

FINANCIAL ACCOUNTING SERIES



ACCOUNTING STANDARDS UPDATE

No. 2011-04
May 2011

Fair Value Measurement (Topic 820)

Amendments to Achieve Common
Fair Value Measurement and
Disclosure Requirements in U.S. GAAP and IFRSs

An Amendment of the *FASB Accounting Standards Codification*®

Financial Accounting Standards Board
of the Financial Accounting Foundation

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

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Please ask for our Product Code No. ASU2011-04.

FINANCIAL ACCOUNTING SERIES (ISSN 0885-9051) is published quarterly by the Financial Accounting Foundation. Periodicals postage paid at Norwalk, CT and at additional mailing offices. The full subscription rate is \$230 per year. POSTMASTER: Send address changes to Financial Accounting Standards Board, 401 Merritt 7, PO Box 5116, Norwalk, CT 06856-5116. | **No. 362**

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Summary

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

In 2006, the FASB and the International Accounting Standards Board (IASB) published a Memorandum of Understanding, which has served as the foundation of the Boards' efforts to create a common set of high quality global accounting standards.

Consistent with the Memorandum of Understanding and the Boards' commitment to achieving that goal, the amendments in this Update are the result of the work by the FASB and the IASB to develop common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRSs).

The Boards worked together to ensure that fair value has the same meaning in U.S. GAAP and in IFRSs and that their respective fair value measurement and disclosure requirements are the same (except for minor differences in wording and style). The Boards concluded that the amendments in this Update will improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and IFRSs.

The amendments in this Update explain how to measure fair value. They do not require additional fair value measurements and are not intended to establish valuation standards or affect valuation practices outside of financial reporting.

Who Is Affected by the Amendments in This Update?

The amendments in this Update apply to all reporting entities that are required or permitted to measure or disclose the fair value of an asset, a liability, or an instrument classified in a reporting entity's shareholders' equity in the financial statements.

Some of the disclosures required by the amendments in this Update are not required for nonpublic entities. Those disclosures include the following:

1. Information about transfers between Level 1 and Level 2 of the fair value hierarchy
2. Information about the sensitivity of a fair value measurement categorized within Level 3 of the fair value hierarchy to changes in unobservable inputs and any interrelationships between those unobservable inputs

3. The categorization by level of the fair value hierarchy for items that are not measured at fair value in the statement of financial position, but for which the fair value of such items is required to be disclosed.

What Are the Main Provisions?

The amendments in this Update result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. For many of the requirements, the Board does not intend for the amendments in this Update to result in a change in the application of the requirements in Topic 820.

Some of the amendments clarify the Board's intent about the application of existing fair value measurement requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements.

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

The amendments in this Update change the wording used to describe the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The amendments include the following:

1. Those that clarify the Board's intent about the application of existing fair value measurement and disclosure requirements
2. Those that change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements.

In addition, to improve consistency in application across jurisdictions some changes in wording are necessary to ensure that U.S. GAAP and IFRS fair value measurement and disclosure requirements are described in the same way (for example, using the word *shall* rather than *should* to describe the requirements in U.S. GAAP).

The amendments that clarify the Board's intent about the application of existing fair value measurement and disclosure requirements include the following:

1. Application of the highest and best use and valuation premise concepts. The amendments specify that the concepts of highest and best use and valuation premise in a fair value measurement are relevant only when

measuring the fair value of nonfinancial assets and are not relevant when measuring the fair value of financial assets or of liabilities.

The Board decided that the highest and best use concept is not relevant when measuring the fair value of financial assets or the fair value of liabilities because such items do not have alternative uses and their fair values do not depend on their use within a group of other assets or liabilities. Before those amendments, Topic 820 specified that the concepts of highest and best use and valuation premise were relevant when measuring the fair value of assets, but it did not distinguish between financial and nonfinancial assets. The Board concluded that the amendments do not affect the fair value measurement of nonfinancial assets and will improve consistency in the application of the highest and best use and valuation premise concepts in a fair value measurement.

The amendments might affect practice for some reporting entities that were using the in-use valuation premise to measure the fair value of financial assets, as described below in the section “Measuring the fair value of financial instruments that are managed within a portfolio.”

2. Measuring the fair value of an instrument classified in a reporting entity’s shareholders’ equity. The amendments include requirements specific to measuring the fair value of those instruments, such as equity interests issued as consideration in a business combination. Those amendments are consistent with the requirements for measuring the fair value of liabilities and specify that a reporting entity should measure the fair value of its own equity instrument from the perspective of a market participant that holds that instrument as an asset.

Before those amendments, Topic 820 stated that the definition of fair value should be applied to an instrument measured at fair value that is classified in shareholders’ equity, but it did not contain explicit requirements for measuring the fair value of such instruments.

The Board concluded that including requirements on how to apply the principles of Topic 820 when measuring the fair value of an instrument classified in a reporting entity’s shareholders’ equity will improve consistency in application and will increase the comparability of fair value measurements among reporting entities applying U.S. GAAP or IFRSs. The Board does not expect those amendments to affect current practice.

3. Disclosures about fair value measurements. The amendments clarify that a reporting entity should disclose quantitative information about the unobservable inputs used in a fair value measurement that is categorized within Level 3 of the fair value hierarchy.

The Board concluded that those amendments do not change the objective of the requirement but that explicitly requiring quantitative information about unobservable inputs will increase the comparability of disclosures between reporting entities applying U.S. GAAP and those applying IFRSs.

The amendments in this Update that change a particular principle or requirement for measuring fair value or disclosing information about fair value measurements include the following:

1. Measuring the fair value of financial instruments that are managed within a portfolio. A reporting entity that holds a group of financial assets and financial liabilities is exposed to market risks (that is, interest rate risk, currency risk, or other price risk) and to the credit risk of each of the counterparties. The amendments permit an exception to the requirements in Topic 820 for measuring fair value when a reporting entity manages its financial instruments on the basis of its net exposure, rather than its gross exposure, to those risks. Financial institutions and similar reporting entities that hold financial assets and financial liabilities often manage those instruments on the basis of their net risk exposure. That exception permits a reporting entity to measure the fair value of such financial assets and financial liabilities at the price that would be received to sell a net asset position for a particular risk or to transfer a net liability position for a particular risk in an orderly transaction between market participants at the measurement date.

Before those amendments, reporting entities that applied U.S. GAAP or IFRSs reached similar fair value measurement conclusions when measuring the fair value of such financial assets and financial liabilities. That was the case even though the requirements in U.S. GAAP and IFRSs for measuring the fair value of those financial instruments were expressed differently. As a result of the amendments, U.S. GAAP and IFRSs have the same requirements for measuring the fair value of such financial instruments.

The Board concluded that the amendments do not change how such financial assets and financial liabilities are measured in practice for many reporting entities. However, those amendments might affect practice for reporting entities that have been applying the in-use valuation premise more broadly than was intended. For example, if a reporting entity used the in-use valuation premise to measure the fair value of financial assets when it did not have offsetting positions in a particular market risk (or risks) or counterparty credit risk, that entity might arrive at a different fair value measurement conclusion when applying the amendments than that reached before the amendments were effective.

2. Application of premiums and discounts in a fair value measurement. The amendments in this Update clarify that the application of premiums and discounts in a fair value measurement is related to the unit of account for the asset or liability being measured at fair value. The amendments specify that in the absence of a Level 1 input, a reporting entity should apply premiums or discounts when market participants would do so when pricing the asset or liability consistent with the unit of account in the Topic that requires or permits the fair value measurement. The amendments clarify that premiums or discounts related to size as a characteristic of the reporting entity's holding (specifically, a blockage factor) rather than as a characteristic of the asset or liability (for example, a control premium) are not permitted in a fair value measurement.

The amendments might affect practice for reporting entities that apply a premium or discount when measuring the fair value of an asset or a liability if the reporting entity applies Topic 820 on the basis of the quantity at which it might transact when that quantity differs from the unit of account specified in U.S. GAAP for fair value measurements categorized within Level 2 or Level 3 of the fair value hierarchy. The Board does not expect the amendments to affect practice for fair value measurements categorized within Level 1 of the fair value hierarchy.

3. Additional disclosures about fair value measurements. The amendments expand the disclosures about fair value measurements. The Board has received input from users of financial statements requesting more information about the following:
 - a. For fair value measurements categorized within Level 3 of the fair value hierarchy:
 - (1) The valuation processes used by the reporting entity
 - (2) The sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs, if any.
 - b. A reporting entity's use of a nonfinancial asset in a way that differs from the asset's highest and best use when that asset is measured at fair value in the statement of financial position or when its fair value is disclosed on the basis of its highest and best use.
 - c. The categorization by level of the fair value hierarchy for items that are not measured at fair value in the statement of financial position but for which the fair value is required to be disclosed (for example, a financial instrument that is measured at amortized cost in the statement of financial position but for which fair value is disclosed in accordance with Topic 825, Financial Instruments).

The Board concluded that the amendments in this Update achieve the objective of developing common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs and improve their understandability.

When Will the Amendments Be Effective?

The amendments in this Update are to be applied prospectively. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2011. Early application by public entities is not permitted. Nonpublic entities may apply the amendments in this Update early, but no earlier than for interim periods beginning after December 15, 2011.

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

The amendments in this Update are the result of the work of the FASB and the IASB to develop common requirements for measuring fair value and for disclosing information about fair value measurements. Consequently, those amendments improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and IFRSs. In their deliberations, the FASB and the IASB discussed the significant differences between the requirements in U.S. GAAP and the proposals in the IASB Exposure Draft, *Fair Value Measurement*, which was published in May 2009.

The Boards worked together to ensure that, to the extent possible, Topic 820 and IFRS 13, *Fair Value Measurement*, are identical. The following style differences remain:

1. There are differences in references to other U.S. GAAP and IFRSs—For example, regarding related party transactions, U.S. GAAP refers to Topic 850, *Related Party Disclosures*, and IFRS 13 refers to IAS 24, *Related Party Disclosures*.
2. There are differences in style—For example, U.S. GAAP refers to a *reporting entity* and IFRS 13 refers to *an entity*.
3. There are differences in spelling—For example, U.S. GAAP refers to *labor costs* and IFRS 13 refers to *labour costs*.
4. There are differences in whether references are to a particular jurisdiction or are generic—For example, U.S. GAAP refers to *U.S. Treasury securities* and IFRS 13 refers to *risk-free government securities*.

The Boards concluded that those differences will not result in inconsistent interpretations in practice by entities applying U.S. GAAP or IFRSs. In addition, Topic 820 and IFRS 13 have the following differences:

1. There are different accounting requirements in U.S. GAAP and IFRSs for measuring the fair value of investments in investment companies. Topic 946, Financial Services—Investment Companies, requires an investment company to recognize its underlying investments at fair value at each reporting period. Topic 820 provides a practical expedient that permits a reporting entity with an investment in an investment company to use as a measure of fair value in specific circumstances the reported net asset value without adjustment. IAS 27, *Consolidated and Separate Financial Statements*, requires an investment company to consolidate its controlled underlying investments. Because IFRSs do not have accounting requirements that are specific to entities that are investment companies, the IASB decided that it would be difficult to identify when such a practical expedient could be applied given the different practices for calculating net asset values in jurisdictions around the world. For example, entities that are investment companies may report in accordance with national GAAP, which may have recognition and measurement requirements that differ from those in IFRSs (that is, the underlying investments might not be measured at fair value or they might be measured at fair value in accordance with national GAAP, not IFRSs). The Boards are reviewing the accounting for investment companies as part of a separate project.
2. There are different requirements for measuring the fair value of a deposit liability. In U.S. GAAP, Topic 825, Financial Instruments, and Topic 942, Financial Services—Depository and Lending, describe the fair value measurement of a deposit liability as the amount payable on demand at the reporting date. In IFRSs, IFRS 13 states that the fair value measurement of a financial liability with a demand feature (for example, demand deposits) cannot be less than the present value of the amount payable on demand. That requirement in IFRS 13 was relocated unchanged from IAS 39 and IFRS 9 as a consequence of the IASB's fair value measurement project.
3. There are different disclosure requirements in U.S. GAAP and IFRSs. For example:
 - a. Because IFRSs generally do not allow net presentation for derivatives, the amounts disclosed for fair value measurements categorized within Level 3 of the fair value hierarchy might differ. The Boards are reviewing the presentation requirements for offsetting financial assets and financial liabilities in their joint project on offsetting.
 - b. IFRSs require a quantitative sensitivity analysis for financial instruments that are measured at fair value and categorized within Level 3 of the fair value hierarchy (that disclosure was previously in

IFRS 7, *Financial Instruments: Disclosures*). The Boards will analyze the feasibility of incorporating information about interrelationships between unobservable inputs into a quantitative measurement uncertainty analysis disclosure. After completing that analysis, the Boards will decide whether to require such a disclosure.

- c. There are different requirements for nonpublic entities. In developing the amendments to Topic 820, the Board concluded that some of the disclosures should not be required for nonpublic entities because of the characteristics of the users of the financial statements of those entities. The Board considered the ability of those users to access information about the financial position of the entity and the relevance to those users of the information that would be provided by the requirements in the disclosure amendments. In contrast, the IASB recently completed a project on the accounting for small and medium-sized entities. As a result, the *International Financial Reporting Standard for Small and Medium-sized Entities* addresses (1) the accounting for entities that do not have public accountability and (2) the disclosures about their fair value measurements.

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

Introduction

1. The Accounting Standards Codification is amended as described in paragraphs 2–118. In some cases, to put the change in context, not only are the amended paragraphs shown, but also the preceding and following paragraphs are shown. Terms from the Master Glossary are in **bold** type. Added text is underlined, and deleted text is ~~struck out~~.

Amendments to Topic 820

2. Amend the title of Topic 820, with no link to a transition paragraph, as follows:

Fair Value Measurements and DisclosuresMeasurement

3. Amend Section 820-10-05, with a link to transition paragraph 820-10-65-8, as follows:

Fair Value Measurement—Overall

Overview and Background

820-10-05-1 ~~The Fair Value Measurements and Disclosures~~ This Topic contains only the Overall Subtopic. This ~~Subtopic~~ Topic does all of the following:

- a. Defines ~~{add glossary link to the third definition}~~ fair value ~~{add glossary link to the third definition}~~
- b. Sets out in a single Topic a framework for measuring fair value, ~~which refers to certain valuation concepts and practices~~
- c. Requires ~~certain~~ disclosures about fair value measurements.

820-10-05-1A This Subtopic ~~Topic~~ explains how to measure fair value for financial reporting. It does not require fair value measurements in addition to those already required or permitted by other Topics and is not intended to establish valuation standards or affect valuation practices outside of financial

reporting. [Content amended as shown and moved from paragraph 820-10-05-2]

820-10-05-1B Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. ~~Therefore~~ However, the objective of a fair value measurement is to determine ~~in both cases~~ is the same—to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an ~~exit price~~ **{add glossary link}exit price{add glossary link}** that would be received to sell at the measurement date from the perspective of a market participant that holds the asset or paid to transfer ~~the liability~~ **owes the liability**) at the measurement date (an **exit price**). [Content amended as shown and moved from paragraph 820-10-35-3]

820-10-05-1C When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

820-10-05-1D The definition of fair value focuses on assets and liabilities because they are a primary subject of accounting measurement. In addition, this Topic However, the definition of fair value also shall be applied to instruments measured at fair value that are classified in ~~stockholders'~~ **shareholders'** equity. [Content amended as shown and moved from paragraph 820-10-35-20]

820-10-05-2 Paragraph superseded by Accounting Standards Update 2011-04. This Subtopic is not intended to establish valuation standards. [Content amended and moved to paragraph 820-10-05-1A]

> ~~Liability Issued with an Inseparable Third-Party Credit Enhancement~~

820-10-05-3 Paragraph superseded by Accounting Standards Update 2011-04. Liabilities are often issued with credit enhancements obtained from a third party. For example, debt may be issued with a financial guarantee from a third party that guarantees the issuer's payment obligations. In this example, if the issuer of the liability fails to meet its payment obligations to the investor, the guarantor

~~becomes obligated to make the payments on the issuer's behalf and the issuer becomes obligated to the guarantor. That guarantee is generally purchased by the issuer who then combines it with, for example, debt and then issues the combined security to an investor. By issuing debt combined with the guarantee, the issuer is able to more easily market its debt and either reduce the interest rate paid to the investor or receive higher proceeds at issuance.~~

4. Amend Section 820-10-15, with a link to transition paragraph 820-10-65-8, as follows:

Scope and Scope Exceptions

> Overall Guidance

820-10-15-1 ~~The Scope Section of the Overall Subtopic establishes the pervasive scope for the {remove glossary link}Fair Value{remove glossary link} Measurements and DisclosuresMeasurement Topic. Except as noted below,The guidance in this Topic applies when another Topic requires or permits to all entities, transactions, and instruments under other Subtopics that require or permit {add glossary link}fair value{add glossary link} measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), with specific exceptions and qualifications noted below.~~

820-10-15-1A Paragraph not used.

> Other Considerations

>> Topics and Subtopics Not Withinwithin Scope

820-10-15-2 ~~The guidance in the Fair Value Measurements and DisclosuresMeasurement Topic does not apply as follows:~~

- a. ~~UnderTo~~ accounting principles that address share-based payment transactions (see Topic 718 and Subtopic 505-50)
- b. ~~UnderTo~~ Sections, Subtopics, or Topics that require or permit measurements that are similar to fair value but that are not intended to measure fair value, including both of the following:
 1. Sections, Subtopics, or Topics that permit measurements that are ~~based on~~determined on the basis of, or otherwise use, vendor-specific objective evidence of fair ~~value,value~~ value ~~which include the following:~~
 - i. ~~Subtopic 985-605~~
 - ii. ~~Subtopic 605-25.~~
 2. Topic 330.
- c. ~~UnderTo~~ accounting principles that address fair value measurements for purposes of lease classification or measurement ~~underin~~ accordance

with Topic 840. This scope exception does not apply to assets acquired and liabilities assumed in a business combination or an **acquisition by a not-for-profit entity** that are required to be measured at fair value underin accordance with Topic 805, regardless of whether those assets and liabilities are related to leases.

> > Practicability Exceptions to ~~this~~This Topic

820-10-15-3 ~~The guidance in the Fair Value Measurements and Disclosures~~Measurement Topic does not eliminate the practicability exceptions to fair value measurements in ~~Subtopics~~ within the scope of this Topic. Those practicability exceptions to fair value measurements in specified circumstances include, among others, those stated in the following:

- a. The use of a transaction price (an **entry price**) to measure fair value (an **exit price**) at initial recognition, including ~~both of~~ the following:
 1. Guarantees underin accordance with Topic 460
 2. Subparagraph superseded by Accounting Standards Update No. 2009-16.
- b. An exemption to the requirement to measure fair value if it is not practicable to do so, including ~~both of~~ the following:
 1. Financial instruments underin accordance with Subtopic 825-10
 2. Subparagraph superseded by Accounting Standards Update No. 2009-16.
- c. An exemption to the requirement to measure fair value if fair value is not reasonably determinable, such as all of the following:
 1. Nonmonetary assets underin accordance with Topic 845 and Sections 605-20-25 and 605-20-50
 2. Asset retirement obligations underin accordance with Subtopic 410-20 and Sections 440-10-50 and 440-10-55
 3. Restructuring obligations underin accordance with Topic 420
 4. Participation rights underin accordance with Subtopics 715-30 and 715-60.
- d. An exemption to the requirement to measure fair value if fair value cannot be measured with sufficient reliability (such as contributions underin accordance with Topic 958 and Subtopic 720-25).
- e. The use of ~~certain of the particular~~ measurement methods referred to in paragraph 805-20-30-10 that allow measurements other than fair value for ~~certain~~specified assets acquired and liabilities assumed in a business combination.

>> Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)

~~820-10-15-4~~ The guidance in paragraphs ~~Paragraphs~~ 820-10-35-59 through 35-62 and 820-10-50-6A shall ~~only~~ apply only to an investment that meets both of the following criteria as of the reporting entity's measurement date:

- a. The investment does not have a **readily determinable fair value**
- b. The investment is in an entity that has all of the attributes specified in paragraph 946-10-15-2 or, if one or more of the attributes specified in paragraph 946-10-15-2 are not present, is in an entity for which it is industry practice to issue financial statements using guidance that is consistent with the measurement principles in Topic 946 (for example, certain investments in real estate funds that measure investment assets at fair value on a recurring basis).

~~820-10-15-5~~ The definition of *readily determinable fair value* indicates that an equity security would have a readily determinable fair value if any one of three conditions is met. One of those conditions is that sales prices or bid-and-asked quotations are currently available on a securities exchange registered with the U.S. Securities and Exchange Commission (SEC) or in the over-the-counter market, provided that those prices or quotations for the over-the-counter market are publicly reported by the National Association of Securities Dealers Automated Quotations systems or by Pink Sheets LLC. The definition notes that restricted stock meets that definition if the restriction ~~terminates~~ expires within one year. If an investment otherwise would have a readily determinable fair value, except that the investment has a restriction of ~~greater~~ greater expiring in more than one year, the reporting entity shall not apply ~~the guidance in paragraphs 820-10-35-59 through 35-62 and 820-10-50-6A~~ to the investment.

5. Supersede paragraphs 820-10-25-1 through 25-2 and their related heading, with a link to transition paragraph 820-10-65-8, as follows:

Recognition

> ~~Liability Issued with an Inseparable Third Party Credit Enhancement~~

~~820-10-25-1~~ Paragraph superseded by Accounting Standards Update 2011-04. The guidance that links to this paragraph applies to a liability issued with an inseparable third party credit enhancement when it is measured or disclosed at fair value on a recurring basis. That guidance does not apply to any of the following instruments or transactions:

- a. ~~A credit enhancement provided by a government or government agency (for example, deposit insurance)~~

- b. ~~A credit enhancement provided between a parent and its subsidiary~~
- c. ~~A credit enhancement provided between entities under common control.~~

[Content amended and moved to paragraph 825-10-25-13]

~~**820-10-25-2** Paragraph superseded by Accounting Standards Update 2011-04. The proceeds received by the issuer from the investor for a liability having the characteristics set forth in the preceding paragraph represent consideration for, and shall be allocated to, both the issued liability and the premium for the credit enhancement purchased on the investor's behalf.~~

6. Amend Section 820-10-30, with a link to transition paragraph 820-10-65-8, as follows:

Initial Measurement

820-10-30-1 The ~~{remove glossary link}~~fair value~~{remove glossary link}~~ measurement framework, which applies at both initial and subsequent measurement if ~~{add glossary link to the third definition}~~fair value~~{add glossary link to the third definition}~~ is required or permitted by other ~~Subtopics~~Topics, is discussed primarily in Section 820-10-35. This Section ~~givesets out~~ additional guidance specific to applying the framework at initial measurement.

820-10-30-2 When an asset is acquired or a liability is assumed in an exchange transaction for that asset or liability, the transaction price ~~representsis~~ the price paid to acquire the asset or received to assume the liability (an **entry price**). In contrast, the fair value of the asset or liability ~~representsis~~ the price that would be received to sell the asset or paid to transfer the liability (an **exit price**). ~~Conceptually, entry prices and exit prices are different. Entities do not necessarily sell assets at the prices paid to acquire them. Similarly, entities do not necessarily transfer liabilities at the prices received to assume them.~~

820-10-30-3 In many cases, the transaction price will equal the ~~exit price~~fair value (for example, that might be the case when on the transaction date the ~~transaction to buy an asset takes place in the market in which the asset would be sold~~) and, therefore, ~~represent the fair value of the asset or liability at initial recognition. In determining whether a transaction price represents the fair value of the asset or liability at initial recognition, the reporting entity shall consider factors specific to the transaction and the asset or liability. For example, a transaction price might not represent the fair value of an asset or liability at initial recognition if any of the following conditions exist:~~

- a. ~~Subparagraph superseded by Accounting Standards Update 2011-04. The transaction is between related parties.~~
- b. ~~Subparagraph superseded by Accounting Standards Update 2011-04. The transaction occurs under duress or the seller is forced to accept~~

- the price in the transaction. For example, that might be the case if the seller is experiencing financial difficulty.
- c. ~~Subparagraph superseded by Accounting Standards Update 2011-04. The **unit of account** represented by the transaction price is different from the unit of account for the asset or liability measured at fair value. For example, that might be the case if the asset or liability measured at fair value is only one of the elements in the transaction, the transaction includes unstated rights and privileges that should be separately measured, or the transaction price includes **transaction costs**.~~
 - d. ~~Subparagraph superseded by Accounting Standards Update 2011-04. The market in which the transaction occurs is different from the market in which the reporting entity would sell the asset or transfer the liability, that is, the **principal market** or **most advantageous market**. For example, those markets might be different if the reporting entity is a securities dealer that transacts in different markets, depending on whether the counterparty is a retail customer (retail market) or another securities dealer (interdealer market). [Content amended and moved to paragraph 820-10-30-3A]~~

820-10-30-3A ~~In~~ When determining whether fair value at initial recognition equals the transaction price, a transaction price represents the fair value of the asset or liability at initial recognition, the reporting entity shall ~~consider~~ take into account factors specific to the transaction and to the asset or liability. For example, ~~the~~ transaction price might not represent the fair value of an asset or a liability at initial recognition if any of the following conditions exist:

- a. The transaction is between **related parties**, although the price in a related party transaction may be used as an input into a fair value measurement if the reporting entity has evidence that the transaction was entered into at market terms.
- b. The transaction ~~occurs~~ takes place under duress or the seller is forced to accept the price in the transaction. For example, that might be the case if the seller is experiencing financial difficulty.
- c. The **unit of account** represented by the transaction price is different from the unit of account for the asset or liability measured at fair value. For example, that might be the case if the asset or liability measured at fair value is only one of the elements in the ~~transaction~~ transaction (for example, in a **business combination**), the transaction includes unstated rights and privileges that ~~should be~~ measured separately ~~measured~~, in accordance with another Topic, or the transaction price includes **transaction costs**.
- d. The market in which the transaction ~~occurs~~ takes place is different from the market in which the reporting entity would sell the asset or transfer the liability, that is, the **principal market** ~~or~~ (or **most advantageous market** ~~market~~). For example, those markets might be different if the reporting entity is a ~~securities~~ dealer that ~~transacts~~ enters into

~~transactions in different markets, depending on whether the counterparty is a retail customer (retail market) or another securities dealer (interdealer market) with customers in the retail market, but the principal (or most advantageous) market for the exit transaction is with other dealers in the dealer market. [Content amended as shown and moved from paragraph 820-10-30-3]~~

~~820-10-30-4 Paragraph superseded by Accounting Standards Update 2011-04. If the transaction price represents fair value at initial recognition and a pricing model will be used to measure fair value in subsequent periods, the model shall be calibrated so that the model value at initial recognition equals the transaction price. [Content amended and moved to paragraph 820-10-35-24C]~~

~~820-10-30-5 Example 5 (see paragraph 820-10-55-46) Paragraph 820-10-55-46 illustrates situations in which the price in a transaction involving a derivative instrument might (and might not) represent equal the fair value of the instrument.~~

~~820-10-30-6 If another Topic requires or permits a reporting entity to measure an asset or a liability initially at fair value and the transaction price differs from fair value, the reporting entity shall recognize the resulting gain or loss in earnings unless that Topic specifies otherwise.~~

7. Amend paragraphs 820-10-35-1 through 35-2, with a link to transition paragraph 820-10-65-8, as follows:

Subsequent Measurement

820-10-35-1 The ~~{remove glossary link}~~fair value~~{remove glossary link}~~ measurement framework, which applies at both initial and subsequent measurement if ~~{add glossary link}~~fair value~~{add glossary link}~~ is required or permitted by ~~other Subtopics~~another Topic, is discussed primarily in this Section. Section 820-10-30 gives sets out additional guidance specific to applying the ~~model~~framework at initial measurement. This Section is organized as follows:

- a. Definition of fair value
- b. Valuation techniques
- c. **Inputs** to valuation techniques
- d. Fair value hierarchy.

> Definition of Fair Value

820-10-35-2 Fair value is defined in this Subtopic. This Topic defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an ~~{add glossary link}~~orderly transaction~~{add glossary link}~~ between ~~{add glossary link}~~market participants~~{add glossary link}~~ at the measurement date. This guidance is organized as follows:

- a. Subparagraph superseded by Accounting Standards Update 2011-04. The price
- b. Subparagraph superseded by Accounting Standards Update 2011-04. The principal (or most advantageous) market
- c. Subparagraph superseded by Accounting Standards Update 2011-04. **Market participants**
- d. Subparagraph superseded by Accounting Standards Update 2011-04. Application to assets
- e. Subparagraph superseded by Accounting Standards Update 2011-04. Application to liabilities
- f. Subparagraph superseded by Accounting Standards Update 2011-04. The asset or liability. [Content amended and moved to paragraph 820-10-35-2A]

8. Add paragraphs 820-10-35-2A through 35-2E and related heading, with a link to transition paragraph 820-10-65-8, as follows:

820-10-35-2A ~~This~~ The remainder of this guidance is organized as follows:

- a. The price~~asset or liability~~
- b. The principal (or most advantageous) market~~transaction~~
- c. **{remove glossary link}Market participants{remove glossary link}**
- d. Application to assets~~The price~~
- e. Application to liabilities~~nonfinancial assets~~
- f. The asset or liability. Application to liabilities and instruments classified in a reporting entity's shareholders' equity
- g. Application to financial assets and financial liabilities with offsetting positions in **market risks** or counterparty credit risk. [Content amended as shown and moved from paragraph 820-10-35-2]

> > The Asset or Liability

820-10-35-2B A fair value measurement is for a particular asset or liability. Therefore, the measurement should consider attributes specific to the asset or liability, for example, when measuring fair value a reporting entity shall take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Such characteristics include, for example, the following:

- a. The condition and/or location of the asset or liability
- b. Restrictions, if any, on the sale or use of the asset at the measurement date. [Content amended as shown and moved from paragraph 820-10-35-19]

820-10-35-2C The effect on a fair value measurement of a restriction on the sale or use of an asset by a reporting entity. The effect on the measurement arising from a particular characteristic will differ depending on how whether the restriction that characteristic would be considered taken into account by market

~~participants~~ participants in pricing the asset. Example 6 (see paragraph 820-10-55-54) Paragraph 820-10-55-51 illustrates a restriction's effect on fair value measurement. **[Content amended as shown and moved from paragraph 820-10-35-15]**

820-10-35-2D The asset or liability measured at fair value might be either of the following:

- a. A standalone asset or liability (for example, a **{add glossary link}** financial instrument **{add glossary link}** or ~~an operating~~ nonfinancial asset)
- b. A group of assets ~~and/or, a group of liabilities, or a group of assets and liabilities~~ (for example, ~~an asset group,~~ a reporting unit, unit or a business). **[Content amended as shown and moved from paragraph 820-10-35-21]**

820-10-35-2E Whether the asset or liability is a standalone asset or ~~liability, liability, or a group of assets and/or assets,~~ liability, or a group of assets and liabilities for recognition or disclosure purposes depends on its **unit of account**. The unit of account for the asset or liability shall be determined in accordance with ~~the provisions of other accounting principles,~~ the Topic that requires or permits the fair value measurement, except as provided in ~~paragraph 820-10-35-44, this Topic,~~ **[Content amended as shown and moved from paragraph 820-10-35-22]**

9. Amend paragraph 820-10-35-3 and its related heading, with a link to transition paragraph 820-10-65-8, as follows:

>> The Price

> > The Transaction

820-10-35-3 A fair value measurement assumes that the asset or liability is exchanged in an **{remove glossary link}** orderly transaction **{remove glossary link}** between market participants to sell the asset or transfer the liability at the measurement date under current market conditions. ~~The transaction to sell the asset or transfer the liability is a hypothetical transaction at the measurement date, considered from the perspective of a market participant that holds the asset or owes the liability.~~ **[Content amended and moved to paragraph 820-10-35-6C]** ~~Therefore, the objective of a fair value measurement is to determine the price that would be received to sell the asset or paid to transfer the liability at the measurement date (an exit price).~~ **[Content amended and moved to paragraph 820-10-05-1B]**

10. Supersede paragraph 820-10-35-4, with a link to transition paragraph 820-10-65-8, as follows:

820-10-35-4 Paragraph superseded by Accounting Standards Update 2011-04. As discussed in paragraph 820-10-30-4, if the transaction price represents fair

~~value at initial recognition and a pricing model will be used to measure fair value in subsequent periods, the model should be calibrated so that the model value at initial recognition equals the transaction price.~~

11. Amend paragraph 820-10-35-5 and supersede its related heading, with a link to transition paragraph 820-10-65-8, as follows:

>> The Principal (or Most Advantageous) Market

820-10-35-5 A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a. ~~Occurs in~~ the principal market for the asset or liability
- b. In the absence of a principal market, ~~occurs in~~ the most advantageous market for the asset or liability.

~~In either case, the principal (or most advantageous) market (and thus, market participants) should be considered from the perspective of the reporting entity, thereby allowing for differences between and among entities with different activities. [Content amended and moved to paragraph 820-10-35-6A]~~

12. Add paragraph 820-10-35-5A, with a link to transition paragraph 820-10-65-8, as follows:

820-10-35-5A A reporting entity need not undertake an exhaustive search of all possible markets to identify the principal market or, in the absence of a principal market, the most advantageous market, but it shall take into account all information that is reasonably available. In the absence of evidence to the contrary, the market in which the reporting entity normally would enter into a transaction to sell the asset or to transfer the liability is presumed to be the principal market or, in the absence of a principal market, the most advantageous market.

13. Amend paragraph 820-10-35-6, with a link to transition paragraph 820-10-65-8, as follows:

820-10-35-6 If there is a principal market for the asset or liability, the fair value measurement shall represent the price in that market (whether that price is directly observable or ~~otherwise determined~~ estimated using another valuation technique), even if the price in a different market is potentially more advantageous at the measurement date.

14. Add paragraphs 820-10-35-6A through 35-6C, with a link to transition paragraph 820-10-65-8, as follows:

820-10-35-6A The reporting entity must have access to the principal (or most advantageous) market at the measurement date. Because different entities (and businesses within those entities) with different activities may have access to different markets, the principal (or most advantageous) market for the same asset or liability might be different for different entities (and businesses within

~~those entities). In either case, Therefore,~~ the principal (or most advantageous) market (and thus, market participants) ~~should~~shall be considered from the perspective of the reporting entity, thereby allowing for differences between and among entities with different activities. **[Content amended as shown and moved from paragraph 820-10-35-5]**

820-10-35-6B ~~Although a reporting entity must be able to access the market, the reporting entity does not need to be able to sell the particular asset or transfer the particular liability on the measurement date to be able to measure fair value on the basis of the price in that market.~~

820-10-35-6C ~~The transaction to sell the asset or transfer the liability is a hypothetical transaction at the measurement date. Even when there is no observable market to provide pricing information about the sale of an asset or the transfer of a liability at the measurement date, a fair value measurement shall assume that a transaction takes place at that date, considered from the perspective of a market participant that holds the asset or owes the liability. That assumed transaction establishes a basis for estimating the price to sell the asset or to transfer the liability.~~

15. Supersede paragraphs 820-10-35-7 through 35-8, with a link to transition paragraph 820-10-65-8, as follows:

820-10-35-7 ~~Paragraph superseded by Accounting Standards Update 2011-04. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for **transaction costs**. Transaction costs shall be accounted for in accordance with the provisions of other Subtopics. **[Content amended and moved to paragraph 820-10-35-9B]**~~

820-10-35-8 ~~Paragraph superseded by Accounting Standards Update 2011-04. If location is an attribute of the asset or liability (as might be the case for a commodity), the price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall be adjusted for the costs, if any, that would be incurred to transport the asset or liability to (or from) its principal (or most advantageous) market. **[Content amended and moved to paragraph 820-10-35-9C]**~~

16. Amend paragraph 820-10-35-9, with a link to transition paragraph 820-10-65-8, as follows:

> > Market Participants

820-10-35-9 ~~A reporting entity shall measure The~~the fair value of ~~the~~an asset or a liability ~~shall be determined based on~~using the assumptions that market participants would use in pricing the asset or liability, assuming that market participants act in their economic best interest. In developing those assumptions, ~~the~~the reporting entity need not identify specific market participants. Rather, the

reporting entity ~~should~~shall identify characteristics that distinguish market participants generally, considering factors specific to all of the following:

- a. The asset or liability
- b. The principal (or most advantageous) market for the asset or liability
- c. Market participants with whom the reporting entity would ~~transact~~enter into a transaction in that market.

