight Board
SAB	SEC Staff Accounting Bulletin
SEC	Securities and Exchange Commission
SPAC	special-purpose acquisition company
VIE	variable interest entity