17. Add paragraphs 820-10-35-9A through 35-9C and their related heading, with a link to transition paragraph 820-10-65-8, as follows:

> > The Price

820-10-35-9A Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (that is, an **exit price**) regardless of whether that price is directly observable or estimated using another valuation technique.

820-10-35-9B The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for **transaction costs**. Transaction costs shall be accounted for in accordance with ~~the provisions of other Subtopics~~Topics. **[Content amended as shown and moved from paragraph 820-10-35-7]** Transaction costs are not an ~~attribute~~characteristic of ~~the~~an asset or a liability; rather, they are specific to ~~the~~a transaction and will differ depending on how ~~the~~a reporting entity ~~transacts~~enters into a transaction for the asset or liability. **[Content amended as shown and moved from Master Glossary]**

820-10-35-9C Transaction costs do not include **transportation costs**. If location is an ~~attribute~~characteristic of the asset or liability (as might be the case, for example, for a commodity), the price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall be adjusted for the costs, if any, that would be incurred to transport the asset from its ~~current location to that~~or liability to (or from) its principal (or most advantageous) market. **[Content amended as shown and moved from paragraph 820-10-35-8]**

18. Supersede paragraph 820-10-35-10 and amend the heading preceding it, with a link to transition paragraph 820-10-65-8, as follows:

> > Application to Nonfinancial Assets

820-10-35-10 Paragraph superseded by Accounting Standards Update 2011-04. A fair value measurement assumes the **highest and best use** of the asset by market participants, considering the use of the asset that is physically possible, legally permissible, and financially feasible at the measurement date. **[Content amended and moved to paragraph 820-10-35-10B]** Highest and best use is determined based on the use of the asset by market participants, even if the intended use of the asset by the reporting entity is different. **[Content amended**

and moved to paragraph 820-10-35-10C] The highest and best use of the asset establishes the valuation premise used to measure the fair value of the asset, specifically:

- a. ~~In use. The highest and best use of the asset is in use if the asset would provide maximum value to market participants principally through its use in combination with other assets as a group (as installed or otherwise configured for use). [Content amended and moved to paragraph 820-10-35-10E]. For example, that might be the case for certain nonfinancial assets.~~
- b. ~~In exchange. The highest and best use of the asset is in exchange if the asset would provide maximum value to market participants principally on a standalone basis. [Content amended and moved to paragraph 820-10-35-10E]. For example, that might be the case for a financial asset.~~

19. Add paragraphs 820-10-35-10A through 35-10E and their related headings, with a link to transition paragraph 820-10-65-8, as follows:

> > Highest and Best Use for Nonfinancial Assets

820-10-35-10A A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its **highest and best use** or by selling it to another market participant that would use the asset in its highest and best use.

820-10-35-10B The highest and best use of a nonfinancial asset takes into account the use ~~A fair value measurement assumes the **highest and best use** of the asset by market participants, considering the use of the asset that is physically possible, legally permissible, and financially feasible, as follows: at the measurement date. [Content amended as shown and moved from paragraph 820-10-35-10]~~

- a. A use that is physically possible takes into account the physical characteristics of the asset that market participants would take into account when pricing the asset (for example, the location or size of a property).
- b. A use that is legally permissible takes into account any legal restrictions on the use of the asset that market participants would take into account when pricing the asset (for example, the zoning regulations applicable to a property).
- c. A use that is financially feasible takes into account whether a use of the asset that is physically possible and legally permissible generates adequate income or cash flows (taking into account the costs of converting the asset to that use) to produce an investment return that market participants would require from an investment in that asset put to that use.

820-10-35-10C Highest and best use is determined from the perspective of ~~based on the use of the asset by~~ market participants, even if ~~the intended use of the asset by the reporting entity intends a different use.~~ **[Content amended as shown and moved from paragraph 820-10-35-10]** However, a reporting entity's current use of a nonfinancial asset is presumed to be its highest and best use unless market or other factors suggest that a different use by market participants would maximize the value of the asset.

820-10-35-10D To protect its competitive position, or for other reasons, a reporting entity may intend not to use an acquired nonfinancial asset actively, or it may intend not to use the asset according to its highest and best use. For example, that might be the case for an acquired intangible asset that the reporting entity plans to use defensively by preventing others from using it. Nevertheless, the reporting entity shall measure the fair value of a nonfinancial asset assuming its highest and best use by market participants.

> > Valuation Premise for Nonfinancial Assets

820-10-35-10E The highest and best use of ~~the a~~ nonfinancial asset establishes the valuation premise used to measure the fair value of the asset, as follows specifically:

- a. ~~In use.~~ The highest and best use of ~~the a~~ nonfinancial asset is ~~in use~~ if ~~the asset would~~ might provide maximum value to market participants principally through its use in combination with other assets as a group (as installed or otherwise configured for use) or in combination with other assets and liabilities (for example, a business). **[Content amended as shown and moved from paragraph 820-10-35-10]**
 1. ~~If the highest and best use of the asset is in use, the fair value of the asset shall be measured using an in-use valuation premise to use the asset in combination with other assets or with other assets and liabilities. When using an in-use valuation premise, the fair value of the asset is determined based on the price that would be received in a current transaction to sell the asset assuming that the asset would be used with other assets as a group or with other assets and liabilities and that those assets and liabilities (that is, its complementary assets and the associated liabilities) would be available to market participants.~~ **[Content amended as shown and moved from paragraph 820-10-35-12]**
 2. Liabilities associated with the asset and with the complementary assets include liabilities that fund working capital, but do not include liabilities used to fund assets other than those within the group of assets.
 3. Generally, assumptions ~~Assumptions~~ about the highest and best use of ~~the a~~ nonfinancial asset ~~should~~ shall be consistent for all of the assets (for which highest and best use is relevant) of the group of assets or the group of assets and liabilities within which ~~it the~~

asset would be used. **[Content amended as shown and moved from paragraph 820-10-35-12]**

- b. ~~In-exchange.~~ The highest and best use of ~~the~~ nonfinancial asset is ~~in-exchange if the asset would~~ might provide maximum value to market participants ~~principally~~ on a standalone basis. **[Content amended as shown and moved from paragraph 820-10-35-10]** If the highest and best use of the asset is ~~in-exchange,~~ to use it on a standalone basis, the fair value of the asset shall be measured using an ~~in-exchange valuation~~ in-exchange valuation premise. When using an ~~in-exchange valuation~~ in-exchange valuation premise, the fair value of the asset is ~~determined based on the price that would be received in a current transaction to sell the asset to market participants that would use the asset on a standalone basis.~~ **[Content amended as shown and moved from paragraph 820-10-35-13]**

20. Supersede paragraph 820-10-35-11, with a link to transition paragraph 820-10-65-8, as follows:

820-10-35-11 Paragraph superseded by Accounting Standards Update 2011-04. Because the highest and best use of the asset is determined based on its use by market participants, the fair value measurement considers the assumptions that market participants would use in pricing the asset, whether using an in-use or an in-exchange valuation premise.

21. Add paragraph 820-10-35-11A, with a link to transition paragraph 820-10-65-8, as follows:

820-10-35-11A The fair value measurement of a nonfinancial asset assumes that the asset is sold consistent with the unit of account specified in other Topics (which may be an individual asset). That is the case even when that fair value measurement assumes that the highest and best use of the asset is to use it in combination with other assets or with other assets and liabilities because a fair value measurement assumes that the market participant already holds the complementary assets and associated liabilities.

22. Supersede paragraphs 820-10-35-12 through 35-13, with a link to transition paragraph 820-10-65-8, as follows:

820-10-35-12 Paragraph superseded by Accounting Standards Update 2011-04. If the highest and best use of the asset is in-use, the fair value of the asset shall be measured using an in-use valuation premise. When using an in-use valuation premise, the fair value of the asset is determined based on the price that would be received in a current transaction to sell the asset assuming that the asset would be used with other assets as a group and that those assets would be available to market participants. **[Content amended and moved to paragraph 820-10-35-10E(a)(1)]** Generally, assumptions about the highest and best use of the asset should be consistent for all of the assets of the group within which it would be used. **[Content amended and moved to paragraph 820-10-35-10E(a)(3)]** The fair value of an asset in use is determined based on the use of the

~~asset together with other assets as a group (consistent with its highest and best use from the perspective of market participants), even if the asset that is the subject of the measurement is aggregated (or disaggregated) at a different level for purposes of applying other guidance.~~

~~**820-10-35-13** Paragraph superseded by Accounting Standards Update 2011-04. If the highest and best use of the asset is in exchange, the fair value of the asset shall be measured using an in-exchange valuation premise. When using an in-exchange valuation premise, the fair value of the asset is determined based on the price that would be received in a current transaction to sell the asset standalone. [Content amended and moved to paragraph 820-10-35-10E(b)]~~

23. Amend paragraph 820-10-35-14, with a link to transition paragraph 820-10-65-8, as follows:

~~**820-10-35-14** Example 1 (see paragraph 820-10-55-25) Paragraph 820-10-55-25 illustrates the application of the highest and best use and valuation premise of highest and best use concepts for nonfinancial assets.~~

24. Supersede paragraph 820-10-35-15, with a link to transition paragraph 820-10-65-8, as follows:

~~**820-10-35-15** Paragraph superseded by Accounting Standards Update 2011-04. The effect on a fair value measurement of a restriction on the sale or use of an asset by a reporting entity will differ depending on whether the restriction would be considered by market participants in pricing the asset. Example 6 (see paragraph 820-10-55-51) illustrates a restriction's effect on fair value measurement. [Content amended and moved to paragraph 820-10-35-2C]~~

820-10-35-15A Paragraph not used.

25. Amend paragraphs 820-10-35-16 through 35-16A, 820-10-35-16B, 820-10-35-16D, and related headings, add paragraphs 820-10-35-16AA and 820-10-35-16BB, and supersede paragraph 820-10-35-16C, with a link to transition paragraph 820-10-65-8, as follows:

> > Application to Liabilities and Instruments Classified in a Reporting Entity's Shareholders' Equity

> > > General Principles

~~**820-10-35-16** A fair value measurement assumes both of the following: The that a financial or nonfinancial liability or an instrument classified in a reporting entity's shareholders' equity (for example, equity interests issued as consideration in a business combination) is transferred to a market participant at the measurement date (the liability to the counterparty continues; it is not settled). The transfer of a liability or an instrument classified in a reporting entity's shareholders' equity assumes the following: [Content amended as shown and moved from paragraph 820-10-35-16(a)]~~

- a. Subparagraph superseded by Accounting Standards Update 2011-04. The liability is transferred to a market participant at the measurement date (the liability to the counterparty continues; it is not settled). [Content amended and moved to paragraph 820-10-35-16]
- b. The ~~nonperformance risk~~ relating to that liability is the same before and after its transfer. A liability would remain outstanding and the market participant transferee would be required to fulfill the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date.
- c. An instrument classified in a reporting entity's shareholders' equity would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

820-10-35-16A A fair value measurement assumes that a liability is exchanged in an orderly transaction between market participants. However, liabilities are rarely transferred in the marketplace because of contractual or other legal restrictions preventing the transfer of liabilities. Some liabilities (for example, debt obligations), however, are traded in the marketplace as assets. Even when there is no observable market to provide pricing information about the transfer of a liability or an instrument classified in a reporting entity's shareholders' equity (for example, because contractual or other legal restrictions prevent the transfer of such items), there might be an observable market for such items if they are held by other parties as assets (for example, a corporate bond or a call option on a reporting entity's shares).

820-10-35-16AA In all instances, ~~the cases, a~~ reporting entity shall maximize the use of relevant {add glossary link}observable inputs{add glossary link} and minimize the use of {add glossary link}unobservable inputs{add glossary link} to meet the objective of a fair value measurement, which is to estimate the price at which an orderly transaction to transfer the liability or instrument classified in shareholders' equity would take place between market participants at the measurement date under current market conditions. [Content amended as shown and moved from paragraph 820-10-35-16C]

> > > Liabilities and Instruments Classified in a Reporting Entity's Shareholders' Equity Held by Other Parties as Assets

820-10-35-16B ~~When~~ a quoted price in an active market for the transfer of an identical or a similar liability or instrument classified in a reporting entity's shareholders' equity is not available, it represents a Level 1 measurement. In circumstances in which a quoted price in an active market for the identical liability is not available, and the identical item is held by another party as an asset, a reporting entity shall measure fair value using one or more of the following techniques: the fair value of the liability or equity instrument from the perspective

of a market participant that holds the identical item as an asset at the measurement date.

- a. Subparagraph superseded by Accounting Standards Update 2011-04. A valuation technique that uses:
 - 1. The quoted price of the identical liability when traded as an asset
 - 2. Quoted prices for similar liabilities or similar liabilities when traded as assets.
- b. Subparagraph superseded by Accounting Standards Update 2011-04. Another valuation technique that is consistent with the principles of this Topic. Two examples would be an income approach, such as a present value technique, or a market approach, such as a technique that is based on the amount at the measurement date that the reporting entity would pay to transfer the identical liability or would receive to enter into the identical liability.

820-10-35-16BB In such cases, a reporting entity shall measure the fair value of the liability or equity instrument as follows:

- a. Using the quoted price in an active market for the identical item held by another party as an asset, if that price is available
- b. If that price is not available, using other observable inputs, such as the quoted price in a market that is not active for the identical item held by another party as an asset
- c. If the observable prices in (a) and (b) are not available, using another valuation technique, such as:
 - 1. An income approach (for example, a present value technique that takes into account the future cash flows that a market participant would expect to receive from holding the liability or equity instrument as an asset; see paragraph 820-10-55-3F)
 - 2. A market approach (for example, using quoted prices for similar liabilities or instruments classified in shareholders' equity held by other parties as assets; see paragraph 820-10-55-3A).

820-10-35-16C Paragraph superseded by Accounting Standards Update 2011-04. In all instances, the reporting entity shall maximize the use of relevant observable inputs and minimize the use of unobservable inputs. [Content amended and moved to paragraph 820-10-35-16AA] Furthermore, a reporting entity shall apply all applicable guidance in this Topic in determining fair value when the volume and level of activity for an asset or liability have significantly decreased and in identifying transactions that are not orderly.

820-10-35-16D When measuring the fair value of a liability using the quoted price of the liability when traded as an asset, the reporting entity shall not adjust the quoted price of the asset for the effect of a restriction preventing its sale. However, A reporting entity shall adjust the quoted price of the liability when traded a liability or an instrument classified in a reporting entity's shareholders' equity held by another party as an asset shall be adjusted for only if there are

factors specific to the asset that are not applicable to the fair value measurement of the liability or equity instrument. A reporting entity shall ensure that the price of the asset does not reflect the effect of a restriction preventing the sale of that asset. Some circumstances in which a reporting entity shall consider whether factors that may indicate that the quoted price of the asset should be adjusted include the following:

- a. The quoted price for the asset relates to a similar (but not identical) liability traded as an asset, or equity instrument held by another party as an asset. For example, the liability or equity instrument may have a particular characteristic (for example, the credit quality of the issuer) that is different from that reflected in the fair value of the similar liability or equity instrument held as an asset.
- b. The unit of account for the asset is not the same as for the liability or equity instrument. ~~(For example, for liabilities, in some cases the quoted price for the asset reflects a combined price for a package comprising both the amounts due from the issuer and includes the effect of a third-party credit enhancement).~~enhancement. If the unit of account for the liability is not for the combined package, the objective is to measure the fair value of the issuer's liability, not the fair value of the combined package. Thus, in such cases, the reporting entity would adjust the observed price for the asset to exclude the effect of the third-party credit enhancement. See paragraph 820-10-35-18A for further guidance.

26. Supersede paragraphs 820-10-35-16E through 35-16G, with a link to transition paragraph 820-10-65-8, as follows:

820-10-35-16E Paragraph superseded by Accounting Standards Update 2011-04. ~~When estimating the fair value of a liability, a reporting entity shall not include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability (see paragraphs 820-10-55-71 through 55-76). The effect of a restriction that prevents the transfer of a liability is either implicitly or explicitly already included in the other inputs to the fair value measurement. [Content amended and moved to paragraph 820-10-35-18B]~~ For example, at the transaction date, both the creditor and the obligor are willing to accept the transaction price for the liability with full knowledge that the obligation includes a restriction that prevents its transfer. As a result of the restriction already being included in the transaction price, a separate input or adjustment to an existing input into the fair value measurement of a liability is not required at the transaction date to reflect the effect of the restriction on transfer. Additionally, a separate input or adjustment to other inputs into the fair value measurement of a liability is not required at subsequent measurement dates to reflect the effect of the restriction on transfer. **[Content amended and moved to paragraph 820-10-35-18C]**

~~820-10-35-16F Paragraph superseded by Accounting Standards Update 2011-04. In addition, there are two fundamental differences between the fair value measurement of an asset and a liability that justify different treatments for asset restrictions and for liability restrictions. First, restrictions on the transfer of a liability relate to performance under the obligation (that is, the reporting entity is legally obligated to satisfy the obligation and needs to do something to be relieved of the obligation), whereas restrictions on the transfer of an asset relate to the marketability of the asset. Second, virtually all liabilities include a restriction preventing the transfer of the liability, whereas most assets do not include a similar restriction. As a result, the effect of a restriction preventing the transfer of a liability would, theoretically, be consistent for all liabilities. However, the inclusion of a restriction preventing the sale of the asset typically results in a lower fair value for the restricted asset versus the nonrestricted asset, all other factors being equal.~~

~~820-10-35-16G Paragraph superseded by Accounting Standards Update 2011-04. When measuring the fair value of a liability using a valuation technique, a reporting entity shall ensure that the fair value measurement is consistent with the principles of this Topic, that is, the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. For example, when using a technique based on the amount at the measurement date that the reporting entity would receive to enter into the identical liability (see paragraph 820-10-35-16B), the inputs shall reflect the assumptions that market participants would use (or the reporting entity's own assumption about the assumptions that market participants would use) in the principal or most advantageous market for issuance of a liability with the same contractual terms. [Content amended and moved to paragraph 820-10-35-16(b)]~~

27. Add paragraphs 820-10-35-16H through 35-16L and their related heading, with a link to transition paragraph 820-10-65-8, as follows:

>>> Liabilities and Instruments Classified in a Reporting Entity's Shareholders' Equity Not Held by Other Parties as Assets

820-10-35-16H When a quoted price for the transfer of an identical or a similar liability or instrument classified in a reporting entity's shareholders' equity is not available and the identical item is not held by another party as an asset, a reporting entity shall measure the fair value of the liability or equity instrument using a valuation technique from the perspective of a market participant that owes the liability or has issued the claim on equity.

820-10-35-16I For example, when applying a present value technique, a reporting entity might take into account either of the following:

- a. The future cash outflows that a market participant would expect to incur in fulfilling the obligation, including the compensation that a market

participant would require for taking on the obligation (see paragraphs 820-10-35-16J through 35-16K).

- b. For example, when using a technique based on the amount at the measurement date that the reporting entity would receive to enter into the identical liability (see paragraph 820-10-35-16B), the inputs shall reflect the assumptions that~~The amount that a market participant~~participant would use (or the reporting entity's own assumption about the assumptions that market participants would use) receive to enter into or issue an identical liability or equity instrument, using the assumptions that market participants would use when pricing the identical item (for example, having the same credit characteristics) in the principal or most advantageous market for issuance of (or most advantageous) market for issuing a liability or an equity instrument with the same contractual terms. [Content amended as shown and moved from paragraph 820-10-35-16G]

820-10-35-16J When using a present value technique to measure the fair value of a liability that is not held by another party as an asset (for example, an asset retirement obligation), a reporting entity shall, among other things, estimate the future cash outflows that market participants would expect to incur in fulfilling the obligation. Those future cash outflows shall include market participants' expectations about the costs of fulfilling the obligation and the compensation that a market participant would require for taking on the obligation. Such compensation includes the return that a market participant would require for the following:

- a. Undertaking the activity (that is, the value of fulfilling the obligation—for example, by using resources that could be used for other activities)
- b. Assuming the risk associated with the obligation (that is, a **risk premium** that reflects the risk that the actual cash outflows might differ from the expected cash outflows; see paragraph 820-10-35-16L).

820-10-35-16K For example, a nonfinancial liability does not contain a contractual rate of return and there is no observable market yield for that liability. In some cases, the components of the return that market participants would require will be indistinguishable from one another (for example, when using the price a third-party contractor would charge on a fixed-fee basis). In other cases, a reporting entity needs to estimate those components separately (for example, when using the price a third-party contractor would charge on a cost-plus basis because the contractor in that case would not bear the risk of future changes in costs).

820-10-35-16L A reporting entity can include a risk premium in the fair value measurement of a liability or an instrument classified in a reporting entity's shareholders' equity that is not held by another party as an asset in one of the following ways:

- a. By adjusting the cash flows (that is, as an increase in the amount of cash outflows)
- b. By adjusting the rate used to discount the future cash flows to their present values (that is, as a reduction in the discount rate).

A reporting entity shall ensure that it does not double count or omit adjustments for risk. For example, if the estimated cash flows are increased to take into account the compensation for assuming the risk associated with the obligation, the discount rate should not be adjusted to reflect that risk.

28. Amend paragraphs 820-10-35-17 through 35-18A, add a related heading, and supersede a related heading, with a link to transition paragraph 820-10-65-8, as follows:

> > Nonperformance Risk

820-10-35-17 The fair value of the liability shall reflect the nonperformance risk relating to that liability, reflects the effect of **nonperformance risk**. Nonperformance risk includes, but may not be limited to, a reporting entity's own **credit risk**. Nonperformance risk is assumed to be the same before and after the transfer of the liability.

820-10-35-18 When measuring the fair value of a liability, a reporting entity shall ~~consider~~ take into account the effect of its credit risk (credit standing) and any other factors that might influence the likelihood that the obligation will or will not be fulfilled, on the fair value of the liability in all periods in which the liability is measured at fair value. That effect may differ depending on the liability, for example:

- a. Whether the liability is an obligation to deliver cash (a financial liability) or an obligation to deliver goods or services (a nonfinancial liability)
- b. The terms of credit enhancements related to the liability, if any.

Example 7 (see paragraph 820-10-55-56) Paragraph 820-10-55-56 illustrates the effect of credit risk on the fair value measurement of a liability.

> > > Liability Issued with an Inseparable Third-Party Credit Enhancement

820-10-35-18A The fair value of a liability reflects the effect of nonperformance risk on the basis of its unit of account. In accordance with Topic 825, ~~the~~ the issuer of a **{add glossary link} liability issued with an inseparable third-party credit enhancement {add glossary link}** that is accounted for separately from the liability with the characteristics set forth in paragraph 820-10-25-4 shall not include the effect of the credit enhancement (for example, a third-party guarantee of debt) in the fair value measurement of the liability. ~~For the issuer, the unit of accounting for a liability measured or disclosed at fair value does not include the third-party credit enhancement. This paragraph does not apply to the holder of the issuer's credit-enhanced liability.~~ **[Content amended and moved to paragraph 825-10-25-13]** ~~For example, in determining the fair value of debt with~~

~~a third-party guarantee. If the credit enhancement is accounted for separately from the liability, the issuer would consider take into account its own credit standing and not that of the third-party guarantor when measuring the fair value of the liability. [Content amended as shown and moved from paragraph 820-10-55-23D]~~

29. Add paragraphs 820-10-35-18B through 35-18L and their related headings, with a link to transition paragraph 820-10-65-8, as follows:

> > Restriction Preventing the Transfer of a Liability or an Instrument Classified in a Reporting Entity's Shareholders' Equity

820-10-35-18B ~~When estimating measuring the fair value of a liability or an instrument classified in a reporting entity's shareholders' equity, a reporting entity shall not include a separate input or an adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the item liability (see paragraphs 820-10-55-74 through 55-76). The effect of a restriction that prevents the transfer of a liability or an instrument classified in a reporting entity's shareholders' equity is either implicitly or explicitly already included in the other inputs to the fair value measurement. [Content amended as shown and moved from paragraph 820-10-35-16E]~~

820-10-35-18C ~~For example, at the transaction date, both the creditor and the obligor are willing to accept accepted the transaction price for the liability with full knowledge that the obligation includes a restriction that prevents its transfer. As a result of the restriction already being included in the transaction price, a separate input or an adjustment to an existing input into the fair value measurement of a liability is not required at the transaction date to reflect the effect of the restriction on transfer. Additionally Similarly, a separate input or an adjustment to other inputs into the fair value measurement of a liability an existing input is not required at subsequent measurement dates to reflect the effect of the restriction on transfer. [Content amended as shown and moved from paragraph 820-10-35-16E]~~

> > Application to Financial Assets and Financial Liabilities with Offsetting Positions in Market Risks or Counterparty Credit Risk

820-10-35-18D A reporting entity that holds a group of financial assets and financial liabilities is exposed to market risks (that is, interest rate risk, currency risk, or other price risk) and to the credit risk of each of the counterparties. If the reporting entity manages that group of financial assets and financial liabilities on the basis of its net exposure to either market risks or credit risk, the reporting entity is permitted to apply an exception to this Topic for measuring fair value. That exception permits a reporting entity to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (that is, an asset) for a particular risk exposure or to transfer a net short position (that is, a liability) for a

particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions. Accordingly, a reporting entity shall measure the fair value of the group of financial assets and financial liabilities consistently with how market participants would price the net risk exposure at the measurement date.

820-10-35-18E A reporting entity is permitted to use the exception in the preceding paragraph only if the reporting entity does all of the following:

- a. Manages the group of financial assets and financial liabilities on the basis of the reporting entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the reporting entity's documented risk management or investment strategy
- b. Provides information on that basis about the group of financial assets and financial liabilities to the reporting entity's management
- c. Is required or has elected to measure those financial assets and financial liabilities at fair value in the statement of financial position at the end of each reporting period.

820-10-35-18F The exception in paragraph 820-10-35-18D does not pertain to financial statement presentation. In some cases, the basis for the presentation of financial instruments in the statement of financial position differs from the basis for the measurement of financial instruments, for example, if a Topic does not require or permit financial instruments to be presented on a net basis. In such cases, a reporting entity may need to allocate the portfolio-level adjustments (see paragraphs 820-10-35-18I through 35-18L) to the individual assets or liabilities that make up the group of financial assets and financial liabilities managed on the basis of the reporting entity's net risk exposure. A reporting entity shall perform such allocations on a reasonable and consistent basis using a methodology appropriate in the circumstances.

820-10-35-18G A reporting entity shall make an accounting policy decision to use the exception in paragraph 820-10-35-18D. A reporting entity that uses the exception shall apply that accounting policy, including its policy for allocating bid-ask adjustments (see paragraphs 820-10-35-18I through 35-18K) and credit adjustments (see paragraph 820-10-35-18L), if applicable, consistently from period to period for a particular portfolio.

820-10-35-18H The exception in paragraph 820-10-35-18D applies only to financial assets and financial liabilities within the scope of Topic 815 or Topic 825.

> > Exposure to Market Risks

820-10-35-18I When using the exception in paragraph 820-10-35-18D to measure the fair value of a group of financial assets and financial liabilities managed on the basis of the reporting entity's net exposure to a particular market

risk (or risks), the reporting entity shall apply the price within the bid-ask spread that is most representative of fair value in the circumstances to the reporting entity's net exposure to those market risks (see paragraphs 820-10-35-36C through 35-36D).

820-10-35-18J When using the exception in paragraph 820-10-35-18D, a reporting entity shall ensure that the market risk (or risks) to which the reporting entity is exposed within that group of financial assets and financial liabilities is substantially the same. For example, a reporting entity would not combine the interest rate risk associated with a financial asset with the commodity price risk associated with a financial liability, because doing so would not mitigate the reporting entity's exposure to interest rate risk or commodity price risk. When using the exception in paragraph 820-10-35-18D, any basis risk resulting from the market risk parameters not being identical shall be taken into account in the fair value measurement of the financial assets and financial liabilities within the group.

820-10-35-18K Similarly, the duration of the reporting entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities shall be substantially the same. For example, a reporting entity that uses a 12-month futures contract against the cash flows associated with 12 months' worth of interest rate risk exposure on a 5-year financial instrument within a group made up of only those financial assets and financial liabilities measures the fair value of the exposure to 12-month interest rate risk on a net basis and the remaining interest rate risk exposure (that is, years 2 through 5) on a gross basis.

> > > Exposure to the Credit Risk of a Particular Counterparty

820-10-35-18L When using the exception in paragraph 820-10-35-18D to measure the fair value of a group of financial assets and financial liabilities entered into with a particular counterparty, the reporting entity shall include the effect of the reporting entity's net exposure to the credit risk of that counterparty or the counterparty's net exposure to the credit risk of the reporting entity in the fair value measurement when market participants would take into account any existing arrangements that mitigate credit risk exposure in the event of default (for example, a master netting agreement with the counterparty or an agreement that requires the exchange of collateral on the basis of each party's net exposure to the credit risk of the other party). The fair value measurement shall reflect market participants' expectations about the likelihood that such an arrangement would be legally enforceable in the event of default.

30. Supersede paragraphs 820-10-35-19 through 35-23 and their related heading, with a link to transition paragraph 820-10-65-8, as follows:

>> The Asset or Liability

820-10-35-19 Paragraph superseded by Accounting Standards Update 2011-04. A fair value measurement is for a particular asset or liability. Therefore, the measurement should consider attributes specific to the asset or liability, for example:

- a. The condition and/or location of the asset or liability
- b. Restrictions, if any, on the sale or use of the asset at the measurement date. **[Content amended and moved to paragraph 820-10-35-2B]**

820-10-35-20 Paragraph superseded by Accounting Standards Update 2011-04. The definition of fair value focuses on assets and liabilities because they are a primary subject of accounting measurement. However, the definition of fair value also shall be applied to instruments measured at fair value that are classified in stockholders' equity. **[Content amended and moved to paragraph 820-10-05-1D]**

820-10-35-21 Paragraph superseded by Accounting Standards Update 2011-04. The asset or liability might be either of the following:

- a. A standalone asset or liability (for example, a financial instrument or an operating asset)
- b. A group of assets and/or liabilities (for example, an asset group, a reporting unit, or a business). **[Content amended and moved to paragraph 820-10-35-2D]**

820-10-35-22 Paragraph superseded by Accounting Standards Update 2011-04. Whether the asset or liability is a standalone asset or liability or a group of assets and/or liabilities depends on its **unit of account**. The unit of account for the asset or liability shall be determined in accordance with the provisions of other accounting principles, except as provided in paragraph 820-10-35-44. **[Content amended and moved to paragraph 820-10-35-2E]**

820-10-35-23 Paragraph superseded by Accounting Standards Update 2011-04. Example 6 (see paragraph 820-10-55-51) illustrates a restriction's effect on fair value measurement.

31. Amend paragraph 820-10-35-24, with a link to transition paragraph 820-10-65-8, as follows:

> Valuation Techniques

820-10-35-24 A reporting entity shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available shall be used to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. In some cases, a single valuation technique will be appropriate (for example, when valuing an asset or liability using quoted prices in an **active market** for identical assets or liabilities). In other

cases, multiple valuation techniques will be appropriate (for example, as might be the case when valuing a reporting unit). If multiple valuation techniques are used to measure fair value, the results (respective indications of fair value) shall be evaluated and weighted, as appropriate, considering the reasonableness of the range indicated by those results. A fair value measurement is the point within that range that is most representative of fair value in the circumstances. Example 3 (see paragraph 820-10-55-35) illustrates the use of multiple valuation techniques. **[Content amended and moved to paragraph 820-10-35-24B]**

32. Add paragraphs 820-10-35-24A through 35-24C, with a link to transition paragraph 820-10-65-8, as follows:

820-10-35-24A The objective of using a valuation technique is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Three widely used valuation techniques consistent with the market approach, cost approach, and income approach, and/or cost approach shall be used to measure fair value. The definitions and key aspects of those approaches follow are summarized in paragraphs 820-10-55-3A through 55-3G. An entity shall use valuation techniques consistent with one or more of those approaches to measure fair value. **[Content amended as shown and moved from paragraph 820-10-35-28]**

820-10-35-24B In some cases, a single valuation technique will be appropriate (for example, when valuing an asset or a liability using quoted prices in an **active market** for identical assets or liabilities). In other cases, multiple valuation techniques will be appropriate (for example, ~~as that~~ might be the case when valuing a reporting unit). If multiple valuation techniques are used to measure fair value, the results (~~that is,~~ respective indications of fair value) shall be evaluated ~~and weighted, as appropriate,~~ considering the reasonableness of the range of values indicated by those results. A fair value measurement is the point within that range that is most representative of fair value in the circumstances. ~~Example 3 (see paragraph 820-10-55-35)~~ Paragraph 820-10-55-35 illustrates the use of multiple valuation techniques. **[Content amended as shown and moved from paragraph 820-10-35-24]**

820-10-35-24C If the transaction price represents fair value at initial recognition and a pricing model valuation technique that uses unobservable inputs will be used to measure fair value in subsequent periods, the model valuation technique shall be calibrated so that the model value at initial recognition the result of the valuation technique equals the transaction price. **[Content amended as shown and moved from paragraph 820-10-30-4]** Calibration ensures that the valuation technique reflects current market conditions, and it helps a reporting entity to determine whether an adjustment to the valuation technique is necessary (for example, there might be a characteristic of the asset or liability that is not captured by the valuation technique). After initial recognition, when measuring

fair value using a valuation technique or techniques that use unobservable inputs, a reporting entity shall ensure that those valuation techniques reflect observable market data (for example, the price for a similar asset or liability) at the measurement date.

33. Amend paragraphs 820-10-35-25 through 35-27, with a link to transition paragraph 820-10-65-8, as follows:

820-10-35-25 Valuation techniques used to measure fair value shall be ~~consistently applied~~ consistently. However, a change in a valuation technique or its application (for example, a change in its weighting when multiple valuation techniques are used ~~or a change in an adjustment applied to a valuation technique~~) is appropriate if the change results in a measurement that is equally or more representative of fair value in the circumstances. That might be the case if, for example, ~~if any of the following events occur~~ take place:

- a. New markets develop.
- b. New information becomes available.
- c. Information previously used is no longer available.
- d. Valuation techniques improve.
- e. Market conditions change.

820-10-35-26 Revisions resulting from a change in the valuation technique or its application shall be accounted for as a change in accounting estimate. (See paragraph 250-10-45-17. ~~Also~~ However, paragraph 250-10-50-5 explains that the ~~disclosure provisions of~~ disclosures in Topic 250 for a change in accounting estimate are not required for revisions resulting from a change in a valuation technique or its application.)

820-10-35-27 The Examples in Section 820-10-55 illustrate, ~~in qualitative terms,~~ the judgments that might apply when a reporting entity ~~that~~ measures assets ~~and/or~~ and liabilities at fair value ~~might apply in varying in different~~ valuation situations.

34. Supersede paragraphs 820-10-35-28 through 35-35 and related headings, with a link to transition paragraph 820-10-65-8, as follows:

820-10-35-28 ~~Paragraph superseded by Accounting Standards Update 2011-04. Valuation techniques consistent with the market approach, income approach, and/or cost approach shall be used to measure fair value. The definitions and key aspects of these approaches follow. [Content amended and moved to paragraph 820-10-35-24A]~~

>> Market Approach

820-10-35-29 ~~Paragraph superseded by Accounting Standards Update 2011-04. The market approach is defined in this Subtopic as a valuation technique that uses prices and other relevant information generated by market transactions~~

~~involving identical or comparable assets or liabilities (including a business). [Content amended and moved to paragraph 820-10-55-3A]~~

~~**820-10-35-30** Paragraph superseded by Accounting Standards Update 2011-04. For example, valuation techniques consistent with the market approach often use market multiples derived from a set of comparables. Multiples might lie in ranges with a different multiple for each comparable. The selection of where within the range the appropriate multiple falls requires judgment, considering factors specific to the measurement (qualitative and quantitative). [Content amended and moved to paragraph 820-10-55-3B]~~

~~**820-10-35-31** Paragraph superseded by Accounting Standards Update 2011-04. Valuation techniques consistent with the market approach include matrix pricing. Matrix pricing is a mathematical technique used principally to value debt securities without relying exclusively on quoted prices for the specific securities, but rather by relying on the securities' relationship to other benchmark quoted securities. [Content amended and moved to paragraph 820-10-55-3C]~~

>> Income Approach

~~**820-10-35-32** Paragraph superseded by Accounting Standards Update 2011-04. The income approach is defined in this Subtopic as an approach that uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. [Content amended and moved to paragraph 820-10-55-3F]~~

~~**820-10-35-33** Paragraph superseded by Accounting Standards Update 2011-04. Those valuation techniques include the following:~~

- ~~a. **Present value** techniques~~
- ~~b. Option pricing models (which incorporate present value techniques), such as the Black-Scholes-Merton formula (a closed form model) and a binomial model (a lattice model)~~
- ~~c. The multiperiod excess earnings method, which is used to measure the fair value of certain intangible assets. [Content amended and moved to paragraph 820-10-55-3G]~~

>> Cost Approach

~~**820-10-35-34** Paragraph superseded by Accounting Standards Update 2011-04. The cost approach is defined in this Subtopic as a valuation technique based on the amount that currently would be required to replace the service capacity of an asset (often referred to as current replacement cost). [Content amended and moved to paragraph 820-10-55-3D]~~

~~**820-10-35-35** Paragraph superseded by Accounting Standards Update 2011-04. From the perspective of a market participant (seller), the price that would be received for the asset is determined based on the cost to a market participant~~

~~(buyer) to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence. [Content amended and moved to paragraph 820-10-55-3E]~~

35. Amend paragraph 820-10-35-36 and add related heading, with a link to transition paragraph 820-10-65-8, as follows:

> Inputs to Valuation Techniques

>> General Principles

820-10-35-36 Valuation techniques used to measure fair value shall maximize the use of relevant ~~{remove glossary link}~~**observable inputs**~~{remove glossary link}~~ (that is, Level 1 and Level 2 inputs that do not require significant adjustment) and minimize the use of ~~{remove glossary link}~~**unobservable inputs**~~{remove glossary link}~~. Examples of markets in which inputs might be observable for some assets and liabilities (for example, financial instruments) include ~~exchange markets, dealer markets, brokered markets, and principal-to-principal markets.~~ **[Content moved to paragraph 820-10-35-36A]**

36. Add paragraphs 820-10-35-36A through 35-36D and related heading, with a link to transition paragraph 820-10-65-8, as follows:

820-10-35-36A Examples of markets in which inputs might be observable for some assets and liabilities (for example, financial instruments) include **exchange markets, dealer markets, brokered markets, and principal-to-principal markets.** **[Content moved from paragraph 820-10-35-36]**

820-10-35-36B A reporting entity shall select inputs that are consistent with the characteristics of the asset or liability that market participants would take into account in a transaction for the asset or liability (see paragraphs 820-10-35-2B through 35-2C). In some cases, those characteristics result in the application of an adjustment, such as a premium or discount (for example, a control premium or noncontrolling interest discount). However, a fair value measurement shall not incorporate a premium or discount that is inconsistent with the unit of account in the Topic that requires or permits the fair value measurement. Premiums or discounts that reflect size as a characteristic of the reporting entity's holding (specifically, a blockage factor that adjusts the quoted price of an asset or a liability because the market's normal daily trading volume is not sufficient to absorb the quantity held by the entity, as described in paragraph 820-10-35-44) rather than as a characteristic of the asset or liability (for example, a control premium when measuring the fair value of a controlling interest) are not permitted in a fair value measurement. In all cases, if there is a quoted price in an active market (that is, a Level 1 input) for an asset or a liability, a reporting entity shall use that quoted price without adjustment when measuring fair value, except as specified in paragraph 820-10-35-41C.

> > Inputs Based on Bid and Ask Prices

820-10-35-36C ~~If an asset or a liability measured at input used to measure fair value is based on bid and ask prices has a bid price and an ask price (for example, in an input from a dealer market), the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value, value regardless of where in the fair value hierarchy the input falls (is categorized within the fair value hierarchy (that is, Level 1, 2, or 3). The use of bid prices for long asset positions (assets) and ask prices for short liability positions (liabilities) is permitted but is not required. [Content amended as shown and moved from paragraph 820-10-35-56]~~

820-10-35-36D ~~This Subtopic Topic does not preclude the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. Bid-ask spread pricing methods appropriate under Securities and Exchange Commission (SEC) Accounting Series Release No. 118, Accounting for Investment Securities by Registered Investment Companies, are appropriate under this Subtopic. [Content amended as shown and moved from paragraph 820-10-35-57]~~

37. Amend paragraph 820-10-35-37, with a link to transition paragraph 820-10-65-8, as follows:

> Fair Value Hierarchy

820-10-35-37 ~~To increase consistency and comparability in fair value measurements and related disclosures, this Topic establishes at the fair value hierarchy that prioritizes categorizes into three levels (see paragraphs 820-10-35-40 through 35-41, 820-10-35-41B through 35-41C, 820-10-35-44, 820-10-35-46 through 35-51, and 820-10-35-52 through 35-54A) the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (**{add glossary link}**Level 1 **inputs{add glossary link}**) and the lowest priority to unobservable inputs (**{add glossary link}**Level 3 **inputs{add glossary link}**). In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement in its entirety falls shall be determined based on the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. [Content amended and moved to paragraph 820-10-35-37A]~~

38. Add paragraph 820-10-35-37A, with a link to transition paragraph 820-10-65-8, as follows:

820-10-35-37A ~~In some cases, the inputs used to measure the fair value of an asset or a liability might fall in be categorized within different levels of the fair~~

~~value hierarchy. In those cases, the level in the fair value hierarchy within which the fair value measurement is categorized in its entirety shall be determined based on the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.~~ fair value measurement in its entirety. Assessing the significance of a particular input to the entire measurement ~~fair value measurement in its entirety~~ requires judgment, ~~considering~~ taking into account factors specific to the asset or liability. Adjustments to arrive at measurements based on fair value, such as costs to sell when measuring fair value less costs to sell, shall not be taken into account when determining the level of the fair value hierarchy within which a fair value measurement is categorized. **[Content amended as shown and moved from paragraph 820-10-35-37]**

39. Amend paragraph 820-10-35-38, with a link to transition paragraph 820-10-65-8, as follows:

820-10-35-38 ~~The availability of relevant inputs relevant to the asset or liability and their relative subjectivity/reliability of the inputs might affect the selection of appropriate valuation techniques (see paragraph 820-10-35-24). However, the fair value hierarchy prioritizes the inputs to valuation techniques, not the valuation techniques.~~ techniques used to measure fair value. For example, a fair value measurement developed using a present value technique might ~~fall~~ be categorized within Level 2 or Level 3, depending on the inputs that are significant to the entire measurement in its entirety and the level in ~~of~~ the fair value hierarchy within which those inputs ~~fall~~ are categorized.

40. Add paragraph 820-10-35-38A, with a link to transition paragraph 820-10-65-8, as follows:

820-10-35-38A If an observable input requires an adjustment using an unobservable input and that adjustment results in a significantly higher or lower fair value measurement, the resulting measurement would be categorized within Level 3 of the fair value hierarchy. For example, if a market participant would take into account the effect of a restriction on the sale of an asset when estimating the price for the asset, a reporting entity would adjust the quoted price to reflect the effect of that restriction. If that quoted price is a Level 2 input and the adjustment is an unobservable input that is significant to the entire measurement, the measurement would be categorized within Level 3 of the fair value hierarchy.

41. Supersede paragraph 820-10-35-39, with a link to transition paragraph 820-10-65-8, as follows:

820-10-35-39 Paragraph superseded by Accounting Standards Update 2011-04. The remainder of this guidance is organized as follows:

- a. **Level 1 inputs**
- b. **Level 2 inputs**

~~c. Level 3 inputs~~

~~d. Inputs based on bid and ask prices~~

~~e. Investments in certain entities that calculate net asset value per share (or its equivalent, for example, member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed).~~

42. Amend paragraphs 820-10-35-40 through 35-41, with a link to transition paragraph 820-10-65-8, as follows:

> > Level 1 Inputs

~~**820-10-35-40** Level 1 inputs are defined in this Subtopic as quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.~~

~~**820-10-35-41** A quoted price in an active market provides the most reliable evidence of fair value and shall be used without adjustment to measure fair value whenever available, except as specified in paragraph 820-10-35-41C, discussed in paragraphs 820-10-35-16D, 820-10-35-42, and 820-10-35-43.~~

43. Supersede paragraph 820-10-35-41A, with a link to transition paragraph 820-10-65-8, as follows:

~~**820-10-35-41A** Paragraph superseded by Accounting Standards Update 2011-04.A Level 1 fair value measurement for the liability is a quoted price in an active market for the identical liability at the measurement date. In addition, the quoted price for the identical liability when traded as an asset in an active market also is a Level 1 fair value measurement for that liability when no adjustments to the quoted price of the asset are required. However, a reporting entity needs to determine whether the quoted price for the identical liability when traded as an asset in an active market should be adjusted for factors specific to the liability and the asset (see paragraph 820-10-35-16D). Any adjustment to the quoted price of the asset shall render the fair value measurement of the liability a lower level measurement. **[Content amended and moved to paragraph 820-10-35-41C(c)]**~~

44. Add paragraphs 820-10-35-41B through 35-41C, with a link to transition paragraph 820-10-65-8, as follows:

~~**820-10-35-41B** A Level 1 input will be available for many financial assets and financial liabilities, some of which might be exchanged in multiple active markets (for example, on different exchanges). Therefore, the emphasis within Level 1 is on determining both of the following:~~

- ~~a. The principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability, considered from the perspective of the reporting entity~~

- b. Whether the reporting entity ~~can enter into a transaction has the ability to access for the asset or liability at the price in that market for the asset or liability~~ at the measurement date. **[Content amended as shown and moved from paragraph 820-10-35-45]**

820-10-35-41C A reporting entity shall not make an adjustment to a Level 1 input except in the following circumstances:

- a. ~~If the~~When a reporting entity holds a large number of similar (but not identical) assets or liabilities (for example, debt securities) that are ~~required to be measured at fair value, value and a quoted price in an active market might be~~ available but not readily accessible for each of those assets or liabilities individually (that is, given the large number of similar assets or liabilities held by the reporting entity, it would be difficult to obtain pricing information for each individual asset or liability at the measurement date). In that case, as a practical expedient, a reporting entity may measure fair value ~~may be measured~~ using an alternative pricing method that does not rely exclusively on quoted prices (for example, matrix pricing) ~~as a practical expedient~~. However, the use of an alternative pricing method ~~renders the fair value measurement a lower-level measurement~~ results in a fair value measurement categorized within a lower level of the fair value hierarchy. **[Content amended as shown and moved from paragraph 820-10-35-42]**
- b. ~~In some situations,~~When a quoted price in an active market ~~might~~ does not represent fair value at the measurement date. That might be the case if, for example, significant events (such as transactions in a principal-to-principal transactions, market, trades in a brokered trades, market, or announcements) occur take place after the close of a market but before the measurement date. ~~The~~A reporting entity ~~should~~shall establish and consistently apply a policy for identifying those events that might affect fair value measurements. However, if the quoted price is adjusted for new information, the adjustment ~~renders the fair value measurement a lower-level measurement~~ results in a fair value measurement categorized within a lower level of the fair value hierarchy. **[Content amended as shown and moved from paragraph 820-10-35-43]**
- c. A Level 1 fair value measurement for the liability is a quoted price in an active market for the identical liability at the measurement date. ~~In addition,~~When measuring the fair value of a liability or an instrument classified in a reporting entity's shareholders' equity using the quoted price for the identical liability item ~~when~~ traded as an asset in an active market ~~also is a market~~ and that price needs to be adjusted for factors specific to the item or the asset (see paragraph 820-10-35-16D). If no adjustment to the quoted price of the asset is required, the result is a fair value measurement categorized within Level 1 of the fair value

~~hierarchy measurement for that liability when no adjustments to the quoted price of the asset are required. However, a reporting entity needs to determine whether the quoted price for the identical liability when traded as an asset in an active market should be adjusted for factors specific to the liability and the asset (see paragraph 820-10-35-46D). Any~~However, any adjustment to the quoted price of the asset shall render the fair value measurement of the liability results in a fair value measurement categorized within a lower level of the fair value hierarchy measurement. **[Content amended as shown and moved from paragraph 820-10-35-41A]**

45. Supersede paragraphs 820-10-35-42 through 35-43, with a link to transition paragraph 820-10-65-8, as follows:

820-10-35-42 Paragraph superseded by Accounting Standards Update 2011-04. If the reporting entity holds a large number of similar assets or liabilities (for example, debt securities) that are required to be measured at fair value, a quoted price in an active market might be available but not readily accessible for each of those assets or liabilities individually. In that case, fair value may be measured using an alternative pricing method that does not rely exclusively on quoted prices (for example, matrix pricing) as a practical expedient. However, the use of an alternative pricing method renders the fair value measurement a lower-level measurement. **[Content amended and moved to paragraph 820-10-35-41C]**

820-10-35-43 Paragraph superseded by Accounting Standards Update 2011-04. In some situations, a quoted price in an active market might not represent fair value at the measurement date. That might be the case if, for example, significant events (principal-to-principal transactions, brokered trades, or announcements) occur after the close of a market but before the measurement date. The reporting entity should establish and consistently apply a policy for identifying those events that might affect fair value measurements. However, if the quoted price is adjusted for new information, the adjustment renders the fair value measurement a lower-level measurement. **[Content amended and moved to paragraph 820-10-35-41C]**

46. Amend paragraph 820-10-35-44, with a link to transition paragraph 820-10-65-8, as follows:

820-10-35-44 If the reporting entity holds a position in a single financial instrument asset or liability (including a block position comprising a large number of identical assets or liabilities, such as a holding of financial instruments) and the instrument asset or liability is traded in an active market, the fair value of the position asset or liability shall be measured within Level 1 as the product of the quoted price for the individual instrument asset or liability and the quantity held by the reporting entity. The quoted price shall not be adjusted because of the size of the position relative to trading volume (blockage factor). The use of a blockage factor is prohibited. That is the case, even if a market's normal daily

trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

47. Supersede paragraph 820-10-35-45, with a link to transition paragraph 820-10-65-8, as follows:

820-10-35-45 ~~Paragraph superseded by Accounting Standards Update 2011-04. A Level 1 input will be available for many financial assets and liabilities, some of which might be exchanged in multiple active markets (for example, on different exchanges). Therefore, the emphasis within Level 1 is on determining both of the following:~~

- ~~a. The principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability, considered from the perspective of the reporting entity~~
- ~~b. Whether the reporting entity has the ability to access the price in that market for the asset or liability at the measurement date. [Content amended and moved to paragraph 820-10-35-41B]~~

48. Amend paragraphs 820-10-35-46 through 35-48, with a link to transition paragraph 820-10-65-8, as follows:

820-10-35-46 ~~Example 4 (see paragraph 820-10-55-42)~~ Paragraph 820-10-55-42 illustrates the use of Level 1 inputs to measure the fair value of a financial asset that trades in multiple active markets with different prices.

> > Level 2 Inputs

820-10-35-47 {add glossary link} Level 2 inputs {add glossary link} are defined in this Subtopic as inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

820-10-35-48 If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include all of the following:

- a. Quoted prices for similar assets or liabilities in active markets
- b. Quoted prices for identical or similar assets or liabilities in markets that are not active
- c. Inputs other than quoted prices that are observable for the asset or liability, for example:
 1. Interest rates and yield curves observable at commonly quoted intervals
 2. ~~Volatilities~~ Implied volatilities
 3. ~~Subparagraph superseded by Accounting Standards Update 2011-04, Prepayment speeds~~
 4. ~~Subparagraph superseded by Accounting Standards Update 2011-04, Loss severities~~
 5. Credit risks ~~spreads~~.

6. Subparagraph superseded by Accounting Standards Update 2011-04, Default rates.

d. **Market-corroborated inputs.**

~~The guidance beginning in paragraph 820-10-35-51A includes example factors that may indicate a market is not active or that there has been a significant decrease in the volume and level of activity for the asset or liability when compared to normal market activity for the asset or liability (or similar assets or liabilities), depending on the degree to which the factors exist.~~

820-10-35-49 Paragraph 820-10-55-21 discusses Level 2 inputs for particular assets and liabilities.

49. Amend paragraphs 820-10-35-50 through 35-51, with a link to transition paragraph 820-10-65-8, as follows:

820-10-35-50 Adjustments to Level 2 inputs will vary depending on factors specific to the asset or liability. Those factors include the following:

- a. The condition ~~and/or~~ location of the asset ~~or liability~~
- b. The extent to which ~~the~~ inputs relate to items that are comparable to the asset ~~or liability~~, ~~including liability~~ (including those factors ~~discussed~~ described in paragraph ~~820-10-35-16D~~820-10-35-16D)
- c. The volume ~~and/or~~ level of activity in the markets within which the inputs are observed.

820-10-35-51 An adjustment to a Level 2 input that is significant to the fair value ~~entire~~ measurement in its entirety ~~might render the measurement a Level 3~~ might result in a fair value measurement categorized within Level 3 of the fair value hierarchy, ~~depending on if the adjustment uses significant unobservable inputs, the level in the fair value hierarchy within which the inputs used to determine the adjustment fall.~~

50. Supersede paragraphs 820-10-35-51A through 35-51H and their related headings, with a link to transition paragraph 820-10-65-8, as follows:

~~>>> Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased~~

820-10-35-51A ~~Paragraph superseded by Accounting Standards Update 2011-04. To determine whether there has been a significant decrease in the volume and level of activity for the asset or liability when compared with normal market activity for the asset or liability (or similar assets or liabilities), factors the reporting entity shall evaluate include, but are not limited to, all of the following:~~

- a. ~~There are few recent transactions.~~
- b. ~~Price quotations are not based on current information.~~
- c. ~~Price quotations vary substantially either over time or among market makers (for example, some brokered markets).~~

- d. ~~Indexes that previously were highly correlated with the fair values of the asset or liability are demonstrably uncorrelated with recent indications of fair value for that asset or liability.~~
- e. ~~There is a significant increase in implied liquidity risk premiums, yields, or performance indicators (such as delinquency rates or loss severities) for observed transactions or quoted prices when compared with the reporting entity's estimate of expected cash flows, considering all available market data about credit and other nonperformance risk for the asset or liability.~~
- f. ~~There is a wide bid-ask spread or significant increase in the bid-ask spread.~~
- g. ~~There is a significant decline or absence of a market for new issuances (that is, a primary market) for the asset or liability or similar assets or liabilities.~~
- h. ~~Little information is released publicly (for example, a principal-to-principal market).~~

The reporting entity shall evaluate the significance and relevance of the factors to determine whether, based on the weight of the evidence, there has been a significant decrease in the volume and level of activity for the asset or liability. **[Content amended and moved to paragraph 820-10-35-54C]**

820-10-35-51B Paragraph superseded by Accounting Standards Update 2011-04. ~~If the reporting entity concludes there has been a significant decrease in the volume and level of activity for the asset or liability in relation to normal market activity for the asset or liability (or similar assets or liabilities), transactions or quoted prices may not be determinative of fair value (for example, there may be increased instances of transactions that are not orderly). Further analysis of the transactions or quoted prices is needed, and a significant adjustment to the transactions or quoted prices may be necessary to estimate fair value in accordance with this Subtopic. Significant adjustments also may be necessary in other circumstances (for example, if a price for a similar asset requires significant adjustment to make it more comparable to the asset being measured or when the price is stale).~~ **[Content amended and moved to paragraph 820-10-35-54D]**

820-10-35-51C Paragraph superseded by Accounting Standards Update 2011-04. ~~This Subtopic does not prescribe a methodology for making significant adjustments to transactions or quoted prices when estimating fair value. The guidance beginning in paragraph 820-10-35-24 discusses the use of valuation techniques in estimating fair value.~~ **[Content amended and moved to paragraph 820-10-35-54E]** ~~If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate (for example, the use of a market approach and a present value technique). When weighting indications of fair value resulting from the use of multiple valuation techniques, the reporting entity shall consider the reasonableness of the range of fair value estimates. The objective is to determine the point within that range that~~

is most representative of fair value under current market conditions. A wide range of fair value estimates may be an indication that further analysis is needed. **[Content amended and moved to paragraph 820-10-35-54F]**

820-10-35-51D Paragraph superseded by Accounting Standards Update 2011-04. ~~Even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation technique(s) used, liability, the objective of a fair value measurement remains the same. The glossary defines **fair value** as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. **[Content amended and moved to paragraph 820-10-35-54G]** Determining the price at which willing market participants would transact at the measurement date under current market conditions if there has been a significant decrease in the volume and level of activity for the asset or liability depends on the facts and circumstances and requires the use of significant judgment. However, the reporting entity's intention to hold the asset or liability is not relevant in estimating fair value. Fair value is a market-based measurement, not an entity-specific measurement. **[Content amended and moved to paragraph 820-10-35-54H]**~~

>>> Identifying Transactions That Are Not Orderly

820-10-35-51E Paragraph superseded by Accounting Standards Update 2011-04. ~~Even if there has been a significant decrease in the volume and level of activity for the asset or liability, it is not appropriate to conclude that all transactions are not orderly (that is, distressed or forced). Circumstances that may indicate that a transaction is not orderly include, but are not limited to, all of the following:~~

- ~~a. There was not adequate exposure to the market for a period before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities under current market conditions.~~
- ~~b. There was a usual and customary marketing period, but the seller marketed the asset or liability to a single market participant.~~
- ~~c. The seller is in or near bankruptcy or receivership (that is, distressed).~~
- ~~d. The seller was required to sell to meet regulatory or legal requirements (that is, forced).~~
- ~~e. The transaction price is an outlier when compared with other recent transactions for the same or similar asset or liability.~~

~~The reporting entity shall evaluate the circumstances to determine whether the transaction is orderly based on the weight of the evidence. **[Content amended and moved to paragraph 820-10-35-54I]**~~

820-10-35-51F Paragraph superseded by Accounting Standards Update 2011-04. ~~The determination of whether a transaction is orderly (or not orderly) is more~~

difficult if there has been a significant decrease in the volume and level of activity for the asset or liability. **[Content amended and moved to paragraph 820-10-35-54I]** Accordingly, the reporting entity shall consider all of the following guidance:

- a. ~~If the weight of the evidence indicates the transaction is not orderly, the reporting entity shall place little, if any, weight (compared with other indications of fair value) on that transaction price when estimating fair value or market risk premiums.~~
- b. ~~If the weight of the evidence indicates the transaction is orderly, the reporting entity shall consider that transaction price when estimating fair value or market risk premiums. The amount of weight placed on that transaction price when compared with other indications of fair value will depend on the facts and circumstances such as all of the following:
 - 1. ~~The volume of the transaction~~
 - 2. ~~The comparability of the transaction to the asset or liability being measured at fair value~~
 - 3. ~~The proximity of the transaction to the measurement date.~~~~
- c. ~~If the reporting entity does not have sufficient information to conclude that the whether a transaction is orderly, or that the transaction is not orderly, it shall consider that transaction price when estimating fair value or market risk premiums. However, that transaction price may not be determinative of fair value (that is, that transaction price may not be the sole or primary basis for estimating fair value or market risk premiums). The reporting entity shall place less weight on transactions on which the reporting entity does not have sufficient information to conclude whether the transaction is orderly when compared with other transactions that are known to be orderly.~~

~~In its determinations, the reporting entity need not undertake all possible efforts, but shall not ignore information that is available without undue cost and effort. The reporting entity would be expected to have sufficient information to conclude whether a transaction is orderly when it is part to the transaction. **[Content amended and moved to paragraph 820-10-35-54J]**~~

~~**820-10-35-51G** Paragraph superseded by Accounting Standards Update 2011-04. Regardless of the valuation technique(s) used, the reporting entity shall include appropriate risk adjustments. For related implementation guidance, see paragraph 820-10-55-8. Risk premiums shall be reflective of an orderly transaction (that is, not a forced or distressed sale) between market participants at the measurement date under current market conditions. **[Content amended and moved to paragraph 820-10-35-54E]**~~

~~**820-10-35-51H** Paragraph superseded by Accounting Standards Update 2011-04. When estimating fair value, this Subtopic does not preclude the use of quoted prices provided by third parties, such as pricing services or brokers, if the reporting entity has determined that the quoted prices provided by those parties~~

~~are determined in accordance with this Subtopic. [Content amended and moved to paragraph 820-10-35-54K] However, if there has been a significant decrease in the volume or level of activity for the asset or liability, the reporting entity shall evaluate whether those quoted prices are based on current information that reflects orderly transactions or a valuation technique that reflects market participant assumptions (including assumptions about risks). In weighting a quoted price as an input to a fair value measurement, the reporting entity shall place less weight (when compared with other indications of fair value that are based on transactions) on quotes that do not reflect the result of transactions. [Content amended and moved to paragraph 820-10-35-54L] Furthermore, the nature of the quote (for example, whether the quote is an indicative price or a binding offer) shall be considered when weighting the available evidence, with more weight given to quotes based on binding offers. [Content amended and moved to paragraph 820-10-35-54M]~~

51. Amend paragraphs 820-10-35-52 through 35-54, with a link to transition paragraph 820-10-65-8, as follows:

> > Level 3 Inputs

820-10-35-52 Level 3 inputs are ~~defined in this Subtopic as~~ unobservable inputs for the asset or liability.

820-10-35-53 Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs shall reflect ~~the reporting entity's own assumptions about the assumptions that market participants would use in~~ when pricing the asset or liability ~~liability, (including including assumptions about risk)-risk.~~

820-10-35-54 Assumptions about risk include the risk inherent in a particular valuation technique used to measure fair value (such as a pricing model) ~~and/or~~ and the risk inherent in the inputs to the valuation technique. A measurement ~~(for example, a mark-to-model measurement)~~ that does not include an adjustment for risk would not represent a fair value measurement if market participants would include one ~~in~~ when pricing the related-asset or liability. For example, it might be necessary to include a risk adjustment when there is significant measurement uncertainty (for example, when there has been a significant decrease in the volume or level of activity when compared with normal market activity for the asset or liability, or similar assets or liabilities, and the reporting entity has determined that the transaction price or quoted price does not represent fair value, as described in paragraphs 820-10-35-54C through 35-54J).

52. Add paragraphs 820-10-35-54A through 35-54M and related headings, with a link to transition paragraph 820-10-65-8, as follows:

820-10-35-54A ~~Unobservable inputs shall be developed based on~~ A reporting entity shall develop unobservable inputs using the best information available in the circumstances, which might include the reporting entity's own data. In developing unobservable inputs, the reporting entity may begin with its own data, but it shall adjust those data if reasonably available information indicates that other market participants would use different data or there is something particular to the reporting entity that is not available to other market participants (for example, an entity-specific synergy). A reporting entity need not undertake all possible exhaustive efforts to obtain information about market participant assumptions. However, the reporting entity shall not ignore take into account all information about market participant assumptions that is reasonably available available without undue cost and effort. Therefore, the reporting entity's own data used to develop unobservable inputs shall be adjusted if information is reasonably available without undue cost and effort that indicates that market participants would use different assumptions. Paragraph 820-10-55-22 discusses Level 3 inputs for particular assets and liabilities. Unobservable inputs developed in the manner described above are considered market participant assumptions and meet the objective of a fair value measurement. [Content amended as shown and moved from paragraph 820-10-35-55]

>> Categorizing Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) within the Fair Value Hierarchy

820-10-35-54B ~~Classification~~ Categorization within the fair value hierarchy of a fair value measurement of an investment within the scope of paragraphs 820-10-15-4 through 15-5 that is measured at **net asset value per share** (or its equivalent, for example member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed) requires judgment, considering the following:

- a. If a reporting entity has the ability to redeem its investment with the investee at net asset value per share (or its equivalent) at the measurement date, the fair value measurement of the investment shall be categorized as ~~as~~ within Level 2 of the fair value hierarchy ~~measurement~~.
- b. If a reporting entity will never have the ability to redeem its investment with the investee at net asset value per share (or its equivalent), the fair value measurement of the investment shall be categorized as ~~a Level 3 fair value measurement~~ within Level 3 of the fair value hierarchy.
- c. If a reporting entity cannot redeem its investment with the investee at net asset value per share (or its equivalent) at the measurement date but the investment may be redeemable with the investee at a future date (for example, investments subject to a lockup or gate or investments whose redemption period does not coincide with the

measurement date), the reporting entity shall ~~consider~~ take into account the length of time until the investment will become redeemable in determining whether the fair value measurement of the investment shall be categorized as ~~a Level 2 or a Level 3 fair value measurement within Level 2 or Level 3 of the fair value hierarchy~~. For example, if the reporting entity does not know when it will have the ability to redeem the investment or it does not have the ability to redeem the investment in the near term at net asset value per share (or its equivalent), the fair value measurement of the investment shall be categorized as ~~a Level 3 fair value measurement within Level 3 of the fair value hierarchy~~. **[Content amended as shown and moved from paragraph 820-10-35-58]**

> Measuring Fair Value When the Volume or Level of Activity for an Asset or a Liability Has Significantly Decreased

820-10-35-54C ~~To determine whether there has been a significant decrease in the volume and level of activity for the asset or liability when compared with normal market activity for the asset or liability (or similar assets or liabilities), factors the reporting entity shall evaluate include, but are not limited to, all of the following:~~ The fair value of an asset or a liability might be affected when there has been a significant decrease in the volume or level of activity for that asset or liability in relation to normal market activity for the asset or liability (or similar assets or liabilities). To determine whether, on the basis of the evidence available, there has been a significant decrease in the volume or level of activity for the asset or liability, a reporting entity shall evaluate the significance and relevance of factors such as the following:

- a. There are few recent transactions.
- b. Price quotations are not ~~based on~~ developed using current information.
- c. Price quotations vary substantially either over time or among market makers (for example, some brokered markets).
- d. ~~Indexes~~ Indices that previously were highly correlated with the fair values of the asset or liability are demonstrably uncorrelated with recent indications of fair value for that asset or liability.
- e. There is a significant increase in implied liquidity risk premiums, yields, or performance indicators (such as delinquency rates or loss severities) for observed transactions or quoted prices when compared with the reporting entity's estimate of expected cash flows, ~~considering~~ taking into account all available market data about credit and other nonperformance risk for the asset or liability.
- f. There is a wide bid-ask spread or significant increase in the bid-ask spread.
- g. There is a significant decline in the activity of, or there is an absence ~~of~~, a market for new ~~issuances~~ issues (that is, a primary market) for the asset or liability or similar assets or liabilities.

- h. Little information is ~~released~~ publicly available (for example, for transactions that take place in a principal-to-principal market).

~~The reporting entity shall evaluate the significance and relevance of the factors to determine whether, based on the weight of the evidence, there has been a significant decrease in the volume and level of activity for the asset or liability.~~
[Content amended as shown and moved from paragraph 820-10-35-51A]

820-10-35-54D ~~If the~~ reporting entity concludes that there has been a significant decrease in the volume and/or level of activity for the asset or liability in relation to normal market activity for the asset or liability (or similar assets or liabilities), transactions or quoted prices may not be determinative of fair value (for example, there may be increased instances of transactions that are not orderly). ~~Further~~Further analysis of the transactions or quoted prices is ~~needed~~needed. A decrease in the volume or level of activity on its own may not indicate that a transaction price or quoted price does not represent fair value or that a transaction in that market is not orderly. However, if a reporting entity determines that a transaction or quoted price does not represent fair value (for example, there may be transactions that are not orderly), an and a significant adjustment to the transactions or quoted prices may will be necessary if the reporting entity uses those prices as a basis for measuring fair value to estimate fair value in accordance with this Subtopic and that adjustment may be significant to the fair value measurement in its entirety. Significant adjustments Adjustments also may be necessary in other circumstances (for example, ~~if~~when a price for a similar asset requires significant adjustment to make it ~~more~~ comparable to the asset being measured or when the price is stale). **[Content amended as shown and moved from paragraph 820-10-35-51B]**

820-10-35-54E ~~This Subtopic~~ Topic does not prescribe a methodology for making significant adjustments to transactions or quoted prices. prices when estimating fair value. The guidance beginning in paragraph 820-10-35-24 discusses See paragraphs 820-10-35-24 through 35-27 and 820-10-55-3A through 55-3G for a discussion of the use of valuation techniques in estimating when measuring fair value. **[Content amended as shown and moved from paragraph 820-10-35-51C]** Regardless of the valuation ~~technique(s)~~ technique used, ~~the~~ reporting entity shall include appropriate risk ~~adjustments~~ adjustments, including a **risk premium** reflecting the amount that market participants would demand as compensation for the uncertainty inherent in the cash flows of an asset or a liability (see paragraph 820-10-55-8). ~~For related implementation guidance, see paragraph 820-10-55-8. Risk premiums shall be reflective of an orderly transaction (that is, not a forced or distressed sale) between market participants at the measurement date under current market conditions.~~ **[Content amended as shown and moved from paragraph 820-10-35-51G]** Otherwise, the measurement does not faithfully represent fair value. In some cases, determining the appropriate risk adjustment might be difficult. However, the degree of difficulty alone is not a sufficient basis on which to exclude a risk adjustment. The

risk adjustment shall be reflective of an orderly transaction between market participants at the measurement date under current market conditions.

820-10-35-54F ~~If there has been a significant decrease in the volume and/or level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate (for example, the use of a market approach and a present value technique). When weighting indications of fair value resulting from the use of multiple valuation techniques, the reporting entity shall consider the reasonableness of the range of fair value estimates/measurements. The objective is to determine the point within that/the range that is most representative of fair value under current market conditions. A wide range of fair value estimates/measurements may be an indication that further analysis is needed.~~ **[Content amended as shown and moved from paragraph 820-10-35-51C]**

820-10-35-54G ~~Even if/when there has been a significant decrease in the volume and/or level of activity for the asset or liability and regardless of the valuation technique(s) used, liability, the objective of a fair value measurement remains the same. The glossary defines fair value as Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed/distress sale) between market participants at the measurement date under current market conditions.~~ **[Content amended as shown and moved from paragraph 820-10-35-51D]**

820-10-35-54H ~~Determining/Estimating the price at which willing—market participants would transact/be willing to enter into a transaction at the measurement date under current market conditions if there has been a significant decrease in the volume and/or level of activity for the asset or liability depends on the facts and circumstances at the measurement date and requires the use of significant judgment. However, the reporting entity's intention to hold the asset or to settle or otherwise fulfill the liability is not relevant in estimating fair value. Fair/when measuring fair value because fair value is a market-based measurement, not an entity-specific measurement.~~ **[Content amended as shown and moved from paragraph 820-10-35-51D]**

> Identifying Transactions That Are Not Orderly

820-10-35-54I ~~The determination of whether a transaction is orderly (or is not orderly) is more difficult if there has been a significant decrease in the volume and/or level of activity for the asset or liability/liability in relation to normal market activity for the asset or liability (or similar assets or liabilities).~~ **[Content amended as shown and moved from paragraph 820-10-51F]** ~~Even if there has been a significant decrease in the volume and level of activity for the asset or liability, it is not appropriate to conclude that all transactions are not orderly (that is, distressed or forced). In such circumstances, it is not appropriate to conclude that all transactions in that market are not orderly (that is, forced liquidations or distress sales).~~ Circumstances that may indicate that a transaction is not orderly include, but are not limited to, all of the following:

- a. There was not adequate exposure to the market for a period before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities under current market conditions.
- b. There was a usual and customary marketing period, but the seller marketed the asset or liability to a single market participant.
- c. The seller is in or near bankruptcy or receivership (that is, the seller is distressed).
- d. The seller was required to sell to meet regulatory or legal requirements (that is, the seller was forced).
- e. The transaction price is an outlier when compared with other recent transactions for the same or a similar asset or liability.

~~The~~A reporting entity shall evaluate the circumstances to determine ~~whether the transaction is orderly based whether~~, on the weight of the ~~evidence-evidence available, the transaction is orderly~~. [**Content amended as shown and moved from paragraph 820-10-51E**]

820-10-35-54J Accordingly, ~~the~~A reporting entity shall consider ~~of~~ all of the following when measuring fair value or estimating market risk premiums ~~guidance~~:

- a. If the ~~weight of the evidence~~ indicates the transaction is not orderly, ~~the~~a reporting entity shall place little, if any, weight (compared with other indications of fair value) on that transaction price ~~when estimating fair value or market risk premiums~~.
- b. If the ~~weight of the evidence~~ indicates ~~that~~that a transaction is orderly, ~~the~~a reporting entity shall ~~consider~~take into account that transaction price ~~when estimating fair value or market risk premiums~~. The amount of weight placed on that transaction price when compared with other indications of fair value will depend on the facts and ~~circumstances~~circumstances, such as ~~all of the following~~:
 1. The volume of the transaction
 2. The comparability of the transaction to the asset or liability being measured ~~at fair value~~
 3. The proximity of the transaction to the measurement date.
- c. If ~~the~~a reporting entity does not have sufficient information to conclude ~~that the transaction is orderly or that the transaction is not orderly, whether a transaction is orderly, it shall consider that~~take into account ~~the~~the transaction price ~~when estimating fair value or market risk premiums~~. However, that transaction price may not ~~be determinative of~~represent fair value (that is, ~~that~~the transaction price ~~may not be~~is not necessarily the sole or primary basis for ~~estimating~~measuring fair value or ~~estimating~~estimating market risk premiums). ~~The~~When ~~a~~a reporting entity shall place less weight on transactions on which the reporting entity does not have sufficient information to conclude whether ~~the transaction is orderly~~ particular transactions are orderly, the reporting entity shall

place less weight on those transactions when compared with other transactions that are known to be orderly.

~~In its determinations, the~~A reporting entity need not undertake all possible efforts, exhaustive efforts to determine whether a transaction is orderly, but it shall not ignore information that is reasonably available, available without undue cost and effort. The reporting entity would be expected to have sufficient information to conclude whether a transaction is orderly when it is party to the transaction. When a reporting entity is a party to a transaction, it is presumed to have sufficient information to conclude whether the transaction is orderly. [Content amended as shown and moved from paragraph 820-10-35-51F]

> Using Quoted Prices Provided by Third Parties

820-10-35-54K ~~When estimating fair value, This~~this Subtopic~~Topic~~ does not preclude the use of quoted prices provided by third parties, such as pricing services or brokers, if ~~the~~a reporting entity has determined that the quoted prices provided by those parties are ~~determined~~developed in accordance with this ~~Subtopic~~Topic. **[Content amended as shown and moved from paragraph 820-10-35-51H]**

820-10-35-54L ~~However, if~~if there has been a significant decrease in the volume or level of activity for the asset or liability, ~~the~~a reporting entity shall evaluate whether ~~these~~the quoted prices provided by third parties are based on~~developed~~ using current information that reflects orderly transactions or a valuation technique that reflects market participant assumptions (including assumptions about ~~risk~~risk). In weighting a quoted price as an input to a fair value measurement, ~~the~~a reporting entity ~~shall place~~places ~~less weight~~ (when compared with other indications of fair value that ~~are based on~~reflect the results of transactions) on quotes that do not reflect the result of transactions. **[Content amended as shown and moved from paragraph 820-10-35-51H]**

820-10-35-54M Furthermore, the nature of ~~the~~a quote (for example, whether the quote is an indicative price or a binding offer) shall be ~~considered~~taken into account when weighting the available evidence, with more weight given to quotes ~~based on~~ provided by third parties that represent binding offers. **[Content amended as shown and moved from paragraph 820-10-35-51H]**

53. Supersede paragraph 820-10-35-55, with a link to transition paragraph 820-10-65-8, as follows:

820-10-35-55 ~~Paragraph superseded by Accounting Standards Update 2011-04. Unobservable inputs shall be developed based on the best information available in the circumstances, which might include the reporting entity's own data. In developing unobservable inputs, the reporting entity need not undertake all possible efforts to obtain information about market participant assumptions. However, the reporting entity shall not ignore information about market participant assumptions that is reasonably available without undue cost and~~

~~effort. Therefore, the reporting entity's own data used to develop unobservable inputs shall be adjusted if information is reasonably available without undue cost and effort that indicates that market participants would use different assumptions. Paragraph 820-10-55-22 discusses Level 3 inputs for particular assets and liabilities. [Content amended and moved to paragraph 820-10-35-54A]~~

820-10-35-55A Paragraph not used.

820-10-35-55B Paragraph not used.

54. Supersede paragraphs 820-10-35-56 through 35-58 and related headings, with a link to transition paragraph 820-10-65-8, as follows:

>> Inputs Based on Bid and Ask Prices

~~**820-10-35-56** Paragraph superseded by Accounting Standards Update 2011-04. If an input used to measure fair value is based on bid and ask prices (for example, in a dealer market), the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value, regardless of where in the fair value hierarchy the input falls (Level 1, 2, or 3). The use of bid prices for long positions (assets) and ask prices for short positions (liabilities) is permitted but not required. [Content amended and moved to paragraph 820-10-35-36C]~~

~~**820-10-35-57** Paragraph superseded by Accounting Standards Update 2011-04. This Subtopic does not preclude the use of mid-market pricing or other pricing conventions as a practical expedient for fair value measurements within a bid-ask spread. Bid-ask spread pricing methods appropriate under Securities and Exchange Commission (SEC) Accounting Series Release No. 118, Accounting for Investment Securities by Registered Investment Companies, are appropriate under this Subtopic. [Content amended and moved to paragraph 820-10-35-36D]~~

>> Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)

~~**820-10-35-58** Paragraph superseded by Accounting Standards Update 2011-04. Classification within the fair value hierarchy of a fair value measurement of an investment within the scope of paragraphs 820-10-15-4 through 15-5 that is measured at **net asset value per share** (or its equivalent, for example member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed) requires judgment, considering the following:~~

- ~~a. If a reporting entity has the ability to redeem its investment with the investee at net asset value per share (or its equivalent) at the measurement date, the fair value measurement of the investment shall be categorized as a Level 2 fair value measurement.~~
- ~~b. If a reporting entity will never have the ability to redeem its investment with the investee at net asset value per share (or its equivalent), the fair~~

~~value measurement of the investment shall be categorized as a Level 3 fair value measurement.~~

- ~~c. If a reporting entity cannot redeem its investment with the investee at net asset value per share (or its equivalent) at the measurement date but the investment may be redeemable with the investee at a future date (for example, investments subject to a lockup or gate or investments whose redemption period does not coincide with the measurement date), the reporting entity shall consider the length of time until the investment will become redeemable in determining whether the fair value measurement of the investment shall be categorized as a Level 2 or a Level 3 fair value measurement. For example, if the reporting entity does not know when it will have the ability to redeem the investment or it does not have the ability to redeem the investment in the near term at net asset value per share (or its equivalent), the fair value measurement of the investment shall be categorized as a Level 3 fair value measurement. [Content amended and moved to paragraph 820-10-35-54B]~~

55. Amend the heading preceding paragraph 820-10-35-59, with a link to transition paragraph 820-10-65-8, as follows:

> Measuring the Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)

820-10-35-59 A reporting entity is permitted, as a practical expedient, to estimate the fair value of an investment within the scope of paragraphs 820-10-15-4 through 15-5 using the net asset value per share (or its equivalent, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed) of the investment, if the net asset value per share of the investment (or its equivalent) is calculated in a manner consistent with the measurement principles of Topic 946 as of the reporting entity's measurement date.

820-10-35-60 If the net asset value per share of the investment obtained from the investee is not as of the reporting entity's measurement date or is not calculated in a manner consistent with the measurement principles of Topic 946, the reporting entity shall consider whether an adjustment to the most recent net asset value per share is necessary. The objective of any adjustment is to estimate a net asset value per share for the investment that is calculated in a manner consistent with the measurement principles of Topic 946 as of the reporting entity's measurement date.

56. Amend paragraph 820-10-35-61, with a link to transition paragraph 820-10-65-8, as follows:

820-10-35-61 A reporting entity shall decide on an investment-by-investment basis~~The decision about whether to apply the guidance~~practical expedient in

paragraph 820-10-35-59 shall be made on an investment-by-investment basis and shall be applied apply that practical expedient consistently to the fair value measurement of ~~at~~ the reporting entity's entire position in a particular investment, unless it is probable at the measurement date that ~~at~~ the reporting entity will sell a portion of an investment at an amount different from net asset value per share (or its equivalent) as described in the following paragraph. In those situations, the reporting entity shall account for the portion of the investment that is being sold in accordance with ~~other provisions in this Subtopic~~ Topic (that is, the reporting entity shall not apply the guidance in paragraph 820-10-35-59).

820-10-35-62 A reporting entity is not permitted to estimate the fair value of an investment (or a portion of the investment) within the scope of paragraphs 820-10-15-4 through 15-5 using the net asset value per share of the investment (or its equivalent) as a practical expedient if, as of the reporting entity's measurement date, it is probable that the reporting entity will sell the investment for an amount different from the net asset value per share (or its equivalent). A sale is considered probable only if all of the following criteria have been met as of the reporting entity's measurement date:

- a. Management, having the authority to approve the action, commits to a plan to sell the investment.
- b. An active program to locate a buyer and other actions required to complete the plan to sell the investment have been initiated.
- c. The investment is available for immediate sale subject only to terms that are usual and customary for sales of such investments (for example, a requirement to obtain approval of the sale from the investee or a buyer's due diligence procedures).
- d. Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

57. Amend paragraph 820-10-50-1 and supersede its related heading, with a link to transition paragraph 820-10-65-8, as follows:

Disclosure

> Recurring Measurements

820-10-50-1 ~~The~~ A reporting entity shall disclose information that ~~enables~~ helps users of its financial statements ~~to~~ assess both of the following:

- a. For assets and liabilities that are measured at **fair value** on a recurring or nonrecurring basis ~~in periods subsequent to initial recognition (for example, trading securities);~~ in the statement of financial position after initial recognition, the valuation techniques and **inputs** used to develop those measurements

- b. For recurring fair value measurements using significant **unobservable inputs** (Level 3), the effect of the measurements on earnings (or changes in net assets) or other comprehensive income for the period.

58. Add paragraphs 820-10-50-1A through 50-1B, with a link to transition paragraph 820-10-65-8, as follows:

820-10-50-1A To meet the objectives in the preceding paragraph, a reporting entity shall consider all of the following:

- a. The level of detail necessary to satisfy the disclosure requirements
- b. How much emphasis to place on each of the various requirements
- c. How much aggregation or disaggregation to undertake
- d. Whether users of financial statements need additional information to evaluate the quantitative information disclosed.

If the disclosures provided in accordance with this Topic and other Topics are insufficient to meet the objectives in the preceding paragraph, a reporting entity shall disclose additional information necessary to meet those objectives.

820-10-50-1B Example 8, Cases A and B (see paragraphs 820-10-55-60 through 55-63) Paragraphs 820-10-55-99 through 55-107 illustrate disclosures about recurring fair value measurements. [Content amended as shown and moved from paragraph 820-10-50-4]

59. Amend paragraph 820-10-50-2, with a link to transition paragraph 820-10-65-8, as follows:

820-10-50-2 To meet the objectives in the preceding paragraph 820-10-50-1, the reporting entity shall disclose, at a minimum, all of the following information in (a) through (e) below for each interim and annual period separately for each class of assets and liabilities (see paragraph 820-10-50-2B for information on determining appropriate classes of assets and liabilities) measured at fair value (including measurements based on fair value within the scope of this Topic) in the statement of financial position after initial recognition: The reporting entity shall determine appropriate classes of assets and liabilities on the basis of guidance in the following paragraph. It shall provide sufficient information to permit reconciliation of the fair value measurement disclosures for the various classes of assets and liabilities to the line items in the statement of financial position.

- a. For recurring and nonrecurring fair value measurements, the fair value measurement at the end of the reporting date period, and for nonrecurring fair value measurements, the reasons for the measurement. Recurring fair value measurements of assets or liabilities are those that other Topics require or permit in the statement of financial position at the end of each reporting period. Nonrecurring fair value measurements of assets or liabilities are those that other Topics require or permit in the statement of financial position in particular

- circumstances (for example, when a reporting entity measures a long-lived asset or disposal group classified as held for sale at fair value less costs to sell in accordance with Topic 360 because the asset's fair value less costs to sell is lower than its carrying amount).
- b. For recurring and nonrecurring fair value measurements, ~~The~~the level of ~~within~~ the fair value hierarchy ~~in~~within which the fair value measurements are categorized in their entirety (Level 1, 2, or 3) ~~measurement in its entirety falls, segregating the fair value measurement using any of the following:~~
1. Subparagraph superseded by Accounting Standards Update 2011-04. ~~Quoted prices in active markets for identical assets or liabilities (Level 1)~~
 2. Subparagraph superseded by Accounting Standards Update 2011-04. ~~Significant other~~ **observable inputs** (Level 2)
 3. Subparagraph superseded by Accounting Standards Update 2011-04. ~~Significant unobservable inputs (Level 3)~~
- bb. For assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis, ~~the~~The amounts of ~~any~~significant transfers between Level 1 and Level 2 of the fair value hierarchy ~~and the reasons for the transfers~~ hierarchy, the reasons for those transfers, and the reporting entity's policy for determining when ~~transfers between levels are deemed to have occurred (see paragraph 820-10-50-2C)~~. Significant transfers into each level shall be disclosed and discussed separately from transfers out of each level. ~~For this purpose, significance shall be judged with respect to earnings and total assets or total liabilities or, when changes in fair value are recognized in other comprehensive income, with respect to total equity. A reporting entity shall disclose and consistently follow its policy for determining when transfers between levels are recognized. The policy about the timing of recognizing transfers shall be the same for transfers into the levels as that for transfers out of the levels. Examples of policies for when to recognize the transfers are as follows:~~
1. Subparagraph superseded by Accounting Standards Update 2011-04. ~~The actual date of the event or change in circumstances that caused the transfer~~
 2. Subparagraph superseded by Accounting Standards Update 2011-04. ~~The beginning of the reporting period~~
 3. Subparagraph superseded by Accounting Standards Update 2011-04. ~~The end of the reporting period.~~ **[Content amended and moved to paragraph 820-10-50-2C]**
- bbb. For recurring and nonrecurring fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation technique(s) and the inputs used in the fair value measurement. If there has been a change in the valuation technique(s) (for example, changing from a {add glossary link}market approach{add glossary link} to an {add glossary

~~link~~income approach~~{add glossary link}~~ or the use of an additional valuation technique), the reporting entity shall disclose that change and the ~~reason~~reason(s) for making it. **[Content amended as shown and moved from paragraph 820-10-50-2(e)]** For fair value measurements categorized within Level 3 of the fair value hierarchy, a reporting entity shall provide quantitative information about the significant unobservable inputs used in the fair value measurement. A reporting entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the reporting entity when measuring fair value (for example, when a reporting entity uses prices from prior transactions or third-party pricing information without adjustment). However, when providing this disclosure, a reporting entity cannot ignore quantitative unobservable inputs that are significant to the fair value measurement and are reasonably available to the reporting entity.

- c. ~~For recurring fair value measurements using significant unobservable inputs (Level 3), a reconciliation of the beginning and ending balances, separately presenting changes during the period attributable to any of the following:~~categorized within Level 3 of the fair value hierarchy, a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following:
1. ~~Total gains or losses for the period (realized and unrealized), separately presenting gains or losses included~~recognized in earnings (or changes in net ~~assets~~assets) and gains or losses ~~recognized in other comprehensive income, and the line item(s)~~a description of where those gains or losses included in earnings (or changes in net assets) are reported in the statement of income (or activities) in which those gains or losses are recognized or in other comprehensive income
 - 1a. ~~Total gains or losses for the period recognized in other comprehensive income, and the line item(s) in other comprehensive income in which those gains or losses are recognized~~
 2. Purchases, sales, ~~issuances~~issues, and settlements (each ~~type of those types of changes~~ disclosed separately)
 3. ~~Transfers in and/or out of Level 3 and the reasons for those transfers.~~The amounts of any transfers into or out of Level 3 of the fair value hierarchy, the reasons for those transfers, and the reporting entity's policy for determining when transfers between levels are deemed to have occurred (see paragraph 820-10-50-2C). ~~Significant transfers~~Transfers into Level 3 shall be disclosed and discussed separately from ~~significant transfers~~ out of Level 3. ~~For this purpose, significance shall be judged with respect to earnings and total assets or total liabilities or, when changes in fair value are recognized in other comprehensive income, with respect~~

~~to total equity. A reporting entity shall disclose and consistently follow its policy for determining when transfers between levels are recognized. The policy about the timing of recognizing transfers shall be the same for transfers into Level 3 as that for transfers out of Level 3. Examples of policies for when to recognize the transfers are as follows:~~

- ~~i. Subparagraph superseded by Accounting Standards Update 2011-04. The actual date of the event or change in circumstances that caused the transfer~~
 - ~~ii. Subparagraph superseded by Accounting Standards Update 2011-04. The beginning of the reporting period~~
 - ~~iii. Subparagraph superseded by Accounting Standards Update 2011-04. The end of the reporting period.~~
- d. ~~For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the~~The amount of the total gains or losses for the period in (c)(1) included in earnings (or changes in net assets) that are~~is~~attributable to the change in unrealized gains or losses relating to those assets and liabilities still held at the end of the reporting date~~period, and the line item(s) in the statement of income (or activities) in which those unrealized gains or losses are recognized.~~a description of where these unrealized gains or losses are reported in the statement of income (or activities).
- e. ~~Subparagraph superseded by Accounting Standards Update 2011-04. For fair value measurements using significant other observable inputs (Level 2) and significant unobservable inputs (Level 3), a description of the valuation technique (or multiple valuation techniques) used, such as the market approach, income approach, or the cost approach, and the inputs used in determining the fair values of each class of assets or liabilities. If there has been a change in the valuation technique(s) (for example, changing from a market approach to an income approach or the use of an additional valuation technique), the reporting entity shall disclose that change and the reason for making it. For examples of disclosures that a reporting entity may present to comply with the requirement to disclose the inputs used in measuring fair value in this paragraph, see paragraphs 820-10-55-22A through 55-22B.~~**[Content amended and moved to paragraph 820-10-50-2(bbb)]**
- f. ~~For recurring and nonrecurring fair value measurements categorized within Level 3 of the fair value hierarchy, a description of the valuation processes used by the reporting entity (including, for example, how an entity decides its valuation policies and procedures and analyzes changes in fair value measurements from period to period). See paragraph 820-10-55-105 for further guidance.~~
- g. ~~For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or~~

lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, a reporting entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement. To comply with that disclosure requirement, the narrative description of the sensitivity to changes in unobservable inputs shall include, at a minimum, the unobservable inputs disclosed when complying with paragraph 820-10-50-2(bbb).

- h. For recurring and nonrecurring fair value measurements, if the **highest and best use** of a nonfinancial asset differs from its current use, a reporting entity shall disclose that fact and why the nonfinancial asset is being used in a manner that differs from its highest and best use.

60. Supersede paragraph 820-10-50-2A, with a link to transition paragraph 820-10-65-8, as follows:

~~**820-10-50-2A** Paragraph superseded by Accounting Standards Update 2011-04. For equity and debt securities, class shall be determined on the basis of the nature and risks of the investments in a manner consistent with the guidance in paragraph 320-10-50-1B and, if applicable, shall be the same as the guidance on major security type as described in paragraph 942-320-50-2 even if the equity securities or debt securities are not within the scope of paragraph 320-10-50-1B. For all other assets and liabilities, judgment is needed to determine the appropriate classes of assets and liabilities for which disclosures about fair value measurements should be provided. Fair value measurement disclosures for each class of assets and liabilities often will require greater disaggregation than the reporting entity's line items in the statement of financial position. A reporting entity shall determine the appropriate classes for those disclosures on the basis of the nature and risks of the assets and liabilities and their classification in the fair value hierarchy (that is, Levels 1, 2, and 3). In determining the appropriate classes for fair value measurement disclosures, the reporting entity shall consider the level of disaggregated information required for specific assets and liabilities under other Topics. For example, under Topic 815, disclosures about derivative instruments are presented separately by type of contract such as interest rate contracts, foreign exchange contracts, equity contracts, commodity contracts, and credit contracts. The classification of the asset or liability in the fair value hierarchy also shall affect the level of disaggregation because of the different degrees of uncertainty and subjectivity involved in Level 1, Level 2, and Level 3 measurements. For example, the number of classes may need to be greater for fair value measurements using significant unobservable inputs (that is, Level 3 measurements) to achieve the disclosure objectives because Level 3 measurements have a greater degree of uncertainty and subjectivity.~~

61. Add paragraphs 820-10-50-2B through 50-2F, with a link to transition paragraph 820-10-65-8, as follows:

820-10-50-2B A reporting entity shall determine appropriate classes of assets and liabilities on the basis of the following:

- a. The nature, characteristics, and risks of the asset or liability
- b. The level of the fair value hierarchy within which the fair value measurement is categorized.

The number of classes may need to be greater for fair value measurements categorized within Level 3 of the fair value hierarchy because those measurements have a greater degree of uncertainty and subjectivity. Determining appropriate classes of assets and liabilities for which disclosures about fair value measurements should be provided requires judgment. A class of assets and liabilities will often require greater disaggregation than the line items presented in the statement of financial position. However, a reporting entity shall provide information sufficient to permit reconciliation to the line items presented in the statement of financial position. If another Topic specifies the class for an asset or a liability, a reporting entity may use that class in providing the disclosures required in this Topic if that class meets the requirements in this paragraph.

820-10-50-2C A reporting entity shall disclose and consistently follow its policy for determining when transfers between levels of the fair value hierarchy are recognized. ~~deemed to have occurred in accordance with paragraph 820-10-50-2(bb) and (c)(3).~~ The policy about the timing of recognizing transfers shall be the same for transfers into the levels as ~~that~~ for transfers out of the levels. Examples of policies for determining the timing of ~~when to recognize the transfers are as follows~~ include the following:

- a. ~~4.~~ The actual date of the event or change in circumstances that caused the transfer
- b. ~~2.~~ The beginning of the reporting period
- c. ~~3.~~ The end of the reporting period. **[Content amended as shown and moved from paragraph 820-10-50-2(bb)]**

820-10-50-2D If a reporting entity makes an accounting policy decision to use the exception in paragraph 820-10-35-18D, it shall disclose that fact.

820-10-50-2E For each class of assets and liabilities not measured at fair value in the statement of financial position but for which the fair value is disclosed, a reporting entity shall disclose the information required by paragraph 820-10-50-2(b), (bbb), and (h). However, a reporting entity is not required to provide the quantitative disclosures about significant unobservable inputs used in fair value measurements categorized within Level 3 of the fair value hierarchy required by paragraph 820-10-50-2(bbb). For such assets and liabilities, a reporting entity does not need to provide the other disclosures required by this Topic.

820-10-50-2F A ~~{Add glossary link to first definition}~~nonpublic entity~~{Add glossary link to first definition}~~ is not required to disclose the information

required by paragraph 820-10-50-2(bb) and (g) and paragraph 820-10-50-2E unless required by another Topic.

820-10-50-3 For derivative assets and liabilities, the reporting entity shall present both of the following:

- a. The fair value disclosures required by paragraph 820-10-50-2(a) through (bb) on a gross basis (which is consistent with the requirement of paragraph 815-10-50-4B(a))
- b. The reconciliation disclosure required by paragraph 820-10-50-2(c) through (d) on either a gross or a net basis.

62. Supersede paragraph 820-10-50-4 and amend paragraph 820-10-50-4A, with a link to transition paragraph 820-10-65-8, as follows:

820-10-50-4 Paragraph superseded by Accounting Standards Update 2011-04, Example 8, Cases A and B (see paragraphs 820-10-55-60 through 55-63) illustrate disclosures about recurring measurements. [Content amended and moved to paragraph 820-10-50-1B]

> Liability Issued with an Inseparable Third-Party Credit Enhancement

820-10-50-4A ~~For a liability measured at fair value and having the characteristics set forth in paragraph 820-10-25-1 issued with an inseparable third-party credit enhancement, an issuer shall disclose the existence of that third-party credit enhancement on its issued liability. Paragraph 820-10-35-18A states that, for the issuer, the unit of accounting for a liability measured or disclosed at fair value does not include the third-party credit enhancement.~~

63. Supersede paragraphs 820-10-50-5 through 50-6 and their related heading, with a link to transition paragraph 820-10-65-8, as follows:

> Nonrecurring Measurements

820-10-50-5 Paragraph superseded by Accounting Standards Update 2011-04. For assets and liabilities that are measured at fair value on a nonrecurring basis in periods after initial recognition (for example, impaired assets), the reporting entity shall disclose information that enables users of its financial statements to assess the valuation techniques and inputs used to develop those measurements. To meet that objective, the reporting entity shall disclose all of the following information for each interim and annual period separately for each class of assets and liabilities. The reporting entity shall determine classes of assets and liabilities on the basis of the guidance in paragraph 820-10-50-2A.

- a. ~~The fair value measurement recorded during the period and the reasons for the measurement~~
- b. ~~The level within the fair value hierarchy in which the fair value measurement in its entirety falls, segregating the fair value measurement using any of the following:~~

1. ~~Quoted prices in active markets for identical assets or liabilities (Level 1)~~
 2. ~~Significant other observable inputs (Level 2)~~
 3. ~~Significant unobservable inputs (Level 3).~~
- c. ~~Subparagraph superseded by Accounting Standards Update No. 2010-06~~
- d. ~~For fair value measurements using significant other observable inputs (Level 2) and significant unobservable inputs (Level 3), the disclosure required by paragraph 820-10-50-2(e).~~

~~820-10-50-6 Paragraph superseded by Accounting Standards Update 2011-04, Example 8, Case C (see paragraph 820-10-55-64) illustrates disclosures about nonrecurring measurements.~~

64. Amend paragraphs 820-10-50-6A through 50-8, with a link to transition paragraph 820-10-65-8, as follows:

> Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)

820-10-50-6A For investments that are within the scope of paragraphs 820-10-15-4 through 15-5 (regardless of whether the practical expedient in paragraph 820-10-35-59 has been applied) and measured at fair value on a recurring or nonrecurring basis during the period, ~~the~~ reporting entity shall disclose information that ~~enables~~ helps users of its financial statements to understand the nature and risks of the investments and whether the investments are probable of being sold at amounts different from ~~{add glossary link}~~ net asset value per share ~~{add glossary link}~~ (or its equivalent, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed). To meet that objective, to the extent applicable, ~~the~~ reporting entity shall disclose, at a minimum, all of the following information for each ~~interim and annual period separately for each class of investment~~ investment (class of investment shall be determined on the basis of the nature and risks of the investments in a manner consistent with the guidance for major security types in paragraph 320-10-50-1B):

- a. The fair value measurement (as determined by applying paragraphs 820-10-35-59 through 35-62) of the investments in the ~~class, class at the reporting date~~ and a description of the significant investment strategies of the investee(s) in the class.
- b. For each class of investment that includes investments that can never be redeemed with the investees, but the reporting entity receives distributions through the liquidation of the underlying assets of the investees, the reporting entity's estimate of the period of time over which the underlying assets are expected to be ~~be~~ liquidated by the investees.
- c. The amount of the reporting entity's unfunded commitments related to investments in the class.

- d. A general description of the terms and conditions upon which the investor may redeem investments in the class (for example, quarterly redemption with 60 days' notice).
- e. The circumstances in which an otherwise redeemable investment in the class (or a portion thereof) might not be redeemable (for example, investments subject to a lockup or gate). Also, for those otherwise redeemable investments that are restricted from redemption as of the reporting entity's measurement date, the reporting entity shall disclose its estimate of when the restriction from redemption might lapse. If an estimate cannot be made, the reporting entity shall disclose that fact and how long the restriction has been in effect.
- f. Any other significant restriction on the ability to sell investments in the class at the measurement date.
- g. If a reporting entity determines that it is probable that it will sell an investment(s) for an amount different from net asset value per share (or its equivalent) as described in paragraph 820-10-35-62, the reporting entity shall disclose the total fair value of all investments that meet the criteria in paragraph 820-10-35-62 and any remaining actions required to complete the sale.
- h. If a group of investments would otherwise meet the criteria in paragraph 820-10-35-62 but the individual investments to be sold have not been identified (for example, if a reporting entity decides to sell 20 percent of its investments in private equity funds but the individual investments to be sold have not been identified), so the investments continue to qualify for the practical expedient in paragraph 820-10-35-59, the reporting entity shall disclose its plans to sell and any remaining actions required to complete the sale(s).

> Changes in Valuation Techniques or Their Application

820-10-50-7 As discussed in paragraph 250-10-50-5, the ~~disclosure provisions of disclosures required by~~ Topic 250 for a change in accounting estimate are not required for revisions resulting from a change in a valuation technique or its application.

> Tabular Format Required

820-10-50-8 ~~A reporting entity shall present the~~The quantitative disclosures required by this Subtopic shall be presented using Topic in a tabular format. (See ~~Example 8 [paragraph 820-10-55-60].~~)

820-10-50-8A Paragraph not used.

65. Supersede paragraph 820-10-50-9 and its related heading, with a link to transition paragraph 820-10-65-8, as follows:

> Relation to Other Disclosure Requirements

820-10-50-9 Paragraph superseded by Accounting Standards Update 2011-04. The reporting entity is encouraged, but not required, to:

- a. ~~Combine the fair value information disclosed under this Subtopic with the fair value information disclosed under other Subtopics (for example, Section 825-10-50) in the periods in which these disclosures are required, if practicable~~
- b. ~~Disclose information about other similar measurements (for example, inventories measured at market value under Topic 330), if practicable.~~

66. Amend paragraph 820-10-50-10, with a link to transition paragraph 820-10-65-8, as follows:

820-10-50-10 Plan assets of a defined benefit pension or other postretirement plan that are accounted for ~~under~~in accordance with Topic 715 are not subject to the disclosure requirements in paragraphs 820-10-50-1 through 50-9. Instead, the disclosures required in paragraphs 715-20-50-1(d)(iv) and 715-20-50-5(c)(iv) shall apply for fair value measurements of plan assets of a defined benefit pension or other postretirement plan.

67. Amend paragraphs 820-10-55-1 through 55-3 and their related headings, with a link to transition paragraph 820-10-65-8, as follows:

Implementation Guidance and Illustrations

> Implementation Guidance

> > The Fair Value Measurement Approach

820-10-55-1 ~~Because the exit price objective in paragraph 820-10-30-2 applies for all assets and liabilities measured at fair value, any fair value measurement requires that the reporting entity~~The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. A fair value measurement requires a reporting entity to determine all of the following:

- a. The particular asset or liability that is the subject of the measurement (consistent with its **unit of account**)
- b. For ~~an~~ a nonfinancial asset, the valuation premise that is appropriate for the measurement (consistent with its **highest and best use**)
- c. The principal (or most advantageous) market for the asset or liability ~~(for an asset, consistent with its highest and best use)~~
- d. The valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop **inputs** that represent the assumptions that **market participants** would use ~~if~~when

pricing the asset or liability and the level inof the fair value hierarchy within which the inputs fallare categorized.

820-10-55-2 The judgments applied in different valuation situations often will~~may~~ be different. This Section describes in general terms certain provisions of this Subtopic and provides Examples that incorporate simplified assumptions to illustrate the application of those provisions. the judgments that might apply when a reporting entity measures fair value in different valuation situations.

>> The Fair Value Measurement Approach

>>> The Valuation Premise for Nonfinancial Assets—Highest and Best Use

820-10-55-3 When measuring the fair value of a nonfinancial asset used in combination with other assets as a group (as installed or otherwise configured for use) or in combination with other assets and liabilities (for example, a business), the effect of the valuation premise depends on the circumstances.~~an asset in use, the in use valuation premise discussed in paragraph 820-10-35-12 can be incorporated in the measurement differently, depending on the circumstances. For instance~~ example:

- a. The fair value of the asset might be the same whether the asset is used on a standalone basis or in combination with other assets or with other assets and liabilities using an in-use or an in-exchange valuation premise. ~~For example, that~~ That might be the case if the asset is a business (such as a reporting unit) that market participants would continue to operate. In that case, the transaction would involve valuing the business in its entirety. The use of the assets as a group in ~~the~~ context of an ongoing business would generate synergies that would be available to market participants (that is, market participant synergies that, therefore, should affect the fair value of the asset on either a standalone basis or in combination with other assets or with other assets and liabilities).
- b. ~~The in-use valuation premise might be incorporated in the fair value of the asset.~~ An asset's use in combination with other assets or with other assets and liabilities might be incorporated into the fair value measurement through adjustments to the value of the asset in-exchange used on a standalone basis. ~~For example, that~~ That might be the case if the asset is a machine and the fair value measurement is determined using an observed price for a similar machine (not installed or otherwise configured for use), adjusted for transportation and installation costs so that the fair value measurement reflects the current condition and location of the machine (installed and configured for use).
- c. ~~The in-use valuation premise might be incorporated in the fair value of the asset.~~ An asset's use in combination with other assets or with other assets and liabilities might be incorporated into the fair value

measurement through the market participant assumptions used to measure the fair value of the asset. For example, if the asset is work-in-process inventory that is unique and market participants would ~~complete~~convert the inventory into finished goods, the fair value of the inventory would assume that market participants have acquired or would acquire any specialized machinery necessary to ~~complete~~convert the inventory into finished goods ~~would be available to market participants. In that case, market participants would have the specialized machinery in place or would acquire the specialized machinery in conjunction with the inventory.~~

- d. ~~The in-use valuation premise might be incorporated in the fair value of the asset through~~An asset's use in combination with other assets or with other assets and liabilities might be incorporated into the valuation technique used to measure the fair value of the asset. For example, that~~That~~ might be the case when using the multiperiod excess earnings method to measure the fair value of ~~certain~~an intangible asset~~asset~~ because that valuation technique specifically ~~considers~~takes into account the contribution of any complementary assets and the associated liabilities in the group in which such an intangible asset would be used.
- e. In more limited situations, when a reporting entity uses an asset within a group of assets, the reporting entity ~~the asset~~ might be ~~measured~~measure the asset at an amount that approximates its fair value ~~in use~~ when allocating the fair value of the asset group within which the asset is used to the individual assets of the group. For example, ~~that~~That might be the case if the valuation involves real property and the fair value of improved property (that is, an asset group) is allocated to its component assets (such as land and improvements).

68. Add paragraphs 820-10-55-3A through 820-10-55-3G and their related headings, with a link to transition paragraph 820-10-65-8, as follows:

> > Valuation Techniques

> > > Market Approach

820-10-55-3A ~~The market approach is defined in this Subtopic as a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable~~assets (that is, similar) assets, or liabilities (including a business) liabilities, or a group of assets and liabilities, such as a business. [Content amended as shown and moved from paragraph 820-10-35-29]

820-10-55-3B For example, valuation techniques consistent with the market approach often use market multiples derived from a set of comparables. Multiples might ~~lie~~be in ranges with a different multiple for each comparable. The selection of ~~where within the range~~ the appropriate multiple ~~falls~~within the range requires judgment, considering qualitative and quantitative factors specific to the

measurement (~~qualitative and quantitative~~). **[Content amended as shown and moved from paragraph 820-10-35-30]**

820-10-55-3C Valuation techniques consistent with the market approach include matrix pricing. Matrix pricing is a mathematical technique used principally to value some types of financial instruments, such as debt securities~~securities~~, without relying exclusively on quoted prices for the specific securities, but rather ~~by~~ relying on the securities' relationship to other benchmark quoted securities. **[Content amended as shown and moved from paragraph 820-10-35-31]**

> > > Cost Approach

820-10-55-3D The cost approach ~~is defined in this Subtopic as a valuation technique based on~~ reflects the amount that ~~currently~~ would be required currently to replace the service capacity of an asset (often referred to as current replacement cost). **[Content amended as shown and moved from paragraph 820-10-35-34]**

820-10-55-3E From the perspective of a market participant (~~seller~~)seller, the price that would be received for the asset is ~~determined based on~~ the cost to a market participant (~~buyer~~)buyer to acquire or construct a substitute asset of comparable utility, adjusted for ~~{remove glossary link}~~obsolescence~~{remove glossary link}~~. **[Content amended as shown and moved from paragraph 820-10-35-35]** That is because a market participant buyer would not pay more for an asset than the amount for which it could replace the service capacity of that asset. Obsolescence encompasses physical deterioration, functional (technological) obsolescence, and economic (external) obsolescence and is broader than depreciation for financial reporting purposes (an allocation of historical cost) or tax purposes (~~based on~~using specified service lives). **[Content moved from Master Glossary]** In many cases, the current replacement cost method is used to measure the fair value of tangible assets that are used in combination with other assets or with other assets and liabilities.

> > > Income Approach

820-10-55-3F The income approach ~~is defined in this Subtopic as an approach that uses valuation techniques to convert~~converts future amounts (for example, cash flows or ~~earnings~~income and expenses) to a single ~~present~~current (that is, discounted) amount (~~discounted~~). When the income approach is used, the fair value measurement reflects~~The measurement is based on the value indicated by current market expectations about those future amounts.~~ **[Content amended as shown and moved from paragraph 820-10-35-32]**

820-10-55-3G Those valuation techniques include, for example, the following:

- a. **Present value** techniques
- b. Option-pricing models (~~which incorporate present value techniques~~), such as the Black-Scholes-Merton formula (~~a closed-form model~~) ~~and/or~~ a binomial model (that is, a lattice model), that incorporate present value

techniques and reflect both the time value and the intrinsic value of an option

- c. The multi-period excess earnings method, which is used to measure the fair value of ~~certain~~some intangible assets. **[Content amended as shown and moved from paragraph 820-10-35-33]**

69. Amend paragraphs 820-10-55-4 through 55-19 and 820-10-55-21 through 55-22, with a link to transition paragraph 820-10-65-8, as follows:

> > > Present Value Techniques

~~820-10-55-4 FASB Concepts Statement No. 7, Using Cash Flow Information and Present Value in Accounting Measurements, provides guidance for using~~ Paragraphs 820-10-55-5 through 55-20 describe the use of ~~{remove glossary link}~~**present value**~~{remove glossary link}~~ techniques to measure fair value. ~~That guidance focuses~~ Those paragraphs focus on a ~~traditional or~~ **discount rate adjustment technique** and an **expected cash flow** (expected present value) technique. ~~This Section clarifies that guidance. (That guidance is included or otherwise referred to principally in paragraphs 39-46, 51, 62-71, 114, and 115 of Concepts Statement 7.) This Section~~ Those paragraphs neither ~~prescribes~~ prescribe the use of ~~one~~ a single specific present value technique nor ~~limits~~ limit the use of present value techniques to measure fair value to the techniques discussed ~~herein~~. The present value technique used to measure fair value will depend on facts and circumstances specific to the asset or liability being measured (for example, whether prices for comparable assets or liabilities can be observed in the market) and the availability of sufficient data.

> > > > The Components of a Present Value Measurement

820-10-55-5 Present value (that is, an application of the **income approach**) is a tool used to link future amounts (for example, cash flows or values) to a present amount using a discount rate. A fair value measurement of an asset or ~~liability, a liability~~ using a present value technique should ~~capture~~ captures all of the following elements from the perspective of market participants ~~as of at the~~ measurement date:

- a. An estimate of future cash flows for the asset or liability being measured.
- b. Expectations about possible variations in the amount ~~and/or~~ and timing of the cash flows representing the uncertainty inherent in the cash flows.
- c. The time value of money, represented by the rate on risk-free monetary assets that have maturity dates or durations that coincide with the period covered by the cash flows and pose neither uncertainty in timing nor risk of default to the holder (that is, a risk-free interest rate). For present value computations denominated in nominal U.S. dollars, the yield curve for U.S. Treasury securities determines the appropriate risk-free interest rate. ~~U.S. Treasury securities are deemed (default) risk-free~~

- because they pose neither uncertainty in timing nor risk of default to the holder.
- d. The price for bearing the uncertainty inherent in the cash flows (that is, a risk premium).
 - e. Other ~~case-specific~~ factors that market participants would be considered by market participants take into account in the circumstances.
 - f. ~~In the case of~~ For a liability, the **nonperformance risk** relating to that liability, including the reporting entity's (that is, the obligor's) own **{add glossary link}credit risk{add glossary link}**.

> > > General Principles

820-10-55-6 Present value techniques differ in how they capture ~~these~~the elements in the preceding paragraph. However, all of the following general principles govern the application of any present value technique used to measure fair value:

- a. Cash flows and discount rates should reflect assumptions that market participants would use ~~in~~when pricing the asset or liability.
- b. Cash flows and discount rates should ~~consider~~take into account only the factors ~~attributed~~attributable to the asset (~~or liability~~)or liability being measured.
- c. To avoid double counting or omitting the effects of risk factors, discount rates should reflect assumptions that are consistent with those inherent in the cash flows. For example, a discount rate that reflects the uncertainty in expectations about future defaults is appropriate if using contractual cash flows of a loan (that is, a discount rate adjustment technique). That same rate ~~would~~should not be used if using expected (that is, probability-weighted) cash flows (that is, an expected present value technique) because the expected cash flows already reflect assumptions about the uncertainty in future defaults; instead, a discount rate that is commensurate with the risk inherent in the expected cash flows should be used.
- d. Assumptions about cash flows and discount rates should be internally consistent. For example, nominal cash flows, which (~~that~~include the effect of inflation) ~~should~~should be discounted at a rate that includes the effect of inflation. The nominal risk-free interest rate includes the effect of inflation. Real cash flows, which (~~that~~exclude the effect of inflation) ~~should~~should be discounted at a rate that excludes the effect of inflation. Similarly, after-tax cash flows should be discounted using an after-tax discount rate. Pretax cash flows should be discounted at a rate consistent with those cash flows (~~for example, a U.S. Treasury rate is quoted on a pretax basis, as is a London Interbank Offered Rate [LIBOR] or a prevailing term loan rate~~).
- e. Discount rates should be consistent with the underlying economic factors of the currency in which the cash flows are denominated.

>>> Risk and Uncertainty

820-10-55-7 A fair value ~~measurement,~~measurement using present ~~value,~~value techniques is made under conditions of uncertainty because the cash flows used are estimates rather than known amounts. In many cases, both the amount and timing of the cash flows ~~will be~~are uncertain. Even contractually fixed amounts, ~~likesuch as~~ the payments on a loan, ~~will be~~are uncertain if there is risk of default.

820-10-55-8 Market participants generally seek compensation (that is, a risk premium) for bearing the uncertainty inherent in the cash flows of an asset or a liability. A fair value measurement should include a risk premium reflecting the amount ~~that~~ market participants would demand ~~because of~~as compensation for the risk (uncertainty)~~uncertainty inherent~~ in the cash flows. Otherwise, the measurement would not faithfully represent fair value. In some cases, determining the appropriate risk premium might be difficult. However, the degree of difficulty alone is not a sufficient ~~basis on which~~reason to exclude a risk ~~adjustment~~premium.

820-10-55-9 Present value techniques differ in how they adjust for risk and in the type of cash flows they use. For example:

- a. The discount rate adjustment technique (see paragraphs 820-10-55-10 through 55-12) uses a risk-adjusted discount rate and contractual, promised, or most likely cash flows.
- b. Method 1 of the expected present value technique (see paragraph 820-10-55-15) ~~uses a risk-free rate and~~ risk-adjusted expected cash flows and a risk-free rate.
- c. Method 2 of the expected present value technique (see paragraph 820-10-55-16) ~~uses expected cash flows that are not risk adjusted and a risk-adjusted discount rate adjusted to include the risk premium that market participants require. (which~~ That rate is different from the rate used in the discount rate adjustment technique. ~~technique) and expected cash flows.~~

>>> Discount Rate Adjustment Technique

820-10-55-10 The discount rate adjustment technique uses a single set of cash flows from the range of possible estimated amounts, whether contractual or promised (as is the case for a bond) or most likely cash flows. In all cases, those cash flows are conditional upon the occurrence of specified events (for example, contractual or promised cash flows for a bond are conditional on the event of no default by the debtor). The discount rate used in the discount rate adjustment technique is derived from observed rates of return for comparable assets or liabilities that are traded in the market. Accordingly, the contractual, promised, or most likely cash flows are discounted at an observed or estimated market rate that corresponds to an observed market rate associated with for such conditional cash flows (that is, a market rate of return).

820-10-55-11 The application of the discount rate adjustment technique requires an analysis of market data for comparable assets or liabilities. Comparability is established by considering the nature of the cash flows (for example, whether the cash flows are contractual or noncontractual and are likely to respond similarly to changes in economic conditions), as well as other factors (for example, credit standing, collateral, duration, restrictive covenants, and liquidity). Alternatively, if a single comparable asset or liability does not fairly reflect the risk inherent in the cash flows of the asset or liability being measured, it may be possible to derive a discount rate using data for several comparable assets or liabilities in conjunction with the risk-free yield curve (that is, using a build-up approach). ~~Example 2 (see paragraph 820-10-55-33)~~ Paragraph 820-10-55-33 illustrates the build-up approach.

820-10-55-12 ~~In applying~~When the discount rate adjustment technique is applied to fixed ~~claims, receipts or payments,~~ the adjustment for risk inherent in the cash flows of the asset or liability being measured is included in the discount rate. In some applications of the discount rate adjustment technique to cash flows that are ~~other than~~not fixed ~~receipts or payments,~~claims, an adjustment to the cash flows ~~also~~ may be necessary to achieve comparability with the observed asset or liability from which the discount rate is derived.

> > > Expected Present Value Technique

820-10-55-13 The expected present value technique uses as a starting point a set of cash flows that, ~~in theory,~~ represents the probability-weighted average of all possible future cash flows (that is, the expected cash flows). The resulting estimate is identical to expected value, which, in statistical terms, is the weighted average of a discrete random variable's possible values ~~where~~with the respective probabilities ~~are used as the~~ weights. Because all possible cash flows are probability-weighted, the resulting expected cash flow is not conditional upon the occurrence of any specified event (~~as are~~unlike the cash flows used in the discount rate adjustment technique).

820-10-55-14 In making an investment decision, risk-averse market participants would ~~consider~~take into account the risk ~~inherent in~~that the actual cash flows may differ from the expected cash flows. Portfolio theory distinguishes between two types of risk:

- a. **Unsystematic (diversifiable) risk**
- b. ~~The second is general market risk, also referred to as systematic~~Systematic (nondiversifiable) risk.

820-10-55-15 Method 1 of the expected present value technique adjusts the expected cash flows of an asset for ~~the~~systematic (that is, market) risk by subtracting a cash risk premium (that is, risk-adjusted expected cash flows). ~~These~~Those risk-adjusted expected cash flows represent a certainty equivalent cash flow, which is discounted at a risk-free interest rate. A certainty equivalent cash flow refers to an expected cash flow (as defined), adjusted for risk such so

that a market participant ~~one~~ is indifferent to trading a certain cash flow for an expected cash flow. For example, if ~~one were~~ a market participant was willing to trade an expected cash flow of \$1,200 for a certain cash flow of \$1,000, the \$1,000 is the certainty equivalent of the \$1,200 (that is, the \$200 would represent the cash risk premium). In that case, ~~one~~ the market participant would be indifferent as to the asset held.

820-10-55-16 In contrast, Method 2 of the expected present value technique adjusts for systematic (that is, market) risk by ~~adding~~ applying a risk premium to the risk-free interest rate. Accordingly, the expected cash flows are discounted at a rate that corresponds to an expected rate associated with probability-weighted cash flows (that is, an expected rate of return). Models used for pricing risky assets, such as the capital asset pricing model, can be used to estimate the expected rate of return. Because the discount rate used in the discount rate adjustment technique is a rate of return relating to conditional cash flows, it is likely ~~will to~~ be higher than the discount rate used in Method 2 of the expected present value technique, which is an expected rate of return relating to expected or probability-weighted cash flows.

820-10-55-17 To illustrate Methods 1 and 2, assume that an asset has expected cash flows of \$780 in 1 year ~~based determined on the basis of~~ the possible cash flows and probabilities shown below. The applicable risk-free interest rate for cash flows with a 1-year horizon is 5 percent, and the ~~{remove glossary link}~~ systematic risk ~~{remove glossary link}~~ premium for an asset with the same risk profile is 3 percent.

<u>Possible Cash Flows</u>		<u>Probability</u>	<u>Probability-Weighted Cash Flows</u>	
\$	500	15%	\$	75
\$	800	60%	\$	480
\$	900	25%	\$	225
Expected cash flows			\$	<u>780</u>

820-10-55-18 In this simple illustration, the expected cash flows (\$780) represent the probability-weighted average of the 3 possible outcomes. In more realistic situations, there could be many possible outcomes. However, to apply the expected present value technique, it is not always necessary to ~~consider~~ take into account distributions of ~~literally~~ all possible cash flows using complex models and techniques ~~to apply the expected present value technique~~. Rather, it ~~should~~ might be possible to develop a limited number of discrete scenarios and probabilities that capture the array of possible cash flows. For example, a reporting entity

might use realized cash flows for some relevant past period, adjusted for changes in circumstances occurring subsequently (for example, changes in external factors, including economic or market conditions, industry trends, and competition as well as changes in internal factors ~~impacting~~affecting the reporting entity more specifically), ~~considering~~taking into account the assumptions of market participants.

820-10-55-19 In theory, the present value (that is, the fair value) of the asset's cash flows is the same (~~\$722~~)—whether determined ~~under~~using Method 1 or Method 2, as ~~follows~~indicated below. ~~Specifically:~~

- a. ~~Under~~Using Method 1, the expected cash flows are adjusted for systematic (that is, market) risk. In the absence of market data directly indicating the amount of the risk adjustment, such adjustment could be derived from an asset pricing model using the concept of certainty equivalents. For example, the risk adjustment (that is, the cash risk premium of \$22) could be determined ~~based on~~using the systematic risk premium of 3 percent ($\$780 - [\$780 \times (1.05/1.08)]$), which results in risk-adjusted expected cash flows of \$758 ($\$780 - \22). The \$758 is the certainty equivalent of \$780 and is discounted at the risk-free interest rate (5 percent). The present value (that is, the fair value) of the asset is \$722 ($\$758/1.05$).
- b. ~~Under~~Using Method 2, the expected cash flows are not adjusted for systematic (that is, market) risk. Rather, the adjustment for that risk is included in the discount rate. Thus, the expected cash flows are discounted at an expected rate of return of 8 percent (that is, the 5 percent risk-free interest rate plus the 3 percent systematic risk premium). The present value (that is, the fair value) of the asset is \$722 ($\$780/1.08$).

820-10-55-20 When using an expected present value technique to measure fair value, either Method 1 or Method 2 could be used. The selection of Method 1 or Method 2 will depend on facts and circumstances specific to the asset or liability being measured, the extent to which sufficient data are available, and the judgments applied.

>>> Fair Value Hierarchy

>>>> Level 2 Inputs

820-10-55-21 Examples of **Level 2 inputs** for particular assets and liabilities include the following:

- a. Receive-fixed, pay-variable interest rate swap based on ~~a~~the London Interbank Offered Rate (LIBOR)~~LIBOR~~ swap rate. A Level 2 input would ~~include~~be the LIBOR swap rate if that rate is observable at commonly quoted intervals for substantially the full term of the swap.

- b. ~~Receive-fixed, pay-variable interest rate swap based on a foreign-denominated yield curve denominated in a foreign currency.~~ A Level 2 input would ~~include~~be the swap rate based on a ~~foreign-denominated yield curve denominated in a foreign currency~~ that is observable at commonly quoted intervals for substantially the full term of the swap. That would be the case if the term of the swap is 10 years and that rate is observable at commonly quoted intervals for 9 years, provided that any reasonable extrapolation of the yield curve for Year 10 would not be significant to the fair value measurement of the swap in its entirety.
- c. Receive-fixed, pay-variable interest rate swap based on a specific bank's prime rate. A Level 2 input would ~~include~~be the bank's prime rate derived through extrapolation if the extrapolated values are corroborated by observable market data, for example, by correlation with an interest rate that is observable over substantially the full term of the swap.
- d. Three-year option on exchange-traded shares. A Level 2 input would ~~include~~be the implied volatility for the shares derived through extrapolation to Year 3 if both of the following conditions exist:
 1. Prices for ~~one one-year~~ and two-year options on the shares are observable.
 2. The extrapolated implied volatility of a three-year option is corroborated by observable market data for substantially the full term of the option.

In that case, the implied volatility could be derived by extrapolating from the implied volatility of the ~~one one-year~~ and two-year options on the shares and corroborated by the implied volatility for three-year options on comparable entities' shares, provided that correlation with the ~~one one-year~~ and two-year implied volatilities is established.

- e. Licensing arrangement. For a licensing arrangement that is acquired in a **{add glossary link}**business combination**{add glossary link}** and ~~that~~ was recently negotiated with an unrelated party by the acquired entity (the party to the licensing arrangement), a Level 2 input would ~~include~~be the royalty rate in the contract with the unrelated party at inception of the arrangement.
- f. Finished goods inventory at a retail outlet. For finished goods inventory that is acquired in a business combination, a Level 2 input would ~~include~~be either a price to customers in a retail market or a ~~wholesale~~ price to retailers in a wholesale market, adjusted for differences between the condition and location of the inventory item and the comparable (that is, similar) inventory items so that the fair value measurement reflects the price that would be received in a transaction to sell the inventory to another retailer that would complete the requisite selling efforts. Conceptually, the fair value measurement ~~should~~will be the same, whether adjustments are made to a retail price (downward) or to a wholesale price (upward). Generally, the price that requires the least

amount of subjective adjustments should be used for the fair value measurement.

- g. Building held and used. A Level 2 input would ~~include be~~ the price per square foot for the building (a valuation multiple) derived from observable market data, for example, multiples derived from prices in observed transactions involving comparable (that is, similar) buildings in similar locations.
- h. Reporting unit. A Level 2 input would ~~include be~~ a valuation multiple (for example, a multiple of earnings or revenue or a similar performance measure) derived from observable market data, for example, multiples derived from prices in observed transactions involving comparable (that is, similar) businesses, ~~considering taking into account~~ operational, market, financial, and nonfinancial factors.

> > > Level 3 Inputs

820-10-55-22 Examples of **Level 3 inputs** for particular assets and liabilities include the following:

- a. Long-dated currency swap. A Level 3 input would ~~include be an~~ interest ~~rate~~ rate in a specified currency that ~~are is~~ not observable and cannot be corroborated by observable market data at commonly quoted intervals or otherwise for substantially the full term of the currency swap. The interest rates in a currency swap are the swap rates calculated from the respective countries' yield curves.
- b. Three-year option on exchange-traded shares. A Level 3 input would ~~include be~~ historical volatility, that is, the volatility for the shares derived from the shares' historical prices. Historical volatility typically does not represent current market ~~participant~~ participants' expectations about future volatility, even if it is the only information available to price an option.
- c. Interest rate swap. A Level 3 input would ~~include be~~ an adjustment to a mid-market consensus (nonbinding) price for the swap developed using data that are not directly observable and ~~that~~ cannot otherwise be corroborated by observable market data.
- d. Asset retirement obligation at initial recognition. A Level 3 input would ~~include expected cash flows be~~ a current estimate using the reporting entity's own data about the future cash outflows to be paid to fulfill the obligation (including market participants' expectations about the costs of fulfilling the obligation and the compensation that a market participant would require for taking on the asset retirement obligation) if there is no reasonably available information (adjusted for risk) developed using the reporting entity's own data if there is no information reasonably available without undue cost and effort that indicates that market participants would use different assumptions. That Level 3 input would be used in a present value technique together with other inputs, for example, a current ~~a~~-risk-free interest rate or a credit-adjusted risk-free

rate if the effect of the reporting entity's credit standing on the fair value of the liability is reflected in the discount rate rather than in the ~~expected cash flow~~ estimate of future cash outflows. ~~Section 410-20-55 illustrates the application of the expected present value technique to an asset retirement obligation measured at fair value at initial recognition under Subtopic 410-20.~~

- e. Reporting unit. A Level 3 input would ~~include~~ be a financial forecast (for example, of cash flows or earnings) developed using the reporting entity's own data if there is no ~~information~~—reasonably available information without undue cost and effort that indicates that market participants would use different assumptions.

70. Supersede paragraphs 820-10-55-22A through 55-23 and their related headings, with a link to transition paragraph 820-10-65-8, as follows:

>>> Disclosures—Valuation Techniques and Inputs

820-10-55-22A Paragraph superseded by Accounting Standards Update 2011-04. ~~Examples of disclosures that the reporting entity may present to comply with the input disclosure requirement of paragraph 820-10-50-2(e) include the following:~~ **[Content amended and moved to paragraph 820-10-55-103]**

- a. ~~Quantitative information about the inputs, for example, for certain debt securities or derivatives, information such as, but not limited to, prepayment rates, rates of estimated credit losses, interest rates (for example, LIBOR swap rate) or discount rates, and volatilities.~~
- b. ~~The nature of the item being measured at fair value, including the characteristics of the item being measured that are considered in the determination of relevant inputs. For example, for residential mortgage-backed securities, a reporting entity may conclude that meeting the objective of this disclosure requirement requires disclosure of items such as the following:~~
 - 1. ~~The types of underlying loans (for example, subprime or home equity lines of credit)~~
 - 2. ~~Collateral~~
 - 3. ~~Guarantees or other credit enhancements~~
 - 4. ~~Seniority level of the tranches of securities~~
 - 5. ~~The year of issuance~~
 - 6. ~~The weighted-average coupon rate of the underlying loans and the securities~~
 - 7. ~~The weighted average maturity of the underlying loans and the securities~~
 - 8. ~~The geographical concentration of the underlying loans~~
 - 9. ~~Information about the credit ratings of the securities.~~ **[Content amended and moved to paragraph 820-10-55-104(a)]**
- c. ~~How third party information such as broker quotes, pricing services, net asset values, and relevant market data was considered in measuring~~

~~fair value.~~ [Content amended and moved to paragraph 820-10-55-104(b)]

820-10-55-22B Paragraph superseded by Accounting Standards Update 2011-04. For example, with respect to its investment in a class of residential mortgage-backed securities, a reporting entity may disclose the following:

~~As of December 31, 20X1, the fair value of the entity's investments in available-for-sale Level 3 residential mortgage-backed securities was \$XXX million. These securities are senior tranches in a securitization trust and have a weighted-average coupon rate of XX percent and a weighted-average maturity of XX years. The underlying loans for these securities are residential subprime mortgages that originated in California in 2006. The underlying loans have a weighted-average coupon rate of XX percent and a weighted-average maturity of XX years. These securities are currently rated below investment grade. To estimate their fair value, the entity used an industry standard valuation model, which is based on an income approach. The significant inputs for the valuation model include the following weighted averages:~~

- ~~a. Yield: XX percent~~
- ~~b. Probability of default: XX percent constant default rate~~
- ~~c. Loss severity: XX percent~~
- ~~d. Prepayment: XX percent constant prepayment rate.~~

>> Scope Application to Receivables

820-10-55-23 Paragraph superseded by Accounting Standards Update 2011-04. The practical expedient in paragraph 310-10-35-22 (observable market price or the fair value of collateral if the loan is collateral dependent) is a fair value measurement. Accordingly, if that practical expedient is used, the guidance in this Subtopic shall apply.

820-10-55-23A Paragraph not used.

820-10-55-23B Paragraph not used.

71. Supersede paragraphs 820-10-55-23C through 55-23D and their related heading, with a link to transition paragraph 820-10-65-8, as follows:

>> Liability Issued with an Inseparable Third-Party Credit Enhancement

820-10-55-23C Paragraph superseded by Accounting Standards Update 2011-04. Paragraph 820-10-25-1 sets out the narrow scope of certain guidance on accounting for and financial reporting of a liability issued with an inseparable third-party credit enhancement (for example, debt that is issued with a contractual third-party guarantee) when that liability is measured or disclosed at fair value on a recurring basis. That guidance does not address the accounting for a premium paid by the issuer for credit-enhanced liabilities that are not measured at fair value on a recurring basis, for example, if the issuer recognizes

~~a credit-enhanced liability at amortized cost. However, that guidance (see paragraph 820-10-50-4A) does apply to the issuer's disclosure of fair value for that credit-enhanced liability.~~

820-10-55-23D Paragraph superseded by Accounting Standards Update 2011-04. ~~For the issuer, the unit of accounting for a liability measured or disclosed at fair value does not include the third-party credit enhancement (for example, a third-party guarantee of debt). Any payments made by the guarantor under the guarantee result in a transfer of the issuer's debt obligation from the investor to the guarantor. The issuer's resulting debt obligation to the guarantor has not been guaranteed. Thus, the fair value of that obligation considers the issuer's credit standing and not the credit standing of the guarantor. For example, in determining the fair value of debt with a third-party guarantee, the issuer would consider its own credit standing and not that of the third-party guarantor.~~
[Content amended and moved to paragraph 820-10-35-18A]

72. Amend paragraphs 820-10-55-24 through 55-38 and related heading, with a link to transition paragraph 820-10-65-8, as follows:

> Illustrations

820-10-55-24 ~~The following Examples portray hypothetical situations illustrating illustrate, in qualitative terms, the judgments that might apply when a reporting entity that measures assets and/or liabilities at fair value might apply in varying different valuation situations. Although some aspects of the examples may be present in actual fact patterns, all relevant facts and circumstances of a particular fact pattern would need to be evaluated when applying this Topic.~~

> > Example 1: The Valuation Premise—Highest and Best Use and Valuation Premise

820-10-55-25 ~~For some assets, in particular nonfinancial assets, Cases A through C illustrate the application of the highest-and-best-use concept could have a significant effect on the fair value measurement. The following Cases illustrate the application of the highest and best use concept in situations in which nonfinancial assets are newly acquired; and valuation premise concepts for nonfinancial assets.~~

- a. Subparagraph superseded by Accounting Standards Update 2011-04, Asset group (Case A)
- b. Subparagraph superseded by Accounting Standards Update 2011-04, Land (Case B)
- c. Subparagraph superseded by Accounting Standards Update 2011-04, In-process research and development project (Case C).

> > Case A: Asset Group

820-10-55-26 ~~The reporting entity, a strategic buyer, acquires a group of assets and assumes liabilities (Assets A, B, and C) in a business combination. One of~~

the groups of assets acquired comprises Assets A, B, and C. Asset C is billing software integral to the business developed by the acquired entity for its own use in conjunction with Assets A and B (that is, the related assets). The reporting entity measures the fair value of each of the assets individually, consistent with the specified unit of account for the assets. The reporting entity determines that the highest and best use of the assets is their current use and that each asset would provide maximum value to market participants principally through its use in combination with other assets or with other assets and liabilities (that is, its complementary assets and the associated liabilities). There is no evidence to suggest that the current use of the assets is not their highest and best use, as a group (highest and best use is in use).

820-10-55-27 ~~In this instancesituation, the market in which the reporting entity would sell the assets is~~in the market in which it initially acquired the assets (that is, the entry and exit markets from the perspective of the reporting entity are the same). Market participant buyers with whom the reporting entity would ~~transact~~enter into a transaction in that market have characteristics that are generally representative of both ~~financial~~strategic buyers (such as competitors) and ~~strategic~~financial buyers (such as private equity or venture capital firms that do not have complementary investments) and include those buyers that initially bid for the assets. Although market participant buyers might be broadly classified as ~~strategic buyers or financial buyers (or both), in many cases there often~~ will be differences among the market participant buyers within each of those groups, reflecting, for example, different uses for an asset and different operating strategies.

820-10-55-28 ~~As discussed in the followingbelow,~~ differences between the indicated fair values of the individual assets relate principally to the use of the assets by those market participants within different asset groups:

- a. Strategic buyer asset group. The reporting entity, ~~a strategic buyer,~~ determines that strategic buyers have related assets that would enhance the value of the group within which the assets would be used (that is, market participant synergies). Those assets include a substitute asset for Asset C (the billing software), which would be used for only a limited transition period and could not be sold ~~standalone on its own~~ at the end of that period. Because strategic buyers have substitute assets, Asset C would not be used for its full remaining economic life. The indicated fair values of Assets A, B, and C within the strategic buyer asset group (reflecting the synergies resulting from the use of the assets within that group) are \$360, \$260, and \$30, respectively. The indicated fair value of the assets as a group within the strategic buyer asset group is \$650.
- b. Financial buyer asset group. The reporting entity determines that financial buyers do not have related or substitute assets that would enhance the value of the group within which the assets would be used. Because financial buyers do not have substitute assets, Asset C (that is,

the billing software) would be used for its full remaining economic life. The indicated fair values of Assets A, B, and C within the financial buyer asset group are \$300, \$200, and \$100, respectively. The indicated fair value of the assets as a group within the financial buyer asset group is \$600.

820-10-55-29 The fair values of Assets A, B, and C would be determined based on the basis of the use of the assets as a group within the strategic buyer group (\$360, \$260, and \$30). Although the use of the assets within the strategic buyer group does not maximize the fair value of each of the assets individually, it maximizes the fair value of the assets as a group (\$650).

>>> Case B: Land

820-10-55-30 ~~The~~ A reporting entity acquires land in a business combination. The land is currently developed for industrial use as a site for a ~~manufacturing facility~~ factory. The current use of land ~~often~~ is presumed to be its highest and best use unless market or other factors suggest a different use. ~~However, nearby~~ Nearby sites have recently been developed for residential use as sites for high-rise ~~condominiums~~ apartment buildings. ~~Based on~~ On the basis of that development and recent zoning and other changes to facilitate that development, the reporting entity determines that the land currently used as a site for a ~~manufacturing facility~~ factory could be developed as a site for residential use (that is, for high-rise condominiums/apartment buildings) because market participants would take into account the potential to develop the site for residential use when pricing the land.

820-10-55-31 ~~In this instance, the~~ The highest and best use of the land would be determined by comparing both of the following:

- a. ~~The fair value of the land as currently developed for industrial use (that is, the land would be used in combination with other assets, such as the factory, or with other assets and liabilities) manufacturing operation, which presumes that the land would continue to be used as currently developed for industrial use (in use)~~
- b. ~~The value of the land as a vacant site for residential use, considering taking into account the costs of demolition demolishing the factory and other costs (including the uncertainty about whether the reporting entity would be able to convert the asset to the alternative use) necessary to convert the land to a vacant site (in exchange that is, the land is to be used by market participants on a standalone basis).~~

The highest and best use of the land would be determined ~~based on the basis of~~ the higher of those values. ~~(In situations involving real estate appraisal, the determination of highest and best use in the manner described also might consider other take into account factors relating to the manufacturing operation factory operations, including its assets and liabilities.) liabilities.~~

>>> Case C: In-Process Research and Development Project

820-10-55-32 The reporting entity acquires an in-process research and development project in a business combination. The reporting entity does not intend to complete the project. If completed, the project would compete with one of its own projects (to provide the next generation of the reporting entity's commercialized technology). Instead, the reporting entity intends to hold (that is, lock up) the project to prevent its competitors from obtaining access to the technology. In doing this, the project is expected to provide defensive value, principally by improving the prospects for the reporting entity's own competing technology. For purposes of measuring To measure the fair value of the project at initial recognition, the highest and best use of the project would be determined based on the basis of its use by market participants. For example:

- a. The highest and best use of the in-process research and development project would be in-use to continue development if market participants would continue to develop the project and that use would maximize the value of the group of assets or of assets and liabilities in which the project would be used (that is, the asset would be used in combination with other assets or with other assets and liabilities). That might be the case if market participants do not have similar ~~technology (in development or commercialized) technology, either in development or commercialized.~~ The fair value of the project, ~~measured using an in-use valuation premise,~~ project would be ~~determined~~ measured based on the basis of the price that would be received in a current transaction to sell the project, assuming that the in-process research and development would be used with its complementary assets and the associated liabilities as a group and that those ~~complementary assets and liabilities~~ would be available to market participants.
- b. The highest and best use of the in-process research and development project would be to cease development also ~~would be in-use~~ if, for competitive reasons, market participants would lock up the project and that use would maximize the value of the group of assets or of assets and liabilities in which the project would be used (as a locked-up project). That might be the case if market participants have technology in a more advanced stage of development that would compete with the project (if completed) if completed and the project would be expected to ~~provide defensive value (if locked up)~~ improve the prospects for their own competing technology if locked up. The fair value of the project, project would be measured using an in-use valuation premise, ~~would be determined based on the basis of the price that would be received in a current transaction to sell the project, assuming that the in-process research and development would be used (that is, locked up) with its complementary assets and the associated liabilities as a group~~ and that those ~~complementary assets and liabilities~~ would be available to market participants.

- c. The highest and best use of the in-process research and development project would be in-exchange to cease development if market participants would discontinue theirs development of the project. That might be the case if the project is not expected to provide a market rate of return (if completed) if completed and would not otherwise provide defensive value (if locked up) if locked up. The fair value of the project, measured using an in-exchange valuation premise, project would be determined measured based on the basis of the price that would be received in a current transaction to sell the project standalone on its own (which might be zero).

>> Example 2: Discount Rate Adjustment Technique—The Build-Up Approach

820-10-55-33 To illustrate a build-up approach (as discussed in paragraph 820-10-55-11), assume that Asset A is a contractual right to receive \$800 in 1 year (that is, there is no timing uncertainty). There is an established market for comparable assets, and information about those assets, including price information, is available. Of those comparable assets:

- Asset B is a contractual right to receive \$1,200 in 1 year and has a market price of \$1,083. Thus, the implied annual rate of return (that is, a 1-year market rate of return) is 10.8 percent $[(\$1,200/\$1,083) - 1]$.
- Asset C is a contractual right to receive \$700 in 2 years and has a market price of \$566. Thus, the implied annual rate of return (that is, a 2-year market rate of return) is 11.2 percent $[(\$700/\$566)^{0.5} - 1]$.
- All three assets are comparable with respect to risk (that is, dispersion of possible payoffs and credit).

820-10-55-34 ~~Based on~~ On the basis of the timing of the contractual payments to be received ~~relative to~~ for Asset A relative to the timing for Asset B and Asset C (that is, one year for Asset B versus two years for Asset C), Asset B is deemed more comparable to Asset A. Using the contractual payment to be received for Asset A (\$800) and the 1-year market rate derived from Asset B (10.8 percent), the fair value of Asset A is \$722 ($\$800/1.108$). Alternatively, in the absence of available market information for Asset B, the one-year market rate could be derived from Asset C using the build-up approach. In that case, the 2-year market rate indicated by Asset C (11.2 percent) would be adjusted to a 1-year market rate based on using the term structure of the risk-free yield curve. Additional information and analysis ~~also might be required to determine if whether~~ the risk premium premiums for one-year and two-year assets is are the same. If it is determined that the risk premium premiums for one-year and two-year assets is are not the same, the two-year market rate of return would be further adjusted for that effect.

> > Example 3: Use of Multiple Valuation Techniques

~~820-10-55-35 Paragraph 820-10-35-28 emphasizes that valuation techniques consistent with the market approach, income approach, and/or cost approach should be used to measure fair value. Paragraph 820-10-35-24 explains that, in some cases, This Topic notes that a single valuation technique will be appropriate in some cases. In other cases, multiple valuation techniques will be appropriate. Cases A and B illustrate the use of multiple valuation techniques. The following Cases illustrate the use of multiple valuation techniques:~~

- a. ~~Subparagraph superseded by Accounting Standards Update 2011-04, Machine held and used (Case A)~~
- b. ~~Subparagraph superseded by Accounting Standards Update 2011-04, Software asset (Case B).~~

> > > Case A: Machine Held and Used

~~820-10-55-36 The reporting entity tests for impairment an asset group that is held and used in operations. The asset group is impaired. The reporting entity measures the fair value of a machine that is used in the asset group as a basis for allocating the impairment loss to the assets of the group in accordance with the Impairment or Disposal of Long-Lived Assets Subsections of Subtopic 360-40. A reporting entity acquires a machine in a business combination. The machine will be held and used in its operations. The machine, initially, machine was originally purchased by the acquired entity from an outside vendor, vendor and, before the business combination, was subsequently customized by the reporting-acquired entity for use in its operations. However, the customization of the machine was not extensive. The reporting-acquiring entity determines that the asset would provide maximum value to market participants through its use in combination with other assets or with other assets and liabilities as a group (as installed or otherwise configured for use). There is no evidence to suggest that the current use of the machine is not its highest and best use. Therefore, the highest and best use of the machine is in-use its current use in combination with other assets or with other assets and liabilities.~~

~~820-10-55-37 The reporting entity determines that sufficient data are available to apply the {add glossary link}cost approach{add glossary link} and, because the customization of the machine was not extensive, the {add glossary link}market approach{add glossary link}. The {add glossary link}income approach{add glossary link} is not used because the machine does not have a separately identifiable income stream from which to develop reliable estimates of future cash flows. Further, Furthermore, information about short-term and intermediate-term lease rates for similar used machinery that otherwise could be used to project an income stream (that is, lease payments over remaining service lives) is not available. The market and cost approaches are applied as follows:~~

- a. ~~Market approach~~—The market approach is applied using quoted prices for similar machines adjusted for differences between the machine (as customized) and the similar machines. The measurement reflects the price that would be received for the machine in its current condition (used) and location (installed and configured for use), ~~thereby including installation and transportation costs use~~. The fair value indicated by that approach ranges from \$40,000 to \$48,000.
- b. ~~Cost approach~~—The cost approach is applied by estimating the amount that ~~currently~~ would be required currently to construct a substitute (customized) machine of comparable utility. The estimate ~~considers~~ takes into account the condition of the machine and the environment in which it operates, including physical wear and tear (that is, physical deterioration), improvements in technology (that is, functional obsolescence), conditions external to the condition of the machine such as a decline in the market demand for similar machines (that is, economic obsolescence), (for example, physical deterioration, functional obsolescence, and economic obsolescence) and includes installation costs. The fair value indicated by that approach ranges from \$40,000 to \$52,000.

820-10-55-38 The reporting entity determines that the fair value higher end of the range indicated by the market approach is more most representative of fair value ~~than the fair value indicated by the cost approach~~ and, therefore, ascribes more weight to the results of the market approach. That determination is based made on the basis of the relative reliability subjectivity of the inputs, considering taking into account the degree of comparability between the machine and the similar machines. In particular:

- a. The inputs used in the market approach (quoted prices for similar machines) require ~~relatively~~ fewer and less subjective adjustments than the inputs used in the cost approach.
- b. The range indicated by the market approach overlaps with, but is narrower than, the range indicated by the cost approach.
- c. There are no known unexplained differences (between the machine and the similar machines) within that range.

~~The reporting entity further determines that the higher end of the range indicated by the market approach is most representative of fair value, largely because the majority of relevant data points in the market approach fall at or near the higher end of the range.~~ Accordingly, the reporting entity determines that the fair value of the machine is \$48,000.

73. Add paragraph 820-10-55-38A, with a link to transition paragraph 820-10-65-8, as follows:

820-10-55-38A If customization of the machine was extensive or if there were not sufficient data available to apply the market approach (for example, because market data reflect transactions for machines used on a standalone basis, such

as, a scrap value for specialized assets, rather than machines used in combination with other assets or with other assets and liabilities), the reporting entity would apply the cost approach. When an asset is used in combination with other assets or with other assets and liabilities, the cost approach assumes the sale of the machine to a market participant buyer with the complementary assets and the associated liabilities. The price received for the sale of the machine (that is, an exit price) would not be more than either of the following:

- a. The cost that a market participant buyer would incur to acquire or construct a substitute machine of comparable utility
- b. The economic benefit that a market participant buyer would derive from the use of the machine.

74. Amend paragraphs 820-10-55-39 through 55-45 and related heading, with a link to transition paragraph 820-10-65-8, as follows:

>>> Case B: Software Asset

820-10-55-39 ~~The~~A reporting entity acquires a group of assets. The asset group includes an income-producing software asset internally developed for ~~licensing~~licensing to customers and its complementary assets (including a related database with which the software asset is used) and the associated liabilities. ~~For purposes of To allocating allocate~~ the cost of the group to the individual assets acquired, the reporting entity measures the fair value of the software asset. The reporting entity determines that the software asset would provide maximum value to market participants through its use in combination with other assets or with other assets and liabilities (that is, its complementary assets and the associated liabilities) as a group. There is no evidence to suggest that the current use of the software asset is not its highest and best use. Therefore, the highest and best use of the software asset is ~~in-use~~its current use. (In this ~~instance~~case, the licensing of the software asset, in and of itself, does not ~~render~~indicate that the fair value of the asset would be maximized through its use by market participants on a standalone basis.) ~~the highest and best use of the software asset in exchange.)~~

820-10-55-40 The reporting entity determines ~~that~~that, in addition to the income approach, sufficient data might be available to apply the cost approach but not the market approach. Information about market transactions for comparable software assets is not available. The income and cost approaches are applied as follows:

- ~~a. Income approach.~~ The income approach is applied using a present value technique. The cash flows used in that technique reflect the income stream expected to result from the software asset (license fees from customers) over its economic life. The fair value indicated by that approach is \$15 million.
- ~~b. Cost approach.~~ The cost approach is applied by estimating the amount that currently would be required to construct a substitute software asset of

comparable utility (that is, considering taking into account functional, technological, functional and economic obsolescence). The fair value indicated by that approach is \$10 million.

820-10-55-41 Through its application of the cost approach, the reporting entity determines that market participants would not be able to ~~replicate~~construct a substitute software asset of comparable utility. ~~Certain attributes~~Some characteristics of the software asset are unique, having been developed using proprietary information, and cannot be readily replicated. The reporting entity determines that the fair value of the software asset is \$15 million, as indicated by the income approach.

> > Example 4: Fair Value Hierarchy—Level 1 Principal (or Most Advantageous) Market

820-10-55-42 ~~This Example 4~~ illustrates the use of **Level 1 inputs** to measure the fair value of ~~a financial an~~ asset that trades in ~~multiple different~~ **{add glossary link}** active markets **{add glossary link}** ~~with~~at different prices.

820-10-55-43 ~~A financial~~An asset is ~~traded or sold in~~ two different ~~exchanges~~active markets ~~with~~at different prices. ~~The~~A reporting entity ~~transacts~~enters into transactions in both markets and ~~has the ability to~~can access the price in those markets for the asset at the measurement date. In Market A, the price that would be received is \$26, ~~and~~transaction costs in that market are \$3, ~~and~~the costs to transport the asset to that market are \$2 (that is, the net amount that would be received is ~~\$23~~\$21). In Market B, the price that would be received is \$25, ~~and~~transaction costs in that market are \$1, ~~and~~the costs to transport the asset to that market are \$2 (that is, the net amount that would be received in Market B is ~~\$24~~\$22).

820-10-55-44 If Market A is the **principal market** for the asset (that is, the market in which the reporting entity would sell the asset with the greatest volume and level of activity for the asset), the fair value of the asset would be measured using the price that would be received in that market, after taking into account transportation costs (~~\$26~~\$24).

820-10-55-45 If neither market is the principal market for the asset, the fair value of the asset would be measured using the price in the **most advantageous market**. The most advantageous market is the market ~~in which the reporting entity would sell the asset with the price that~~ maximizes the amount that would be received to sell the asset after for the asset, considering taking into account transaction costs and transportation costs in the respective markets (that is, the net amount that would be received in the respective markets). ~~Because the price in Market B adjusted for transaction costs would maximize the net amount that would be received for the asset (\$24), the fair value of the asset would be measured using the price in that market (\$25). Although transaction costs are considered in determining the most advantageous market, the price in that~~

~~market used to measure the fair value of the asset is not adjusted for those costs.~~ **[Content amended and moved to paragraph 820-10-55-45A]**

75. Add paragraph 820-10-55-45A, with a link to transition paragraph 820-10-65-8, as follows:

820-10-55-45A ~~Because the reporting entity would maximize the net amount that would be received for the asset price in Market B (\$22) adjusted for transaction costs would maximize the net amount that would be received for the asset (\$24), the fair value of the asset would be measured using the price in that market (\$25), less transportation costs (\$2), resulting in a fair value measurement of \$23. Although transaction costs are considered taken into account in when determining which market is the most advantageous market, the price in that market used to measure the fair value of the asset is not adjusted for those costs (although it is adjusted for transportation costs).~~ **[Content amended as shown and moved from paragraph 820-10-55-45]**

76. Amend paragraphs 820-10-55-46 through 55-49 and related heading, with a link to transition paragraph 820-10-65-8, as follows:

> > Example 5: Transaction Prices and Initial Fair Value at Initial Recognition~~Measurement—Interest Rate Swap at Initial Recognition~~

820-10-55-46 ~~Paragraph~~ This Topic (see paragraphs 820-10-30-3 through 30-3A) clarifies that in many cases the transaction price, that is, the price paid (received) for a particular asset (liability), will represent the fair value of that asset (liability) at initial recognition, but not presumptively. This Example illustrates ~~situations in which when~~ the price in a transaction involving a derivative instrument might (and might not) ~~represent equal~~ the fair value of the instrument at initial recognition.

820-10-55-47 Entity A (a retail counterparty) enters into an interest rate swap in a retail market with Entity B (a ~~securities~~-dealer) for no initial consideration (that is, the transaction price is zero). Entity A ~~transacts~~ can access only in the retail market. Entity B ~~transacts in~~ can access both the retail market (that is, with retail counterparties) and in the ~~interdealer~~ {add glossary link}dealer market {add glossary link} (that is, with securities-dealer counterparties).

820-10-55-48 From the perspective of Entity A, the retail market in which it initially ~~transacted is the principal market for~~ entered into the swap; swap is the principal market for the swap. ~~If~~ Entity A were to transfer its rights and obligations under the swap, it would do so with a ~~securities~~-dealer counterparty in that retail market. In that case, the transaction price (zero) would represent the fair value of the swap to Entity A at initial recognition, that is, the price that Entity A would receive ~~(or pay) to sell (or transfer) or pay to transfer~~ the swap in a transaction with a ~~securities~~-dealer counterparty in the retail market (that is, an {add glossary link}exit price {add glossary link}). That price would not be adjusted for any incremental (transaction) costs that would be charged by that ~~securities~~-dealer counterparty.

820-10-55-49 From the perspective of Entity B, the ~~interdealer~~dealer market (not the retail market in which it initially transacted) is the principal market for the ~~swap~~swap; if Entity B were to transfer its rights and obligations under the swap, it would do so with a ~~securities~~dealer in that market. Because the market in which Entity B initially ~~transacted~~entered into the swap is different from the principal market for the swap, the transaction price (zero) would not necessarily represent the fair value of the swap to Entity B at initial recognition.

77. Supersede paragraph 820-10-55-50, with a link to transition paragraph 820-10-65-8, as follows:

820-10-55-50 Paragraph superseded by Accounting Standards Update 2011-04. ~~If the transaction price represents fair value at initial recognition and a pricing model will be used to measure fair value in subsequent periods, paragraph 820-10-35-4 requires that the model be calibrated so that the model value at initial recognition equals the transaction price.~~

78. Amend paragraphs 820-10-55-51 through 55-57, and 820-10-55-59, and related headings, supersede paragraph 820-10-55-58, and add paragraphs 820-10-55-55A and 820-10-55-57A, with a link to transition paragraph 820-10-65-8, as follows:

> > **Example 6: Restricted Assets**

820-10-55-51 ~~The following Cases illustrate (as discussed in paragraph 820-10-35-19(b)) the effect of restrictions in determining the fair value of an asset: The effect on a fair value measurement arising from a restriction on the sale or use of an asset by a reporting entity will differ depending on whether the restriction would be taken into account by market participants when pricing the asset. Cases A and B illustrate the effect of restrictions when measuring the fair value of an asset.~~

- a. ~~Subparagraph superseded by Accounting Standards Update 2011-04, Restriction on sale of a security (Case A)~~
- b. ~~Subparagraph superseded by Accounting Standards Update 2011-04, Restrictions on the use of an asset (Case B).~~

> > > **Case A: Restriction on the Sale of Security^Aan Equity Instrument**

820-10-55-52 ~~The~~^A reporting entity holds a ~~security of an issuer~~an equity instrument (a financial asset) for which sale is legally or contractually restricted for a specified period. (For example, such a restriction could limit sale to qualifying investors, as may be the case ~~under~~in accordance with Rule 144 or similar rules of the Securities and Exchange Commission [SEC].) The restriction is ~~specific to (an attribute of) the security~~a characteristic of the instrument and, therefore, would ~~be transferred~~transfer to market participants. In that case, the fair value of the ~~security~~equity instrument would be ~~based on the~~measured on the basis of the quoted price for an otherwise identical unrestricted ~~security~~equity instrument of the same issuer that trades in a public market, adjusted to reflect

the effect of the restriction. The adjustment would reflect the amount market participants would demand because of the risk relating to the inability to access a public market for the security instrument for the specified period. The adjustment will vary depending on all of the following:

- a. The nature and duration of the restriction
- b. The extent to which buyers are limited by the restriction (for example, there might be a large number of qualifying investors)
- c. Factors Qualitative and quantitative factors specific to both the security instrument and the issuer (~~qualitative and quantitative~~).

820-10-55-53 As discussed in ~~Section 820-10-15~~ paragraph 820-10-15-5, the guidance in this Subtopic Topic applies for equity securities with restrictions that ~~terminate~~ expire within one year that are measured at fair value under in accordance with Subtopics 320-10 and 958-320.

> > > Case B: Restrictions on the Use of an Asset

820-10-55-54 A donor contributes land in an otherwise developed residential area to a not-for-profit neighborhood association (~~Association~~). The land is currently used as a playground. The donor specifies that the land must continue to be used by the Association association as a playground in perpetuity. Upon review of relevant documentation (for example, legal and other), the Association association determines that the fiduciary responsibility to meet the donor's restriction would not ~~otherwise transfer~~ be transferred to market participants if the association sold the asset ~~was to be sold by the Association~~, that is, the donor restriction on the use of the land is specific to the Association association. Furthermore, the association is not restricted from selling the land. ~~Absent~~ Without the restriction on the use of the land by the Association association, the land could be used as a site for residential development. In addition, the land has is subject to an easement (that is, a legal right that enables a utility to run power lines across the land), ~~for utility lines on a portion of the property~~. Following is an analysis of the effect on the fair value measurement of the land arising from the restriction and the easement:

- a. Donor restriction on use of land. Because in this instance situation the donor restriction on the use of the land is specific to the Association association, the restriction would not ~~transfer~~ be transferred to market participants. Therefore, the fair value of the land would be based on the higher of its fair value in use ~~used~~ as a playground (that is, the fair value of the asset would be maximized through its use by market participants in combination with other assets or with other assets and liabilities) and its fair value or fair value in exchange ~~as a site for residential development~~ (that is, the fair value of the asset would be maximized through its use by market participants on a standalone basis), regardless of the restriction on the use of the land by the Association association.

- b. Easement for utility lines. Because the easement for utility lines is specific to ~~(an attribute that is, a characteristic of)~~ the land, it would ~~transfer to~~ transferred to market participants with the land. Therefore, the fair value measurement of the land would ~~consider~~ take into account the effect of the easement, regardless of whether the highest and best use is ~~in use~~ as a playground or ~~in exchange~~ as a site for residential development.

820-10-55-55 The donor restriction, which is legally binding on the ~~Association~~ association, would be indicated through classification of the associated net assets (permanently restricted) and disclosure of the nature of the restriction in accordance with paragraphs 958-210-45-8 through 45-9, 958-210-50-1, and 958-210-50-3.

> > Example 7: Measuring Liabilities and Credit Risk

820-10-55-55A A fair value measurement of a liability assumes that the liability, whether it is a financial liability or a nonfinancial liability, is transferred to a market participant at the measurement date (that is, the liability would remain outstanding and the market participant transferee would be required to fulfill the obligation; it would not be settled with the counterparty or otherwise extinguished on the measurement date).

820-10-55-56 ~~Paragraph 820-10-35-18 explains that nonperformance—~~The fair value of a liability reflects the effect of nonperformance risk. Nonperformance risk relating to a liability includes, but may not be limited to, the reporting entity's own credit risk. ~~That paragraph requires that the~~ reporting entity ~~consider~~ takes into account the effect of its credit risk (credit standing) on the fair value of the liability in all periods in which the liability is measured at fair value because those ~~that who might~~ hold the reporting entity's obligations as assets would ~~consider~~ take into account the effect of the reporting entity's credit standing ~~in determining when estimating~~ the prices they would be willing to pay. ~~The following Cases illustrate these matters: Cases A–E illustrate the measurement of liabilities and the effect of nonperformance risk (including a reporting entity's own credit risk) on a fair value measurement.~~

- a. Subparagraph superseded by Accounting Standards Update 2011-04, Liabilities and credit risk, in general (Case A)
- b. Subparagraph superseded by Accounting Standards Update 2011-04, Structured note (Case B).

> > > Case A: Liabilities and Credit Risk—General

820-10-55-57 This Case has the following assumptions:

- a. Entity X and Entity Y each enter into a contractual obligation to pay cash (\$500) to Entity Z in 5 years.
- b. Entity X has a AA credit rating and can borrow at 6 percent, ~~while~~ and Entity Y has a BBB credit rating and can borrow at 12 percent.

- c. ~~Subparagraph superseded by Accounting Standards Update 2011-04. Entity X will receive about \$374 in exchange for its promise (the present value of \$500 in 5 years at 6 percent).~~
- d. ~~Subparagraph superseded by Accounting Standards Update 2011-04. Entity Y will receive about \$284 in exchange for its promise (the present value of \$500 in 5 years at 12 percent).~~

~~The fair value of the liability to each entity (the proceeds) incorporates that entity's credit standing. [Content amended and moved to paragraph 820-10-55-57A]~~

820-10-55-57A Entity X will receive about \$374 in exchange for its promise (the present value of \$500 in 5 years at 6 percent). Entity Y will receive about \$284 in exchange for its promise (the present value of \$500 in 5 years at 12 percent). The fair value of the liability to each entity (that is, the proceeds) incorporates that reporting entity's credit standing. **[Content amended as shown and moved from paragraph 820-10-55-57]**

> > Case B: Structured Note

~~820-10-55-58 Paragraph superseded by Accounting Standards Update 2011-04. This Case illustrates the effect of credit standing on the fair value of a financial liability at initial recognition and in subsequent periods.~~

820-10-55-59 On January 1, ~~2007~~20X7, Entity A, an investment bank with a AA credit rating, issues a five-year fixed rate note to Entity B. The contractual principal amount to be paid by Entity A at maturity is linked to the Standard and Poor's S&P 500 index. No credit enhancements are issued in conjunction with or otherwise related to the contract (that is, no collateral is posted and there is no third-party guarantee). Entity A elects to account for the entire note at fair value in accordance with paragraph 815-15-25-4. The fair value of the note (that is, the obligation of Entity A) during ~~2007~~20X7 is measured using an expected present value technique. Changes in fair value ~~areas~~are as follows:

- a. Fair value at January 1, ~~2007~~20X7. The expected cash flows used in the expected present value technique are discounted at the risk-free rate (~~using~~using the treasury yield curve at January 1, ~~2007~~20X7, plus the current market observable AA corporate bond spread to treasuries, if nonperformance risk is not already reflected in the cash flows, adjusted (either up or down) for Entity A's specific credit risk (that is, resulting in a credit-adjusted risk-free rate). Therefore, the fair value of ~~the obligation of Entity A~~ Entity A's obligation at initial recognition ~~considers~~takes into account nonperformance risk, including that reporting entity's credit risk (presumably, risk, which presumably is reflected in the proceeds)proceeds.
- b. Fair value at March 31, ~~2007~~20X7. During March ~~2007~~20X7, the credit spread for AA corporate bonds widens, with no changes to the specific credit risk of Entity A. The expected cash flows used in the expected present value technique are discounted at the risk-free rate (~~using~~using

the treasury yield curve at March 31, ~~2007~~20X7, plus the current market observable AA corporate bond spread to treasuries if nonperformance risk is not already reflected in the cash flows, adjusted for Entity A's specific credit risk (that is, resulting in a credit-adjusted risk-free rate). Entity A's specific credit risk is unchanged from initial recognition. Therefore, the fair value of ~~the obligation of Entity A~~Entity A's obligation changes ~~due to~~as a result of changes in credit spreads generally. Changes in credit spreads reflect current market participant assumptions about changes in nonperformance risk generally, changes in liquidity risk, and the compensation required for assuming those risks.

- c. Fair value at June 30, ~~2007~~20X7. As of June 30, ~~2007~~20X7, there have been no changes to the AA corporate bond spreads. However, ~~based on the basis of~~ structured note ~~issuances~~issues corroborated with other qualitative information, Entity A determines that its own specific creditworthiness has strengthened within the AA credit spread. The expected cash flows used in the expected present value technique are discounted at the risk-free rate (~~using~~using the treasury yield curve at June 30, ~~2007~~20X7, plus the current market observable AA corporate bond spread to treasuries (unchanged from March 31, ~~2007~~20X7), if nonperformance risk is not already reflected in the cash flows, adjusted for Entity A's specific credit risk (that is, resulting in a credit-adjusted risk-free rate). Therefore, the fair value of the obligation of Entity A changes ~~due to~~as a result of the change in its own specific credit risk within the AA corporate bond spread.

79. Supersede paragraphs 820-10-55-59A through 55-59I and their related heading, with a link to transition paragraph 820-10-65-8, as follows:

>> Example 7A: Determining Fair Value When the Volume and Level of Activity for the Asset Have Significantly Decreased

820-10-55-59A Paragraph superseded by Accounting Standards Update 2011-04. ~~This Example illustrates the application of paragraphs 820-10-35-51A through 35-51H in determining fair value if the volume and level of activity for an asset or a liability have significantly decreased and in identifying transactions that are not orderly. This Example has all of the following assumptions:~~

- a. ~~On January 1, 20X8 (the issuance date of the security), Entity A invested in a junior AAA-rated tranche of a residential mortgage backed security.~~
- b. ~~The junior tranche is the third most senior of a total of seven tranches.~~
- c. ~~The underlying collateral for the residential mortgage backed security is unguaranteed Alternative A (or Alt-A) nonconforming residential mortgage loans that were issued in the second half of 2006.~~
- d. ~~At March 31, 20X9 (the measurement date), the junior tranche of the residential mortgage backed security is now A-rated. This tranche of the residential mortgage backed security was previously traded through a brokered market; however, trading volume was infrequent, with only a few~~

transactions per month from January 1, 20X8, through June 30, 20X8 and little, if any, trading activity during the nine months before March 31, 20X9. **[Content amended and moved to paragraph 820-10-55-90]**

820-10-55-59B Paragraph superseded by Accounting Standards Update 2011-04. ~~Entity A considers the guidance beginning in paragraph 820-10-35-51A to determine whether there has been a significant decrease in the volume and level of activity for the junior tranche of the residential mortgage backed security in which it has invested. After evaluating the significance and relevance of the factors, Entity A concludes that the volume and level of activity for the junior tranche of the residential mortgage backed security have significantly decreased. Entity A supported its judgment primarily on the basis of its observation that there was little, if any, trading activity for an extended period of time before the measurement date. **[Content amended and moved to paragraph 820-10-55-91]**~~

820-10-55-59C Paragraph superseded by Accounting Standards Update 2011-04. ~~Because there is little, if any, trading activity to support a market approach valuation technique, Entity A decides to use the discount rate adjustment technique described beginning in paragraph 820-10-55-10 to estimate fair value for its security at the measurement date. (See paragraphs 820-10-35-25 through 35-26 and 820-10-35-36.) Entity A uses the contractual cash flows from the residential mortgage backed security. The discount rate adjustment technique described beginning in paragraph 820-10-55-10 would not be appropriate when determining whether there has been an other-than-temporary impairment and/or a change in yield under the guidance in paragraph 325-40-35-4 when that technique uses contractual cash flows rather than most likely cash flows. **[Content amended and moved to paragraph 820-10-55-92]**~~

820-10-55-59D Paragraph superseded by Accounting Standards Update 2011-04. ~~Entity A then estimates a discount rate (that is, the market rate of return) that will be used to discount the contractual cash flows. The available information that Entity A uses to estimate an appropriate market rate of return included both of the following:~~

- ~~a. The risk-free rate based on the rate of return on government debt securities~~
- ~~b. Estimated adjustments for differences between the available market data and the junior tranche of the residential mortgage backed security in which Entity A has invested. **[Content amended and moved to paragraph 820-10-55-93]**~~

820-10-55-59E Paragraph superseded by Accounting Standards Update 2011-04. ~~With respect to item (b) in the preceding paragraph, Entity A evaluates available market data about expected nonperformance and uncertainty risks (for example, default risk, collateral value risk, and liquidity risk) that market participants would consider in pricing the asset in an orderly transaction at the~~

~~measurement date under current market conditions. In determining those adjustments, Entity A considered all of the following:~~

- ~~a. The credit spread for the junior tranche of the residential mortgage backed security at the issuance date implied by the original transaction price~~
- ~~b. The change in credit spread implied by any observed transactions from the issuance date to the measurement date for comparable residential mortgage backed securities or based on relevant indexes~~
- ~~c. The specific characteristics of the junior tranche of the residential mortgage backed security compared with comparable residential mortgage backed securities or indexes, including all of the following:
 - ~~1. The quality of the underlying assets; that is, information about the performance of the underlying mortgage loans, such as all of the following:
 - ~~i. Delinquency rates~~
 - ~~ii. Foreclosure rates~~
 - ~~iii. Loss experience~~
 - ~~iv. Prepayment rates.~~~~
 - ~~2. The seniority and subordination of the residential mortgage backed security tranche held~~
 - ~~3. Other relevant factors.~~~~
- ~~d. Relevant reports issued by analysts and rating agencies~~
- ~~e. Quoted prices from third parties such as brokers or pricing services.~~

[Content amended and moved to paragraph 820-10-55-94]

~~**820-10-55-59F** Paragraph superseded by Accounting Standards Update 2011-04. Entity A estimates that one indication of an appropriate market rate of return that market participants would use in pricing the junior tranche of the residential mortgage backed security is 12 percent (1,200 basis points). This market rate of return was estimated as follows:~~

- ~~a. Begin with 300 basis points for the appropriate risk-free rate at March 31, 20X9.~~
- ~~b. Add 250 basis points for the credit spread over the risk-free rate at issuance of Entity A's junior tranche of the residential mortgage backed security in January 20X8.~~
- ~~c. Add 700 basis points for the estimated change in the credit spread over the risk-free rate for Entity A's junior tranche of the residential mortgage backed security between January 1, 20X8 and March 31, 20X9. This estimate was based on the change in the most comparable index available for the period between January 1, 20X8 and March 31, 20X9.~~
- ~~d. Subtract 50 basis points (net) to adjust for differences between the index used to estimate the change in credit spreads and Entity A's junior tranche of the residential mortgage backed security. The referenced index consists of subprime mortgage loans, while Entity A's residential mortgage backed security consists of Alt-A mortgage loans, making it more attractive to market participants. However, the index does not reflect an appropriate~~

~~liquidity risk premium for Entity A's junior tranche of the residential mortgage backed security under current market conditions. Thus, the 50 basis point adjustment is the net of the following adjustments.~~

- ~~1. The first adjustment is a 350 basis point subtraction, which was estimated by comparing the implied yield from the most recent transactions for the residential mortgage backed security in June 20X8 with the implied yield in the index price on those same dates. There was no information available that indicated that the relationship between Entity A's security and the index has changed.~~
- ~~2. The second adjustment is a 300 basis point addition, which is Entity A's best estimate of the additional liquidity risk inherent in its security (the cash position) when compared with the index (the synthetic position). This estimate was derived after considering liquidity risk premiums implied in recent cash transactions for a range of similar securities. [Content amended and moved to paragraph 820-10-55-95]~~

~~**820-10-55-59G** Paragraph superseded by Accounting Standards Update 2011-04. As an additional indication of an appropriate market rate of return, Entity A also considers 2 recent indicative quotes (that is, nonbinding quotes) provided by reputable brokers for the junior tranche of the residential mortgage backed security that imply yields of 15 to 17 percent. Entity A confirms that the quotes are not based on transactions, but it is unable to evaluate the valuation technique(s) or any other market data used to develop the quotes. [Content amended and moved to paragraph 820-10-55-96]~~

~~**820-10-55-59H** Paragraph superseded by Accounting Standards Update 2011-04. Because Entity A has multiple indications of the appropriate rate of return that market participants would consider relevant in estimating fair value, it evaluates and weights, as appropriate, the respective indications of the appropriate rate of return, considering the reasonableness of the range indicated by the results. [Content amended and moved to paragraph 820-10-55-97] Entity A concludes that 13 percent is the point within the range of relevant inputs that is most representative of fair value under current market conditions. Entity A placed more weight on the 12 percent estimated market rate of return (that is, its own estimate) because of both of the following: [Content amended and moved to paragraph 820-10-55-98]~~

- ~~a. Entity A concluded that its own estimate appropriately incorporated nonperformance risk (for example, default risk and collateral value risk) and liquidity risk that market participants would use to estimate the selling price of the asset in an orderly transaction in the current market. [Content amended and moved to paragraph 820-10-55-98]~~
- ~~b. The indications of an appropriate rate of return provided by the broker quotes were nonbinding quotes that were not based on transactions. Additionally, Entity A was not able to evaluate the valuation technique(s)~~

~~or significant inputs used to develop the quotes. [Content amended and moved to paragraph 820-10-55-98]~~

~~**820-10-55-59I** Paragraph superseded by Accounting Standards Update 2011-04. Because changing the selected market rate of return would change the fair value of Entity A's junior tranche of the residential mortgage-backed security significantly, Entity A voluntarily discloses that input and quantifies the effect of using other reasonably possible discount rate estimates.~~

~~**820-10-55-59J** Paragraph not used.~~

~~**820-10-55-59K** Paragraph not used.~~

~~**820-10-55-59L** Paragraph not used.~~

~~**820-10-55-59M** Paragraph not used.~~

80. Supersede paragraphs 820-10-55-60 through 55-76 and their related headings, with a link to transition paragraph 820-10-65-8, as follows:

>> Example 8: Fair Value Disclosures

~~**820-10-55-60** Paragraph superseded by Accounting Standards Update 2011-04. The disclosures required by paragraphs 820-10-50-2(a) through (d), 820-10-50-5(a) through (b), and 820-10-50-6A are illustrated by the following Cases: [Content amended and moved to paragraph 820-10-55-99]~~

- ~~a. Assets measured at fair value on a recurring basis (Case A) [Content amended and moved to paragraph 820-10-55-99(a)]~~
- ~~b. Assets measured at fair value on a recurring basis using significant **unobservable inputs** (Case B)~~
- ~~c. Assets measured at fair value on a nonrecurring basis (Case C)~~
- ~~d. Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) (Case D). [Content moved to paragraph 820-10-55-99(d)]~~

~~**>>> Case A: Disclosure—Assets Measured at Fair Value on a Recurring Basis**~~

~~**820-10-55-61** Paragraph superseded by Accounting Standards Update 2011-04. For assets and liabilities measured at fair value on a recurring basis during the period, this Subtopic requires quantitative disclosures about the fair value measurements separately for each class of assets and liabilities (see paragraph 820-10-50-2(a) through (b)). For assets, that information might be presented as follows. [Content amended and moved to paragraph 820-10-55-100]~~

(\$ in millions)

Description	Fair Value at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets 12/31/XX	Level 1	Significant- Other- Observable- Inputs (Level- 2)	Significant- Unobservable- Inputs- (Level-3)
Trading securities				
Equity securities—real estate industry	\$ 93	\$ 70	\$ 23	
Equity securities—oil and gas industry	45	45		
Equity securities—other	15	15		
Total trading securities	\$ 153	\$ 130	\$ 23	
Available-for-sale debt securities				
Residential mortgage-backed securities	\$ 149		\$ 24	\$ 125
Commercial mortgage-backed securities	50			50
Collateralized debt obligations	36			36
U.S. Treasury securities	95	\$ 85		
Corporate bonds	93	9	84	
Total available-for-sale debt securities	\$ 412	\$ 94	\$ 108	\$ 210
Available-for-sale equity securities				
Financial services industry	\$ 150	\$ 150		
Healthcare industry	110	110		
Other	15	15		
Total available-for-sale equity securities	\$ 275	\$ 275		
Total available-for-sale securities	\$ 687	\$ 369	\$ 108	\$ 210
Hedge fund investments				
Equity long/short	\$ 55	\$ 55		
Global opportunities	35	35		
Distressed debt	90			\$ 90
Total hedge fund investments	\$ 180	\$ 90		\$ 90
Private equity investments^(a)	\$ 25			\$ 25
Venture capital investments^(a)	10			10
Derivatives				
Interest rate contracts	57		\$ 57	
Foreign exchange contracts	43		43	
Credit contracts	38			38
Commodity futures contracts	78	\$ 78		
Commodity forward contracts	20		20	
Total derivatives	\$ 236	\$ 78	\$ 120	\$ 38
Total	\$ 1,291	\$ 667	\$ 251	\$ 373

(a) Based on its analysis of the nature and risks of these investments, the reporting entity has determined that presenting them as a single class is appropriate.

(Note: For liabilities, a similar table should be presented.)

Paragraph 820-10-50-2(bb) requires that the reporting entity also disclose any significant transfers to or from Levels 1 and 2 and the reasons for those transfers. Transfers to or from Level 3 are disclosed in the table illustrated in Case B (see paragraphs 820-10-55-62 through 55-63).

>>> Case B: Disclosure—Assets Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

820-10-55-62 Paragraph superseded by Accounting Standards Update 2011-04. For assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period, this Subtopic requires

a reconciliation of the beginning and ending balances, separately for each class of assets and liabilities, except for derivative assets and liabilities, which may be presented net (see paragraph 820-10-50-2(c) through (d)). For assets, the reconciliation might be presented as follows. **[Content amended and moved to paragraph 820-10-55-101]**

**Roll-forward
(\$ in millions)**
Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Available-for-Sale Debt Securities			Other Fund Investments			Total
	Residential Mortgage-Backed Securities	Commercial Mortgage-Backed Securities	Hedge-Fund Distressed Debt	Private Equity	Venture Capital	Derivatives Credit Contracts	
Beginning balance	\$ 100	\$ 39	\$ 25	\$ 145	\$ 20	\$ 11	\$ 370
Transfers into Level 3	60 ^(a)						60
Transfers out of Level 3							
Total gains or losses (realized/unrealized)	(9)			7	5	(9)	6
Included in earnings (or changes in net assets)							5
Included in other comprehensive income	(15)	(5)	(7)				(32)
Purchases, issuances, sales, and settlements							
Purchases		16	17			2	55
Issuances							
Sales	(12)			(62)			74
Settlements							
Ending balance	\$ 125	\$ 60	\$ 35	\$ 90	\$ 25	\$ 10	\$ 373
							(40)
							\$ 333
							2
							(1)

The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets still held at the reporting date

(a) Transferred from Level 2 to Level 3 because of lack of observable market data due to decrease in market activity for these securities.

(b) The company's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstances that caused the transfer.

(Notes: For liabilities, a similar table should be presented.)

820-10-55-63 Paragraph superseded by Accounting Standards Update 2011-04. Gains and losses (realized and unrealized) included in earnings (or changes in net assets) for the period (above) are reported in trading revenues and in other revenues as follows.

	<u>Trading- Revenues</u>	<u>Other- Revenues</u>
Total gains or losses included in earnings (or changes in net assets) for the period (as shown in the table in the preceding paragraph)	\$ <u>5</u>	\$ <u>1</u>
Change in unrealized gains or losses relating to assets still held at reporting date	\$ <u>2</u>	\$ <u>(3)</u>

[Content amended and moved to paragraph 820-10-55-102]

➤➤➤ Case C: Disclosure—Assets Measured at Fair Value on a Nonrecurring Basis

820-10-55-64 Paragraph superseded by Accounting Standards Update 2011-04. For each class of assets and liabilities measured at fair value on a nonrecurring basis during the period, this Subtopic requires disclosures about the fair value measurements (see paragraph 820-10-50-5(a) through (b)). That information might be presented as follows.

Description	Year- Ended- 12/31/XX	<u>Fair Value Measurements Using</u>			Total Gains- (Losses)
		<u>Quoted Prices in Active Markets for Identical Assets- (Level 1)</u>	<u>Significant Other- Observable- Inputs- (Level 2)</u>	<u>Significant- Unobservable- Inputs (Level 3)</u>	
Long-lived assets held and used	\$ 75		\$ 75		\$ (25)
Goodwill	30			\$ 30	(35)
Long-lived assets held for sale	26		26		(15)
					<u>\$ (75)</u>

In accordance with the provisions of the Impairment or Disposal of Long-Lived Assets Subsections of FASB Codification Subtopic 360-10, long-lived assets held and used with a carrying amount of \$100 million were written down to

their fair value of \$75 million, resulting in an impairment charge of \$25 million, which was included in earnings for the period.

~~In accordance with the provisions of FASB Codification Topic 350, Intangibles—Goodwill and Other, goodwill with a carrying amount of \$65 million was written down to its implied fair value of \$30 million, resulting in an impairment charge of \$35 million, which was included in earnings for the period.~~

~~In accordance with the provisions of the Impairment or Disposal of Long-Lived Assets Subsections of FASB Codification Subtopic 360-10, long-lived assets held for sale with a carrying amount of \$35 million were written down to their fair value of \$26 million, less cost to sell of \$6 million (or \$20 million), resulting in a loss of \$15 million, which was included in earnings for the period.~~
[Content amended and moved to paragraph 820-10-55-100]

>>> Case D: Disclosure—Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)

~~**820-10-55-64A** Paragraph superseded by Accounting Standards Update 2011-04. For investments that are within the scope of paragraphs 820-10-15-4 through 15-5 measured at fair value on a recurring or nonrecurring basis during the period, in addition to the disclosures required in paragraphs 820-10-50-1 through 50-2 and 820-10-50-5, this Subtopic requires disclosure of information that enables users to understand the nature and risk of the investments by class and whether the investments are probable of being sold at amounts different from net asset value per share (or its equivalent, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed) (see paragraph 820-10-50-6A). That information may be presented as follows. (The classes presented below are provided as examples only and are not intended to be treated as a template. The classes disclosed should be tailored to the nature and risks of the reporting entity's investments.)~~

	Fair-Value (in millions)	Unfunded Commitments	Redemption- Frequency (If- Currently Eligible)	Redemption- Notice Period
Equity-long/short hedge funds ^(a)	\$ 55		quarterly	30–60 days
Event-driven hedge funds ^(b)	45		quarterly, annually	30–60 days
Global opportunities hedge funds ^(c)	35		quarterly	30–45 days
Multi-strategy hedge funds ^(d)	40		quarterly	30–60 days
Real-estate funds ^(e)	47	\$ 20		
Private equity funds—international ^(f)	43	15		
Total	<u>\$ 265</u>	<u>\$ 35</u>		

- a. This class includes investments in hedge funds that invest both long and short primarily in U.S. common stocks. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. Investments representing approximately 22 percent of the value of the investments in this class cannot be redeemed because the investments include restrictions that do not allow for redemption in the first 12 to 18 months after acquisition. The remaining restriction period for these investments ranged from three to seven months at December 31, 20X3.
- b. This class includes investments in hedge funds that invest in approximately 60 percent equities and 40 percent bonds to profit from economic, political, and government driven events. A majority of the investments are targeted at economic policy decisions. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.
- c. This class includes investments in hedge funds that hold approximately 80 percent of the funds' investments in non U.S. common stocks in the healthcare, energy, information technology, utilities, and telecommunications sectors and approximately 20 percent of the funds' investments in diversified currencies. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. For one investment, valued at \$8.75 million, a gate has been imposed by the hedge fund manager and no redemptions are currently permitted. This redemption restriction has been in place for six months and the time at which the redemption restriction might lapse cannot be estimated.

- d. ~~This class invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The hedge funds' composite portfolio for this class includes investments in approximately 50 percent U.S. common stocks, 30 percent global real estate projects, and 20 percent arbitrage investments. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. Investments representing approximately 15 percent of the value of the investments in this class cannot be redeemed because the investments include restrictions that do not allow for redemption in the first year after acquisition. The remaining restriction period for these investments ranged from four to six months at December 31, 20X3.~~
- e. ~~This class includes several real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this class have been estimated using the net asset value of the Company's ownership interest in partners' capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the fund will be liquidated over the next 7 to 10 years. Twenty percent of the total investment in this class is planned to be sold. However, the individual investments that will be sold have not yet been determined. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been estimated using the net asset value of the Company's ownership interest in partners' capital. Once it has been determined which investments will be sold and whether those investments will be sold individually or in a group, the investments will be sold in an action process. The investee fund's management must approve of the buyer before the sale of the investments can be completed.~~
- f. ~~This class includes several private equity funds that invest primarily in foreign technology companies. These investments can never be redeemed with the funds. Instead, the nature of the investments in this class is that distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is estimated that the underlying assets of the fund would be liquidated over 5 to 8 years. However, as of December 31, 20X3, it is probable that all of the investments in this class will be sold at an amount different from the net asset value of the Company's ownership interest in partners' capital. Therefore, the fair values of the investments in this class have been estimated using recent observable transaction information for similar investments and non-binding bids received from potential buyers of the investments. As of December 31, 20X3, a buyer (or buyers) for these investments has not yet been identified. Once a buyer has been identified, the investee fund's management must approve of the buyer before the sale of the investments can be completed.~~ **[Content amended and moved to 820-10-55-107]**

>> Example 9: Measuring Liabilities

820-10-55-65 Paragraph superseded by Accounting Standards Update 2011-04. The following Cases illustrate the measurement of liabilities:

- a. ~~Asset Retirement Obligation (Case A)~~
- b. ~~Debt Obligation: Quoted Price (Case B)~~
- c. ~~Debt Obligation: Present Value Technique (Case C).~~

>>> Case A: Asset Retirement Obligation

820-10-55-66 Paragraph superseded by Accounting Standards Update 2011-04. On January 1, 20X1, Entity A completes construction of and places into service an offshore oil platform. The entity is legally required to dismantle and remove the platform at the end of its useful life, which is estimated to be 10 years. According to the guidance in paragraph 410-20-25-4, the entity is required to recognize, at fair value, an asset retirement obligation. **[Content amended and moved to paragraph 820-10-55-77]**

820-10-55-67 Paragraph superseded by Accounting Standards Update 2011-04. On the basis of the guidance in paragraph 410-20-30-1, Entity A uses the expected present value technique to measure the fair value of the asset retirement obligation. **[Content amended and moved to paragraph 820-10-55-78]**

820-10-55-68 Paragraph superseded by Accounting Standards Update 2011-04. If Entity A was contractually allowed to transfer its asset retirement obligation to a market participant, Entity A believes a market participant would use all of the following inputs, probability-weighted as appropriate, in determining the price it would expect to receive: **[Content amended and moved to paragraph 820-10-55-79]**

- a. ~~Labor costs~~ **[Content moved to paragraph 820-10-55-79(a)]**
- b. ~~Allocation of overhead costs~~ **[Content moved to paragraph 820-10-55-79(b)]**
- c. ~~Profit on labor and overhead costs~~ **[Content amended and moved to paragraph 820-10-55-79(c)(1)]**
- d. ~~Effect of inflation on estimated costs and profits~~ **[Content moved to paragraph 820-10-55-79(d)]**
- e. ~~Risk premium for bearing the uncertainty inherent in cash flows, other than inflation~~
- f. ~~Time value of money, represented by the risk-free rate~~ **[Content moved to paragraph 820-10-55-79(e)]**
- g. ~~Nonperformance risk relating to the liability, including Entity A's own credit risk.~~ **[Content amended and moved to paragraph 820-10-55-79(f)]**

820-10-55-69 Paragraph superseded by Accounting Standards Update 2011-04. The significant assumptions used in Entity A's estimate of fair value are as follows: **[Content amended and moved to paragraph 820-10-55-80]**

- a. Labor costs are based on current marketplace wages required to hire contractors to dismantle and remove offshore oil platforms. Entity A assigns probability assessments to a range of cash flow estimates as follows:

Cash Flow Estimate	Probability Assessment	Expected Cash Flows
\$ 100,000	25%	\$ 25,000
\$ 125,000	50%	62,500
\$ 175,000	25%	43,750
		\$ 131,250

The probability assessments are based on Entity A's experience with fulfilling obligations of this type and its knowledge of the market. **[Content amended and moved to paragraph 820-10-55-80(a)]**

- b. Entity A estimates allocated overhead and equipment operating costs using the rate it applies to labor costs (80 percent of expected labor costs). This is consistent with the cost structure of market participants. **[Content amended and moved to paragraph 820-10-55-80(b)]**
- c. A contractor typically adds a markup on labor and allocated internal costs to provide a profit margin on the job. The profit margin used (20 percent) represents Entity A's understanding of the operating profit that contractors in the industry generally earn to dismantle and remove offshore oil platforms. Entity A believes this rate is consistent with the rate a market participant would demand as a return for bearing the obligation. **[Content amended and moved to paragraph 820-10-55-80(c)(1)]**
- d. Entity A assumes a rate of inflation of 4 percent over the 10-year period on the basis of available market data. **[Content moved to paragraph 820-10-55-80(d)]**
- e. A contractor would typically demand and receive a premium (market risk premium) for bearing the uncertainty inherent in locking in today's price for a project that will not occur for 10 years. Entity A estimates the amount of that premium to be 5 percent of the expected cash flows, adjusted for inflation. **[Content amended and moved to paragraph 820-10-55-80(c)(2)]**
- f. The risk-free rate of interest for a 10-year maturity on January 1, 20X1, is 5 percent. Entity A adjusts that rate by 3.5 percent to reflect its risk of nonperformance. Therefore, the discount rate used to compute the

present value of the cash flows is 8.5 percent. **[Content amended and moved to paragraph 820-10-55-80(e)]**

820-10-55-70 Paragraph superseded by Accounting Standards Update 2011-04. Entity A believes that its assumptions would be used by market participants. In addition, Entity A does not adjust its fair value measurement for the existence of a restriction preventing it from transferring the liability. As illustrated in the following table, Entity A estimates the fair value of its liability for the asset retirement obligation to be \$194,879.

	Expected Cash- Flows 1/1/X1
Expected labor costs	\$ 131,250
Allocated overhead and equipment costs (.80 x \$131,250)	\$ 105,000
Contractor's profit markup (.20 x (\$131,250 + \$105,000))	\$ 47,250
Expected cash flows before inflation adjustment	\$ 283,500
Inflation factor (4% for 10 years)	1.4802
Expected cash flows adjusted for inflation	\$ 419,637
Market-risk premium (.05 x \$419,637)	\$ 20,982
Expected cash flows adjusted for market risk	\$ 440,619
Expected present value using discount rate of 8.5% for 10 years	<u>\$ 194,879</u>

[Content amended and moved to paragraph 820-10-55-81]

>>> Case B: Debt Obligation: Quoted Price

820-10-55-71 Paragraph superseded by Accounting Standards Update 2011-04. On January 1, 20X1, Entity B issues at par a \$2 million BBB-rated exchange-traded 5-year fixed-rate debt instrument with an annual 10 percent interest coupon. Entity B has elected to account for this instrument under the fair value option. **[Content amended and moved to paragraph 820-10-55-82]**

820-10-55-72 Paragraph superseded by Accounting Standards Update 2011-04. On December 31, 20X1, the instrument is trading as an asset in an active market at \$929 per \$1,000 of par value after payment of accrued interest. Entity B uses the quoted price for the asset in an active market as its initial input into the fair value measurement of its liability ($\$929 \times [\$2 \text{ million} \div \$1,000] = \$1,858,000$). **[Content amended and moved to paragraph 820-10-55-83]** In determining whether the quoted price for the asset in an active market represents the fair value of the liability, Entity B evaluates whether the quoted price for the asset includes the effect of factors not applicable to the fair value measurement of a liability, for example, whether the quoted price for the asset includes the effect of third-party credit enhancements. Entity B determines that no adjustments are required to the quoted price of the asset. Accordingly, Entity B concludes that the fair value of its debt instrument at December 31, 20X1, is

~~\$1,858,000. Entity B categorizes and discloses the fair value measurement of its debt instrument as a Level 1 measurement. [Content amended and moved to paragraph 820-10-55-84]~~

~~**>>> Case C: Debt Obligation: Present Value Technique**~~

~~**820-10-55-73** Paragraph superseded by Accounting Standards Update 2011-04. On January 1, 20X1, Entity C issues at par in a private placement a \$2 million BBB-rated 5-year fixed-rate debt instrument with an annual 10-percent interest coupon. Entity C has elected to account for this instrument under the fair value option. [Content amended and moved to paragraph 820-10-55-85]~~

~~**820-10-55-74** Paragraph superseded by Accounting Standards Update 2011-04. At December 31, 20X1, Entity C still carries a BBB credit rating. Market conditions, including available interest rates, credit spreads for a BBB-quality credit rating and liquidity, remain unchanged from the issuance date of the debt instrument. However, Entity C's credit spread has deteriorated by 50 basis points due to a change in its risk of nonperformance. After considering all market conditions, Entity C concludes that if it was to issue the instrument at the measurement date, the instrument would bear a rate of interest of 10.5 percent or Entity C would receive less than par in proceeds from the issuance of the instrument. [Content amended and moved to paragraph 820-10-55-86]~~

~~**820-10-55-75** Paragraph superseded by Accounting Standards Update 2011-04. For the purpose of this example, the fair value of Entity C's liability is calculated using a present value technique. Entity C believes a market participant would use all of the following inputs (consistent with paragraph 820-10-55-5) in determining the price the market participant would expect to receive to assume Entity C's obligation:~~

- ~~a. Terms of the debt instrument, including all of the following:
 1. Coupon interest rate of 10 percent
 2. Principal amount of \$2 million
 3. Term of 4 years.~~
- ~~b. Change in risk of nonperformance from the date of issuance of 50 basis points. [Content amended and moved to paragraph 820-10-55-87]~~

~~**820-10-55-76** Paragraph superseded by Accounting Standards Update 2011-04. On the basis of its present value technique, Entity C concludes that the fair value of its liability at December 31, 20X1, is \$1,968,641. [Content moved to paragraph 820-10-55-88] Entity C does not include any additional input into its present value technique for risk or profit that a market participant might require for compensation for assuming the liability. Because Entity C's obligation is a financial liability, Entity C believes the interest rate already captures the risk or profit that a market participant would require for compensation for assuming the liability. Furthermore, Entity C does not adjust its present value technique for the existence of a restriction preventing it from transferring the liability. [Content amended and moved to paragraph 820-10-55-89]~~

81. Add paragraphs 820-10-55-77 through 55-107 and their related headings, with a link to transition paragraph 820-10-65-8, as follows:

> > > Case C: Asset Retirement Obligation

820-10-55-77 On January 1, 20X1, Entity A ~~completes construction of and places into service an offshore oil platform~~ assumes an asset retirement obligation in a business combination. The reporting entity is legally required to dismantle and remove ~~the an offshore oil~~ platform at the end of its useful life, which is estimated to be 10 years. ~~According to the guidance in paragraph 410-20-25-4, the entity is required to recognize, at fair value, an asset retirement obligation.~~ **[Content amended as shown and moved from paragraph 820-10-55-66]**

820-10-55-78 On the basis of ~~the guidance in~~ paragraph 410-20-30-1, Entity A uses the expected present value technique to measure the fair value of the asset retirement obligation. **[Content amended as shown and moved from paragraph 820-10-55-67]**

820-10-55-79 If Entity A was contractually allowed to transfer its asset retirement obligation to a market participant, Entity A ~~believes~~ concludes that a market participant would use all of the following inputs, probability-weighted as appropriate, ~~in determining when estimating~~ the price it would expect to receive: **[Content amended as shown and moved from paragraph 820-10-55-68]**

- a. Labor costs **[Content moved from paragraph 820-10-55-68(a)]**
- b. Allocation of overhead costs **[Content moved from paragraph 820-10-55-68(b)]**
- c. ~~Profit on labor and overhead costs~~ The compensation that a market participant would require for undertaking the activity and for assuming the risk associated with the obligation to dismantle and remove the asset. Such compensation includes both of the following:
 1. Profit on labor and overhead costs
 2. The risk that the actual cash outflows might differ from those expected, excluding inflation.**[Content amended as shown and moved from paragraph 820-10-55-68(c)]**
- d. Effect of inflation on estimated costs and profits **[Content moved from paragraph 820-10-55-68(d)]**
- f.e. Time value of money, represented by the risk-free rate **[Content moved from paragraph 820-10-55-68(f)]**
- g.f. Nonperformance risk relating to the risk that Entity A will not fulfill the obligation—liability, including Entity A's own credit risk. **[Content amended as shown and moved from paragraph 820-10-55-68(g)]**

820-10-55-80 The significant assumptions used ~~in Entity A's estimate of~~ by Entity A to measure fair value are as follows: **[Content amended as shown and moved from paragraph 820-10-55-69]**

- a. Labor costs are ~~based on~~ developed on the basis of current marketplace wages, adjusted for expectations of future wage increases, required to hire contractors to dismantle and remove offshore oil platforms. Entity A assigns probability assessments to a range of cash flow estimates as follows.

<u>Cash Flow Estimate</u>	<u>Probability Assessment</u>	<u>Expected Cash Flows</u>
\$ 100,000	25%	\$ 25,000
\$ 125,000	50%	62,500
\$ 175,000	25%	43,750
		<u>\$ 131,250</u>

The probability assessments are developed on the basis of~~based on~~ Entity A's experience with fulfilling obligations of this type and its knowledge of the market. **[Content amended as shown and moved from paragraph 820-10-55-69(a)]**

- b. Entity A estimates allocated overhead and equipment operating costs using the rate it applies to labor costs (80 percent of expected labor costs). This is consistent with the cost structure of market participants. **[Content moved from paragraph 820-10-55-69(b)]**
- c. Entity A estimates the compensation that a market participant would require for undertaking the activity and for assuming the risk associated with the obligation to dismantle and remove the asset as follows:
1. A third-party contractor typically adds a markup on labor and allocated internal costs to provide a profit margin on the job. The profit margin used (20 percent) represents Entity A's understanding of the operating profit that contractors in the industry generally earn to dismantle and remove offshore oil platforms. Entity A ~~believes~~ concludes that this rate is consistent with the rate that a market participant would demand as a return for bearing the obligation require as compensation for undertaking the activity. **[Content amended as shown and moved from paragraph 820-10-55-69(c)]**
 2. A contractor would typically ~~demand and receive a premium (market risk premium)~~ require compensation for the risk that the actual cash outflows might differ from those expected because of ~~for bearing~~ the uncertainty inherent in locking in today's price for a project that will not occur for 10 years. Entity A estimates the amount of that premium to be 5 percent of the expected cash flows, ~~adjusted for~~ including the effect of inflation. **[Content amended as shown and moved from paragraph 820-10-55-69(e)]**

- d. Entity A assumes a rate of inflation of 4 percent over the 10-year period on the basis of available market data. **[Content moved from paragraph 820-10-55-69(d)]**
- e. The risk-free rate of interest for a 10-year maturity on January 1, 20X1, is 5 percent. Entity A adjusts that rate by 3.5 percent to reflect its risk of nonperformance (that is, the risk that it will not fulfill the obligation), including its credit risk. Therefore, the discount rate used to compute the present value of the cash flows is 8.5 percent. **[Content amended as shown and moved from paragraph 820-10-55-69(f)]**

820-10-55-81 Entity A ~~believes~~concludes that its assumptions would be used by market participants. In addition, Entity A does not adjust its fair value measurement for the existence of a restriction preventing it from transferring the liability. As illustrated in the following table, Entity A ~~estimates~~measures the fair value of its liability for the asset retirement obligation ~~to be~~as \$194,879.

	Expected Cash Flows 1/1/X1
Expected labor costs	\$ 131,250
Allocated overhead and equipment costs (.80 x \$131,250)	\$ 105,000
Contractor's profit markup [.20 x (\$131,250 + \$105,000)]	\$ 47,250
Expected cash flows before inflation adjustment	<u>\$ 283,500</u>
Inflation factor (4% for 10 years)	1.4802
Expected cash flows adjusted for inflation	<u>\$ 419,637</u>
Market-risk Market risk premium (.05 x \$419,637)	<u>\$ 20,982</u>
Expected cash flows adjusted for market risk	<u>\$ 440,619</u>
Expected present value using discount rate of 8.5% for 10 years	<u><u>\$ 194,879</u></u>

[Content amended as shown and moved from paragraph 820-10-55-70]

>>> Case D: Debt Obligation—Quoted Price

820-10-55-82 On January 1, 20X1, Entity B issues at par a \$2 million BBB-rated exchange-traded 5-year fixed-rate debt instrument with an annual 10 percent interest coupon. Entity B has elected to account for this instrument ~~under~~using the fair value option. **[Content amended as shown and moved from paragraph 820-10-55-71]**

820-10-55-83 On December 31, 20X1, the instrument is trading as an asset in an active market at \$929 per \$1,000 of par value after payment of accrued interest. Entity B uses the quoted price ~~for~~of the asset in an active market as its initial input into the fair value measurement of its liability (\$929 x [\$2 million ÷ \$1,000] = \$1,858,000). **[Content amended as shown and moved from paragraph 820-10-55-72]**

820-10-55-84 In determining whether the quoted price ~~for~~of the asset in an active market represents the fair value of the liability, Entity B evaluates whether the quoted price ~~for~~of the asset includes the effect of factors not applicable to the fair value measurement of a liability, for example, whether the quoted price ~~for~~of the asset includes the effect of a third-party credit enhancements~~enhancement that would be separately accounted for from the perspective of the issuer~~. Entity B determines that no adjustments are required to the quoted price of the asset. Accordingly, Entity B concludes that the fair value of its debt instrument at December 31, 20X1, is \$1,858,000. Entity B categorizes and discloses the fair value measurement of its debt instrument ~~as a Level 4 measurement within Level 1 of the fair value hierarchy~~. **[Content amended as shown and moved from paragraph 820-10-55-72]**

> > Case E: Debt Obligation—Present Value Technique

820-10-55-85 On January 1, 20X1, Entity C issues at par in a private placement a \$2 million BBB-rated 5-year fixed-rate debt instrument with an annual 10 percent ~~interest~~-coupon. Entity C has elected to account for this instrument ~~under~~using the fair value option. **[Content amended as shown and moved from paragraph 820-10-55-73]**

820-10-55-86 At December 31, 20X1, Entity C still carries a BBB credit rating. Market conditions, including available interest rates, credit spreads for a BBB-quality credit rating and liquidity, remain unchanged from the ~~issuance date of the debt instrument~~ was issued. However, Entity C's credit spread has deteriorated by 50 basis points ~~due to~~because of a change in its risk of nonperformance. After ~~considering~~taking into account all market conditions, Entity C concludes that if it was to issue the instrument at the measurement date, the instrument would bear a rate of interest of 10.5 percent or Entity C would receive less than par in proceeds from the ~~issuance~~issue of the instrument. **[Content amended as shown and moved from paragraph 820-10-55-74]**

820-10-55-87 For the purpose of this example, the fair value of Entity C's liability is calculated using a present value technique. Entity C ~~believes~~concludes that a market participant would use all of the following inputs (consistent with paragraph 820-10-55-5) ~~in determining when estimating~~ the price the market participant would expect to receive to assume Entity C's obligation:

- a. ~~Terms~~The terms of the debt instrument, including all of the following:
 1. Coupon ~~interest~~ rate of 10 percent
 2. Principal amount of \$2 million
 3. Term of 4 years.
- b. The market rate of interest of 10.5 percent (which includes a Change in risk of nonperformance from the date of issuance ~~change of 50 basis points in the risk of nonperformance from the date of issue)~~.

[Content amended as shown and moved from paragraph 820-10-55-75]

820-10-55-88 On the basis of its present value technique, Entity C concludes that the fair value of its liability at December 31, 20X1, is \$1,968,641. **[Content moved from paragraph 820-10-55-76]**

820-10-55-89 Entity C does not include any additional input into its present value technique for risk or profit that a market participant might require for compensation for assuming the liability. Because Entity C's obligation is a financial liability, Entity C ~~believes~~concludes that the interest rate already captures the risk or profit that a market participant would require ~~for~~as compensation for assuming the liability. Furthermore, Entity C does not adjust its present value technique for the existence of a restriction preventing it from transferring the liability. **[Content amended as shown and moved from paragraph 820-10-55-76]**

> > Example 8: Measuring Fair Value When the Volume or Level of Activity for an Asset or a Liability Has Significantly Decreased

820-10-55-90 This Example illustrates the use of judgment when measuring the fair value of a financial asset when there has been a significant decrease in the volume or level of activity for the asset when compared with normal market activity for the asset (or similar assets). (See application of paragraphs 820-10-35-51A through 35-51H820-10-35-54C through 35-54H.) in determining fair value if the volume and level of activity for an asset or a liability have significantly decreased and in identifying transactions that are not orderly. This Example has all of the following assumptions:

- a. ~~On January 1, 20X8 (the issuance date of the security), Entity A invested~~invests in a junior AAA-rated tranche of a residential ~~mortgage backed~~mortgage-backed security ~~on January 1, 20X8 (the issue date of the security).~~
- b. The junior tranche is the third most senior of a total of seven tranches.
- c. The underlying collateral for the residential ~~mortgage backed~~mortgage-backed security is unguaranteed ~~Alternative A (or Alt A) nonconforming residential mortgage loans that were issued in the second half of 200620X6.~~
- d. At March 31, 20X9 (the measurement date), the junior tranche ~~of the residential mortgage backed security is now A-rated. This tranche of the residential mortgage backed mortgage-backed security was previously traded through a brokered market; however,~~brokered market. However, trading volume ~~in that market~~ was infrequent, with only a few transactions ~~taking place~~ per month from January 1, 20X8, ~~through~~ through June 30, ~~20X820X8,~~ and little, if any, trading activity during the nine months before March 31, 20X9. **[Content amended as shown and moved from paragraph 820-10-55-59A]**

820-10-55-91 Entity A ~~considers~~takes into account the ~~guidance beginning~~factors in paragraph ~~820-10-35-51A820-10-35-54C~~ to determine whether there has been a significant decrease in the volume ~~and~~or level of activity for the junior tranche

of the residential ~~mortgage-backed~~mortgage-backed security in which it has invested. After evaluating the significance and relevance of the factors, Entity A concludes that the volume and level of activity ~~for~~of the junior tranche of the residential ~~mortgage-backed~~mortgage-backed security have significantly decreased. Entity A supported its judgment primarily on the basis ~~of its observation~~ that there was little, if any, trading activity for an extended period ~~of time~~ before the measurement date. **[Content amended as shown and moved from paragraph 820-10-55-59B]**

820-10-55-92 Because there is little, if any, trading activity to support a ~~market approach~~valuation technique using a market approach, Entity A decides to use an income approach using the discount rate adjustment technique described beginning in paragraph 820-10-55-10 to ~~estimate~~measure the fair value ~~for its of~~ the residential mortgage-backed security at the measurement date. (See also paragraphs ~~820-10-35-25 through 35-26 and 820-10-35-36 through 35-36A.~~) Entity A uses the contractual cash flows from the residential ~~mortgage-backed~~mortgage-backed security. The discount rate adjustment technique described beginning in paragraph 820-10-55-10 would not be appropriate when determining whether there has been an other-than-temporary impairment and/or a change in yield ~~under the guidance in~~ accordance with paragraph 325-40-35-4 when that technique uses contractual cash flows rather than most likely cash flows. **[Content amended as shown and moved from paragraph 820-10-55-59C]**

820-10-55-93 Entity A then estimates a discount rate (that is, ~~the~~a market rate of return) ~~that will be used to discount the~~those contractual cash flows. The available information that Entity A uses to estimate an appropriate market rate of return ~~is estimated using~~ included both of the following:

- a. The risk-free rate ~~of interest~~based on the rate of return on government debt securities
- b. Estimated adjustments for differences between the available market data and the junior tranche of the residential ~~mortgage-backed~~mortgage-backed security in which Entity A has invested. Those adjustments reflect available market data about expected nonperformance and other risks (for example, default risk, collateral value risk, and liquidity risk) that market participants would take into account when pricing the asset in an orderly transaction at the measurement date under current market conditions.

[Content amended as shown and moved from paragraph 820-10-55-59D]

820-10-55-94 ~~In determining those adjustments,~~ Entity A ~~considered~~took into account all of the following information when estimating the adjustments in the preceding paragraph:

- a. The credit spread for the junior tranche of the residential ~~mortgage-backed~~mortgage-backed security at the ~~issuance~~issue date as implied by the original transaction price

- b. The change in credit spread implied by any observed transactions from the ~~issuance~~issue date to the measurement date for comparable residential ~~mortgage-backed securities~~mortgage-backed securities or ~~based on the basis of~~ relevant ~~indexes~~indices
- c. The ~~specific~~ characteristics of the junior tranche of the residential ~~mortgage-backed security~~mortgage-backed security compared with comparable residential ~~mortgage-backed securities~~mortgage-backed securities or ~~indexes~~indices, including all of the following:
 1. The quality of the underlying ~~assets~~assets, that is, information about the performance of the underlying mortgage loans, such as all of the following:
 - i. Delinquency rates
 - ii. Foreclosure rates
 - iii. Loss experience
 - iv. Prepayment rates.
 2. The seniority ~~and~~or subordination of the residential ~~mortgage-backed security~~mortgage-backed security tranche held
 3. Other relevant factors.
- d. Relevant reports issued by analysts and rating agencies
- e. Quoted prices from third parties such as brokers or pricing services.

[Content amended as shown and moved from paragraph 820-10-55-59E]

820-10-55-95 Entity A estimates that one indication of an appropriate market rate of return that market participants would use ~~in~~when pricing the junior tranche of the residential ~~mortgage-backed security~~mortgage-backed security is 12 percent (1,200 basis points). This market rate of return was estimated as follows:

- a. Begin with 300 basis points for the ~~appropriate~~relevant risk-free rate of interest at March 31, 20X9.
- b. Add 250 basis points for the credit spread over the risk-free rate ~~at issuance of Entity A's~~when the junior tranche of the residential ~~mortgage-backed security~~mortgage-backed security was issued in January 20X8.
- c. Add 700 basis points for the estimated change in the credit spread over the risk-free rate ~~for Entity A's~~of the junior tranche of the residential ~~mortgage-backed security~~mortgage-backed security between January 1, 20X8~~20X8~~, and March 31, 20X9. This estimate was ~~based on~~developed on the basis of the change in the most comparable index available for ~~the~~that time period ~~between January 1, 20X8 and March 31, 20X9.~~
- d. Subtract 50 basis points (net) to adjust for differences between the index used to estimate the change in credit spreads and ~~Entity A's~~the junior tranche of the residential ~~mortgage-backed security~~mortgage-backed security. The referenced index consists of subprime mortgage loans, ~~while~~whereas Entity A's residential ~~mortgage-backed security~~mortgage-backed security consists of Alt-A similar mortgage loans, loans with a more favorable credit profile (making it more attractive to market participants). However, the index does not reflect an appropriate liquidity risk premium for ~~Entity A's junior tranche of~~

~~the residential mortgage-backed security~~the junior tranche under current market conditions. Thus, the 50 basis point adjustment is the net of ~~the following two~~ adjustments.

1. The first adjustment is a 350 basis point subtraction, which was estimated by comparing the implied yield from the most recent transactions for the residential ~~mortgage-backed~~mortgage-backed security in June 20X8 with the implied yield in the index price on those same dates. There was no information available that indicated that the relationship between Entity A's security and the index has changed.
2. The second adjustment is a 300 basis point addition, which is Entity A's best estimate of the additional liquidity risk inherent in its security (~~the~~a cash position) when compared with the index (~~the~~a synthetic position). This estimate was derived after ~~considering~~taking into account liquidity risk premiums implied in recent cash transactions for a range of similar securities. **[Content amended as shown and moved from paragraph 820-10-55-59F]**

820-10-55-96 As an additional indication of an ~~appropriate~~the market rate of return, Entity A ~~also considers~~takes into account 2 recent indicative quotes (that is, nonbinding quotes) provided by reputable brokers for the junior tranche of the residential ~~mortgage-backed~~mortgage-backed security that imply yields of 15 to 17 percent. Entity A ~~confirms that the quotes are not based on transactions, but it is unable to evaluate the valuation technique(s) or inputs any other market data used to develop the quotes. However, Entity A is able to confirm that the quotes do not reflect the results of transactions.~~ **[Content amended as shown and moved from paragraph 820-10-55-59G]**

820-10-55-97 Because Entity A has multiple indications of the ~~appropriate~~market market rate of return that market participants would ~~consider relevant in estimating~~take into account when measuring fair value, it evaluates and ~~weights, as appropriate,~~weights the respective indications of the ~~appropriate~~rate of return, considering the reasonableness of the range indicated by the results. **[Content amended as shown and moved from paragraph 820-10-55-59H]**

820-10-55-98 Entity A concludes that 13 percent is the point within the range of ~~relevant inputs~~indications that is most representative of fair value under current market conditions. Entity A ~~placed~~places more weight on the 12 percent ~~estimated market rate of return~~indication (that is, its own estimate of the market rate of return) ~~because of both of~~ for the following reasons:

- a. Entity A concluded that its own estimate appropriately incorporated ~~nonperformance risk~~the risks (for example, default ~~risk and~~risk, collateral value risk, and liquidity risk) ~~and liquidity risk~~ that market participants would use when pricing to estimate the selling price of the asset in an orderly transaction in the ~~under~~ current market conditions.

- b. ~~The indications of an appropriate rate of return provided by the~~The broker quotes were nonbinding quotes that were not based on and did not reflect the results of transactions. Additionally, and Entity A was not able~~unable~~ to evaluate the valuation technique(s) or ~~significant~~ inputs used to develop the quotes. **[Content amended as shown and moved from paragraph 820-10-55-59H]**

> > Example 9: Fair Value Disclosures

820-10-55-99 ~~The disclosures required by paragraphs 820-10-50-1A, 820-10-50-2(a) through (d), 820-10-50-5(a) through (b), (b) and (bbb) through (g), and 820-10-50-6A, and 820-10-50-8 are illustrated by the following Cases:~~ **[Content amended as shown and moved from paragraph 820-10-55-60]**

- a. ~~Assets measured at fair value on a recurring basis (Case A)~~ **[Content amended as shown and moved from paragraph 820-10-55-60(a)]**
- b. Reconciliation of fair value measurements categorized within Level 3 of the fair value hierarchy (Case B)
- c. Information about fair value measurements categorized within Level 3 of the fair value hierarchy (Case C)
- d. Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) (Case D). **[Content moved from paragraph 820-10-55-60(d)]**

> > > Case A: Disclosure—Assets Measured at Fair Value

820-10-55-100 ~~For assets and liabilities measured at fair value on a recurring basis during the period at the reporting date, this Subtopic~~Topic requires quantitative disclosures about the fair value measurements ~~separately for each class of assets and liabilities at the end of the reporting period (see paragraph 820-10-50-2(a) through (b)). For assets, that information might be presented as follows. A reporting entity might disclose the following for assets to comply with paragraph 820-10-50-2(a) through (b).~~ **[Content amended as shown and moved from paragraph 820-10-55-61]**

[New text in the table has not been underlined because this table is a combination of two tables from paragraphs 820-10-55-61 and 820-10-55-64. Only amended text is underlined.]

(\$ in millions)

Description	Fair Value Measurements at Reporting Date the End of the Reporting Period Using				Total Gains (Losses)
	12/31/09 12/31/08	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Recurring fair value measurements					
Trading securities ^(a)					
Equity securities—real estate industry	\$ 93	\$ 70	\$ 23		
Equity securities—oil and gas industry	45	45			
Equity securities—other	15	15			
Total trading securities	<u>\$ 153</u>	<u>\$ 130</u>	<u>\$ 23</u>		
Available-for-sale debt securities					
Residential mortgage-backed securities	\$ 149		\$ 24	\$ 125	
Commercial mortgage-backed securities	50			50	
Collateralized debt obligations	35			35	
U.S. Treasury securities	85	\$ 85			
Corporate bonds	93	9	84		
Total available-for-sale debt securities	<u>\$ 412</u>	<u>\$ 94</u>	<u>\$ 108</u>	<u>\$ 210</u>	
Available-for-sale equity securities ^(b)					
Financial services industry	\$ 150	\$ 150			
Healthcare industry	110	110			
Other	15	15			
Total available-for-sale equity securities	<u>\$ 275</u>	<u>\$ 275</u>			
Total available-for-sale securities	<u>\$ 687</u>	<u>\$ 369</u>	<u>\$ 108</u>	<u>\$ 210</u>	
Hedge fund investments					
Equity long/short	\$ 55	\$ 55	\$ 55		
Global opportunities	35	35	35		
Distressed High-yield debt securities	90	90	90	90	
Total hedge fund investments	<u>\$ 180</u>	<u>\$ 90</u>	<u>\$ 90</u>	<u>\$ 90</u>	
Other investments					
Private equity fund investments ^{(a)(b)}	\$ 2540			\$ 2540	
Direct venture capital investments ^(a); healthcare ^(a)	53			53	
Direct venture capital: energy ^(a)	32			32	
Total other investments	<u>110</u>			<u>110</u>	
Derivatives					
Interest rate contracts	57		\$ 57		
Foreign exchange contracts	43		43		
Credit contracts	38			38	
Commodity futures contracts	78	\$ 78			
Commodity forward contracts	20		20		
Total derivatives	<u>\$ 236</u>	<u>\$ 78</u>	<u>\$ 120</u>	<u>\$ 38</u>	
Total recurring fair value measurements	<u>\$1,386+294</u>	<u>\$ 577+67</u>	<u>\$ 341+64</u>	<u>\$ 448+373</u>	
Nonrecurring fair value measurements					
Long-lived assets held and used ^(c)	\$ 75		\$ 75		\$ (25)
Goodwill ^(d)	30			\$ 30	(35)
Long-lived assets held for sale ^(e)	26		26		(15)
Total nonrecurring fair value measurements	<u>\$ 131</u>		<u>\$ 101</u>	<u>\$ 30</u>	<u>\$ (75)</u>

(a) On the basis of its analysis of the nature, characteristics, and risks of the securities, the reporting entity has determined that presenting them by industry is appropriate.

(b) On the basis of ~~based on~~ its analysis of the nature, characteristics, and risks of these investments, the reporting entity has determined that presenting them as a single class is appropriate.

(c) In accordance with the provisions of the Impairment or Disposal of Long-Lived Assets Subsections of FASB Codification Subtopic 360-10, long-lived assets held and used with a carrying amount of \$100 million were written down to their fair value of \$75 million, resulting in an impairment charge of \$25 million, which was included in earnings for the period.

(d) In accordance with the provisions of FASB Codification Topic 360, Intangibles—Goodwill and Other Subtopic 350-20, goodwill with a carrying amount of \$65 million was written down to its implied fair value of \$30 million, resulting in an impairment charge of \$35 million, which was included in earnings for the period.

(e) In accordance with the provisions of the Impairment or Disposal of Long-Lived Assets Subsections of FASB Codification Subtopic 360-10, long-lived assets held for sale with a carrying amount of \$35 million were written down to their fair value of \$26 million, less ~~cost~~ costs to sell of \$6 million (or \$20 million), resulting in a loss of \$15 million, which was included in earnings for the period.

(Note: For liabilities, a similar table should be presented.)

[Content amended as shown and moved from paragraphs 820-10-55-61 and 820-10-55-64]

> > > Case B: Disclosure—Reconciliation of Fair Value Measurements Categorized within Level 3 of the Fair Value Hierarchy

820-10-55-101 For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, ~~assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period,~~ this Subtopic ~~Topic~~ requires a reconciliation of the beginning and ending ~~from the opening balances to the closing balances, separately,~~ balances for each class of assets and liabilities, except for derivative assets and liabilities, which may be presented net (see paragraph 820-10-50-2(c) through (d)). For assets, the reconciliation might be presented as follows. A reporting entity might disclose the following for assets to comply with paragraph 820-10-50-2(c) through (d).

**Roll-forward-
(\$ in millions)**
Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)											Total
	Available-for-Sale Debt Securities		Hedge Fund Investments			Other Fund Investments				Derivatives		
	Residential Mortgage-Backed Securities	Commercial Mortgage-Backed Securities	Collateralized Debt Obligations	High-Yield Debt Securities	Distressed Securities	Private Equity Fund	Direct Venture Capital	Direct Venture Capital - Energy	Debt	Credit	Contracts	
Beginning balance	\$ 400,105	\$ 39	\$ 25	\$ 145	\$ 20	\$ 44,49	\$ 28	\$ 30	\$ 370,411			
Transfers into Level 3	60 ^(a)											60
Transfers out of Level 3	(5)											(5)
Total gains or losses (realized/unrealized) for the period												
Included in earnings (or changes in net assets)	(8)			7		(4)	1					5
Included in other comprehensive income	(15)	(5)	(7)									(32)
Purchases, issuances, sales, and settlements		16	17			5	3					18
Purchases												
Issuances												
Sales	(12)			(62)		(4)						(78)
Settlements												
Ending balance	\$ 125	\$ 50	\$ 35	\$ 90	\$ 25	\$ 5,340	\$ 32	\$ (10)	\$ 38	\$ 274,418		

The amount of total change in unrealized gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets held at the end of their reporting period.

- (a) Transferred from Level 2 to Level 3 because of a lack of observable market data resulting from a decrease in market activity for these securities.
- (b) The company's reporting entity's policy is to recognize transfers into and transfers out of Level 3 as of the actual date of the event or change in circumstances that caused the transfer.
- (c) Transferred from Level 3 to Level 2 because observable market data became available for the securities.
- (Note: For liabilities, a similar table should be presented.)

[Content amended as shown and moved from paragraph 820-10-55-62]

820-10-55-102 Gains and losses (realized and unrealized) included in earnings (or changes in net assets) for the period (above) are ~~reported~~ presented in trading revenues and in other revenues as follows.

	<u>Trading Revenues</u>	<u>Other Revenues</u>
Total gains or losses for the period included in earnings (or changes in net assets) for the period (as shown in the table in the preceding paragraph)	<u>\$ 5</u>	<u>\$ 48</u>
Change in unrealized gains or losses for the period included in earnings (or changes in net assets) for relating to assets still held at the end of the reporting-date period	<u>\$ 2</u>	<u>\$ (3)4</u>

(Note: For liabilities, a similar table should be presented.)

[Content amended as shown and moved from paragraph 820-10-55-63]

> > > Case C: Disclosure—Information about Fair Value Measurements Categorized within Level 3 of the Fair Value Hierarchy

> > > Valuation Techniques and Inputs

820-10-55-103 Examples of disclosures that the reporting entity may present For fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy, this Topic requires a reporting entity to disclose a description of the valuation technique(s) and the inputs used in the fair value measurement. For fair value measurements categorized within Level 3 of the fair value hierarchy, information about the significant unobservable inputs used must be quantitative. A reporting entity might disclose the following for assets to comply with the input disclosure requirement to disclose the significant unobservable inputs used in the fair value measurement in accordance with of paragraph 820-10-50-2(e)820-10-50-2(bbb), include the following: **[Content amended as shown and moved from paragraph 820-10-55-22A]**

[Note: For ease of readability, the table is not underlined as new text.]

Quantitative Information about Level 3 Fair Value Measurements

(\$ in millions)

	Fair Value at 12/31/09	Valuation Technique(s)	Unobservable Input	Range (Weighted Average)
Residential mortgage-backed securities	125	Discounted cash flow	Constant prepayment rate Probability of default Loss severity	3.5% – 5.5% (4.5%) 5% – 65% (11%) 4.0% – 10% (6%)
Commercial mortgage-backed securities	50	Discounted cash flow	Constant prepayment rate Probability of default Loss severity	3.0% – 3.0% (4.1%) 2% – 25% (5%) 10% – 50% (20%)
Collateralized debt obligations	35	Consensus pricing	Offered quotes Comparability adjustments (%)	20 – 45 -10% – +15% (+5%)
Direct venture capital investments: healthcare	53	Discounted cash flow	Weighted average cost of capital Long-term revenue growth rate Long-term pretax operating margin Discount for lack of marketability (a) Control premium (a)	7% – 16% (12.1%) 2% – 5% (4.2%) 3% – 20% (10.3%) 5% – 20% (17%) 10% – 30% (20%)
		Market comparable companies	EBITDA multiple (a) Revenue multiple (a) Discount for lack of marketability (a) Control premium (a)	10 – 13 (11.3) 1.5 – 2.0 (1.7) 5% – 20% (17%) 10% – 30% (20%)
Direct venture capital investments: energy	32	Discounted cash flow	Weighted average cost of capital Long-term revenue growth rate Long-term pretax operating margin Discount for lack of marketability (a) Control premium (a)	8% – 12% (11.1%) 3% – 5.5% (4.2%) 7.5% – 13% (9.2%) 5% – 20% (10%) 10% – 20% (12%)
		Market comparable companies	EBITDA multiple (a) Revenue multiple (a) Discount for lack of marketability (a) Control premium (a)	6.5 – 12 (9.5) 1.0 – 3.0 (2.0) 5% – 20% (10%) 10% – 20% (12%)
Credit contracts	38	Option model	Annualized volatility of credit (a) Counterparty credit risk (a) Own credit risk (a)	10% – 20% 0.5% – 3.5% 0.3% – 2.0%

(a) Represents amounts used when the reporting entity has determined that market participants would take into account these premiums and discounts when pricing the investments.

(b) Represents amounts used when the reporting entity has determined that market participants would use such multiples when pricing the investments.

(c) Represents the range of the volatility curves used in the valuation analysis that the reporting entity has determined market participants would use when pricing the contracts.

(d) Represents the range of the credit default swap spread curves used in the valuation analysis that the reporting entity has determined market participants would use when pricing the contracts.

(Note: For liabilities, a similar table should be presented.)

820-10-55-104 In addition, a reporting entity should provide additional information that will help users of its financial statements to evaluate the quantitative information disclosed. A reporting entity might disclose some or all of the following to comply with paragraph 820-10-50-1A:

b.a. The nature of the item being measured at fair value, including the characteristics of the item being measured that are ~~considered~~ taken into account in the determination of relevant inputs. For example, for residential mortgage-backed securities, a reporting entity ~~might disclose~~ may conclude that meeting the objective of this disclosure requirement requires disclosure of items such as the following:

1. The types of underlying loans (for example, ~~prime loans or subprime or home equity lines of credit~~ loans)
2. Collateral
3. Guarantees or other credit enhancements
4. Seniority level of the tranches of securities
5. The year of ~~issuance~~ issue
6. The weighted-average coupon rate of the underlying loans and the securities
7. The weighted-average maturity of the underlying loans and the securities
8. The geographical concentration of the underlying loans
9. Information about the credit ratings of the securities. [Content amended as shown and moved from paragraph 820-10-55-22A(b)]

e.b. How third-party information such as broker quotes, pricing services, net asset values, and relevant market data was ~~considered~~ taken into account when measuring fair value. [Content amended as shown and moved from paragraph 820-10-55-22A(c)]

>>> Valuation Processes

820-10-55-105 For fair value measurements categorized within Level 3 of the fair value hierarchy, this Topic requires a reporting entity to disclose a description of the valuation processes used by the reporting entity. A reporting entity might disclose the following to comply with paragraph 820-10-50-2(f):

- a. For the group within the reporting entity that decides the reporting entity's valuation policies and procedures:
 1. Its description
 2. To whom that group reports
 3. The internal reporting procedures in place (for example, whether and, if so, how pricing, risk management, or audit committees discuss and assess the fair value measurements).
- b. The frequency and methods for calibration, back testing, and other testing procedures of pricing models.

- c. The process for analyzing changes in fair value measurements from period to period.
- d. How the reporting entity determined that third-party information, such as broker quotes or pricing services, used in the fair value measurement was developed in accordance with this Topic.
- e. The methods used to develop and substantiate the unobservable inputs used in a fair value measurement.

> > > Information about Sensitivity to Changes in Significant Unobservable Inputs

820-10-55-106 For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, this Topic requires a reporting entity to provide a narrative description of the sensitivity of the fair value measurement to changes in significant unobservable inputs and a description of any interrelationships between those unobservable inputs. A reporting entity might disclose the following about its residential mortgage-backed securities to comply with paragraph 820-10-50-2(g).

The significant unobservable inputs used in the fair value measurement of the reporting entity's residential mortgage-backed securities are prepayment rates, probability of default, and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

> > > Case D: Disclosure—Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)

820-10-55-107 For investments that are within the scope of paragraphs 820-10-15-4 through 15-5 measured at fair value ~~on a recurring or nonrecurring basis~~ during the period, in addition to the disclosures required in paragraphs 820-10-50-1 through 50-2 ~~and 820-10-50-5~~, this ~~Subtopic~~Topic requires a reporting entity ~~to disclose disclosure of information that enables helps~~ users to understand the ~~nature and risk~~nature, characteristics, and risks of the investments by class and whether the investments are probable of being sold at amounts different from net asset value per share (or its equivalent, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed) (see paragraph 820-10-50-6A). That information may be presented as follows. (The classes presented below are provided as examples only and are not intended to be treated as a template. The classes disclosed should be tailored to the nature, characteristics, and risks of the reporting entity's investments.) **[Content amended as shown and moved from paragraph 820-10-55-64A]**

	Fair Value (in millions)	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity long/short hedge funds ^(a)	\$ 55		quarterly	30–60 days
Event driven hedge funds ^(b)	45		quarterly, annually	30–60 days
Global opportunities hedge funds ^(c)	35		quarterly	30–45 days
Multi-strategy hedge funds ^(d)	40		quarterly	30–60 days
Real estate funds ^(e)	47	\$ 20		
Private equity funds—international ^(f)	43	15		
Total	<u>\$ 265</u>	<u>\$ 35</u>		

- a. This class includes investments in hedge funds that invest both long and short primarily in U.S. common stocks. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. Investments representing approximately 22 percent of the value of the investments in this class cannot be redeemed because the investments include restrictions that do not allow for redemption in the first 12 to 18 months after acquisition. The remaining restriction period for these investments ranged from three to seven months at December 31, 20X3.
- b. This class includes investments in hedge funds that invest in approximately 60 percent equities and 40 percent bonds to profit from economic, political, and government driven events. A majority of the investments are targeted at economic policy decisions. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.
- c. This class includes investments in hedge funds that hold approximately 80 percent of the funds' investments in non-U.S. common stocks in the healthcare, energy, information technology, utilities, and telecommunications sectors and approximately 20 percent of the funds' investments in diversified currencies. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. For one investment, valued at \$8.75 million, a gate has been imposed by the hedge fund manager and no redemptions are currently permitted. This redemption restriction has been in place for six months and the time at which the redemption restriction might lapse cannot be estimated.

- d. This class invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The hedge funds' composite portfolio for this class includes investments in approximately 50 percent U.S. common stocks, 30 percent global real estate projects, and 20 percent arbitrage investments. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. Investments representing approximately 15 percent of the value of the investments in this class cannot be redeemed because the investments include restrictions that do not allow for redemption in the first year after acquisition. The remaining restriction period for these investments ranged from four to six months at December 31, 20X3.
- e. This class includes several real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this class have been estimated using the net asset value of the Company's ownership interest in partners' capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the fund will be liquidated over the next 7 to 10 years. Twenty percent of the total investment in this class is planned to be sold. However, the individual investments that will be sold have not yet been determined. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been estimated using the net asset value of the Company's ownership interest in partners' capital. Once it has been determined which investments will be sold and whether those investments will be sold individually or in a group, the investments will be sold in an auction process. The investee fund's management must approve of the buyer before the sale of the investments can be completed.
- f. This class includes several private equity funds that invest primarily in foreign technology companies. These investments can never be redeemed with the funds. Instead, the nature of the investments in this class is that distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is estimated that the underlying assets of the fund would be liquidated over 5 to 8 years. However, as of December 31, 20X3, it is probable that all of the investments in this class will be sold at an amount different from the net asset value of the Company's ownership interest in partners' capital. Therefore, the fair values of the investments in this class have been estimated using recent observable transaction information for similar investments and non-binding bids received from potential buyers of the investments. As of December 31, 20X3, a buyer (or buyers) for these investments has not yet been identified. Once a buyer has been identified, the investee fund's management must approve of the buyer before the sale of the investments can be completed. **[Content moved from paragraph 820-10-55-64A]**

82. Add paragraph 820-10-65-8 and its related heading as follows:

> Transition Related to Accounting Standards Update No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs

820-10-65-8 The following represents the transition and effective date information related to Accounting Standards Update No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*:

- a. The pending content that links to this paragraph shall be applied prospectively and is effective as follows:
 1. For public entities, for interim and annual periods beginning after December 15, 2011
 2. For nonpublic entities, for annual periods beginning after December 15, 2011.
- b. Early application is not permitted for public entities. Early application is permitted for nonpublic entities, but only for interim periods beginning after December 15, 2011.
- c. Revisions resulting from a change in valuation technique or its application shall be accounted for as a change in accounting estimate (see the guidance beginning in paragraph 250-10-45-17).
- d. In the period of adoption, a reporting entity shall disclose a change, if any, in valuation technique and related inputs resulting from the application of the pending content that links to this paragraph and quantify the total effect, if practicable.

Amendments to Subtopic 270-10

83. Amend paragraphs 270-10-50-1(k) and 270-10-50-7, with a link to transition paragraph 820-10-65-8, as follows:

Interim Reporting—Overall

Disclosure

270-10-50-1 Many **publicly traded companies** report summarized financial information at periodic interim dates in considerably less detail than that provided in annual financial statements. While this information provides more timely information than would result if complete financial statements were issued at the end of each interim period, the timeliness of presentation may be partially offset by a reduction in detail in the information provided. As a result, certain guides as to minimum disclosure are desirable. (It should be recognized that the minimum disclosures of summarized interim financial data required of publicly traded companies do not constitute a fair presentation of financial position and results of operations in conformity with generally accepted accounting principles [GAAP]). If publicly traded companies report summarized financial information at interim

dates (including reports on fourth quarters), the following data should be reported, as a minimum:

- k. The information about the use of fair value to measure assets and liabilities recognized in the statement of financial position pursuant to ~~paragraphs 820-10-50-1 through 50-6~~Section 820-10-50

270-10-50-7 The following may not represent all references to interim disclosure:

- a. For business combinations and combinations accounted for by **not-for-profit entities**, see Sections 805-10-50, 805-20-50, 805-30-50, 805-740-50, and 958-805-50.
- b. For compensation-related costs, see paragraphs 715-60-50-3 and 715-60-50-6.
- c. For disclosures required for entities with oil- and gas-producing activities, see paragraph 932-270-50-1.
- d. For disclosures related to prior interim periods of the current fiscal year, see paragraph 250-10-50-11.
- e. For fair value requirements, see ~~paragraphs 820-10-50-1 through 50-6~~Section 820-10-50.
- f. For guarantors, see Section 460-10-50.
- g. For pensions and other postretirement benefits, see paragraphs 715-20-50-6 through 50-7.
- h. For reportable segments, see paragraphs 280-10-50-39 and 280-10-55-16.
- i. For suspended well costs and interim reporting, see Section 932-235-50.
- j. For applicability of disclosure requirements related to risks and uncertainties, see paragraph 275-10-15-3.

84. Amend paragraph 270-10-60-1, with a link to transition paragraph 820-10-65-8, as follows:

Relationships

270-10-60-1 For additional disclosure guidance for the reporting entity, see ~~paragraphs 820-10-50-1 through 50-3~~Section 820-10-50.

Amendments to Subtopic 310-10

85. Amend paragraph 310-10-35-22, with a link to transition paragraph 820-10-65-8, as follows:

Receivables—Overall

Subsequent Measurement

310-10-35-22 When a loan is impaired ~~as defined in~~(see paragraphs 310-10-35-16 through ~~35-17,35-17~~), a creditor shall measure impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate, except that as a practical expedient, a creditor may measure impairment based on a loan's observable market price, or the fair value of the collateral if the loan is a **collateral-dependent loan**. If that practical expedient is used, Topic 820 shall apply.

Amendments to Subtopic 715-20

86. Amend paragraphs 715-20-50-1(d) and 715-20-50-5(c), with a link to transition paragraph 820-10-65-8, as follows:

Compensation—Retirement Benefits—Defined Benefit Plans—General

Disclosure

715-20-50-1 An employer that sponsors one or more defined benefit pension plans or one or more defined benefit other postretirement plans shall provide the following information, separately for pension plans and other postretirement benefit plans. Amounts related to the employer's results of operations shall be disclosed for each period for which a statement of income is presented. Amounts related to the employer's statement of financial position shall be disclosed as of the date of each statement of financial position presented. All of the following shall be disclosed:

- d. The objectives of the disclosures about postretirement benefit plan assets are to provide users of financial statements with an understanding of:
 1. How investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies
 2. The classes of plan assets
 3. The inputs and valuation techniques used to measure the fair value of plan assets
 4. The effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the period
 5. Significant concentrations of risk within plan assets.

An employer shall consider those overall objectives in providing the following information about plan assets:

- i. A narrative description of investment policies and strategies, including target allocation percentages or range of percentages considering the classes of plan assets disclosed pursuant to (ii) below, as of the latest statement of financial position presented (on a weighted-average basis for employers with more than one plan), and other factors that are pertinent to an understanding of those policies and strategies such as investment goals, risk management practices, permitted and prohibited investments including the use of derivatives, diversification, and the relationship between plan assets and benefit obligations. For investment funds disclosed as classes as described in (ii) below, a description of the significant investment strategies of those funds shall be provided.
- ii. The fair value of each class of plan assets as of each date for which a statement of financial position is presented. ~~Asset classes shall be based on the nature and risks of assets in an employer's plan(s).~~ For additional guidance on determining appropriate classes of plan assets, see paragraph ~~820-10-50-2A~~820-10-50-2B. Examples of classes of assets could include, but are not limited to, the following: cash and cash equivalents; equity securities (segregated by industry type, company size, or investment objective); debt securities issued by national, state, and local governments; corporate debt securities; asset-backed securities; structured debt; derivatives on a gross basis (segregated by type of underlying risk in the contract, for example, interest rate contracts, foreign exchange contracts, equity contracts, commodity contracts, credit contracts, and other contracts); investment funds (segregated by type of fund); and real estate. Those examples are not meant to be all inclusive. An employer should consider the overall objectives in paragraph 715-20-50-1(d)(1) through (5) in determining whether additional classes of plan assets or further disaggregation of classes should be disclosed.
- iii. A narrative description of the basis used to determine the overall expected long-term rate-of-return-on-assets assumption, such as the general approach used, the extent to which the overall rate-of-return-on-assets assumption was based on historical returns, the extent to which adjustments were made to those historical returns in order to reflect expectations of future returns, and how those adjustments were determined. The description should consider the classes of assets as described in (ii) above, as appropriate.
- iv. Information that enables users of financial statements to assess the inputs and valuation techniques used to develop fair value measurements of plan assets at the reporting date. For fair value measurements using significant observable

inputs, an employer shall disclose the effect of the measurements on changes in plan assets for the period. To meet those objectives, the employer shall disclose the following information for each class of plan assets disclosed pursuant to (ii) above for each annual period:

01. The level ~~within~~ of the fair value hierarchy in which the fair value measurements are categorized in their entirety ~~fall entirely~~, segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3). The guidance in ~~paragraph~~ paragraphs 820-10-35-37 through 35-37A is applicable.
02. For fair value measurements of plan assets using significant unobservable inputs (Level 3), a reconciliation ~~off from the beginning and ending~~ opening balances to the closing balances, disclosing separately ~~presenting~~ changes during the period attributable to the following:
 - A. Actual Return on Plan Assets (Component of **Net Periodic Postretirement Benefit Cost**) or Actual Return on Plan Assets (Component of **Net Periodic Pension Cost**), separately identifying the amount related to assets still held at the reporting date and the amount related to assets sold during the period
 - B. Purchases, sales, and **settlements**, net
 - C. ~~Transfers in and/or~~ The amounts of any transfers into or out of Level 3 (for example, transfers due to changes in the observability of significant inputs)
03. Information about the valuation technique(s) and inputs used to measure fair value and a discussion of changes in valuation techniques and inputs, if any, during the period.

715-20-50-5 A nonpublic entity is not required to disclose the information required by paragraphs 715-20-50-1(a) through (c), 715-20-50-1(h), 715-20-50-1(m), and 715-20-50-1(o) through (r). A nonpublic entity that sponsors one or more defined benefit pension plans or one or more other defined benefit postretirement plans shall provide all of the following information, separately for pension plans and other postretirement benefit plans. Amounts related to the employer's results of operations shall be disclosed for each period for which a statement of income is presented. Amounts related to the employer's statement of financial position shall be disclosed as of the date of each statement of financial position presented.

- c. The objectives of the disclosures about postretirement benefit plan assets are to provide users of financial statements with an understanding of:

1. How investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies
2. The classes of plan assets
3. The inputs and valuation techniques used to measure the fair value of plan assets
4. The effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the period
5. Significant concentrations of risk within plan assets.

An employer shall consider those overall objectives in providing the following information about plan assets:

- i. A narrative description of investment policies and strategies, including target allocation percentages or range of percentages considering the classes of plan assets disclosed pursuant to (ii) below, as of the latest statement of financial position presented (on a weighted-average basis for employers with more than one plan), and other factors that are pertinent to an understanding of those policies and strategies such as investment goals, risk management practices, permitted and prohibited investments including the use of derivatives, diversification, and the relationship between plan assets and benefit obligations. For investment funds disclosed as classes as described in (ii) below, a description of the significant investment strategies of those funds shall be provided.
- ii. The fair value of each class of plan assets as of each date for which a statement of financial position is presented. ~~Asset classes shall be based on the nature and risks of assets in an employer's plan(s). For additional guidance on determining appropriate classes of plan assets, see paragraph 820-10-50-2B.~~ Examples of classes include, but are not limited to, the following: cash and cash equivalents; equity securities (segregated by industry type, company size, or investment objective); debt securities issued by national, state, and local governments; corporate debt securities; asset-backed securities; structured debt; derivatives on a gross basis (segregated by type of underlying risk in the contract, for example, interest rate contracts, foreign exchange contracts, equity contracts, commodity contracts, credit contracts, and other contracts); investment funds (segregated by type of fund); and real estate. Those examples are not meant to be all inclusive. An employer should consider the overall objectives in paragraph 715-20-50-5(c)(1) through (5) in determining whether additional classes of plan assets or further disaggregation of classes should be disclosed.

- iii. A narrative description of the basis used to determine the overall expected long-term rate-of-return-on-assets assumption, such as the general approach used, the extent to which the overall rate-of-return-on-assets assumption was based on historical returns, the extent to which adjustments were made to those historical returns in order to reflect expectations of future returns, and how those adjustments were determined. The description should consider the classes of assets described in (ii) above, as appropriate.
- iv. Information that enables users of financial statements to assess the inputs and valuation techniques used to develop fair value measurements of plan assets at the reporting date. For fair value measurements using significant unobservable inputs, an employer shall disclose the effect of the measurements on changes in plan assets for the period. To meet those objectives, the employer shall disclose the following information for each class of plan assets disclosed pursuant to (ii) above for each annual period:
 - 01. The level ~~within~~ of the fair value hierarchy ~~in~~ within which the fair value measurements are categorized in their ~~entirely fall, entirely~~, segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3). The guidance in ~~paragraph~~ paragraphs 820-10-35-37 through 35-37A is applicable.
 - 02. For fair value measurements of plan assets using significant unobservable inputs (Level 3), a reconciliation ~~offrom the beginning and ending opening balances to the closing~~ balances, disclosing separately presenting changes during the period attributable to the following:
 - A. Actual Return on Plan Assets (Component of Net Periodic Postretirement Benefit Cost) or Actual Return on Plan Assets (Component of Net Periodic Pension Cost), separately identifying the amount related to assets still held at the reporting date and the amount related to assets sold during the period
 - B. Purchases, sales, and settlements, net
 - C. The amounts of any transfers into or ~~Transfers in and/or~~ out of Level 3 (for example, transfers due to changes in the observability of significant inputs)
 - 03. Information about the valuation technique(s) and inputs used to measure fair value and a discussion of changes in valuation techniques and inputs, if any, during the period.

Amendments to Subtopic 805-10

87. Amend paragraph 805-10-55-47, with a link to transition paragraph 820-10-65-8, as follows:

Business Combinations—Overall

Implementation Guidance and Illustrations

Illustrations

805-10-55-47 Paragraph 805-20-50-1(e)

The fair value of the noncontrolling interest in Target, a private entity, was estimated by applying the income approach and a market approach. This fair value measurement is based on significant inputs that are not observable in the market and thus represents a Level 3 measurement fair value measurement categorized within Level 3 of the fair value hierarchy as described in Section 820-10-35. Key assumptions include a discount rate range of 20 percent to 25 percent, a terminal value based on a range of terminal earnings before interest, taxes, depreciation, and amortization multiples between 3 and 5 (or, if appropriate, based on long-term sustainable growth rates ranging between 3 percent and 6 percent), financial multiples of entities deemed to be similar to Target, and adjustments because of the lack of control or lack of marketability that market participants would consider when estimating measuring the fair value of the noncontrolling interest in Target.

Amendments to Subtopic 805-20

88. Amend paragraphs 805-20-30-6 through 30-8 and 805-20-55-9, with a link to transition paragraph 820-10-65-8, as follows:

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

Initial Measurement

805-20-30-6 For To protect its competitive position, or for other reasons, the acquirer may intend not to use an acquired nonfinancial asset actively, for example, a research and development intangible asset, or it may not intend to use the asset in a way that is not its according to its highest and best use. For example, that might be the case for an acquired research and development

intangible asset that the acquirer plans to use defensively by preventing others from using it. Nevertheless, the acquirer shall measure the fair value of the nonfinancial asset at fair value determined in accordance with Subtopic 820-10 reflecting assuming its highest and best use by market participants in accordance with the appropriate valuation premise, both initially for purposes of subsequent impairment testing.

> > **Measuring the Fair Value of a Noncontrolling Interest in an Acquiree**

805-20-30-7 Paragraph 805-20-30-1 requires the acquirer to measure a noncontrolling interest in the acquiree at its fair value at the acquisition date. An acquirer sometimes will be able to measure the acquisition-date fair value of a noncontrolling interest on the basis of a quoted price in an active market ~~prices~~ for the equity shares (that is, those not held by the acquirer) ~~acquirer~~. In other situations, however, a quoted price in an active market ~~price~~ for the equity shares will not be available. In those situations, the acquirer would measure the fair value of the noncontrolling interest using ~~either~~ another valuation ~~technique~~ technique.

805-20-30-8 The fair values of the acquirer's interest in the acquiree and the noncontrolling interest on a per-share basis might differ. The main difference is likely to be the inclusion of a control premium in the per-share fair value of the acquirer's interest in the acquiree or, conversely, the inclusion of a discount for lack of control (also referred to as a minority noncontrolling interest discount) in the per-share fair value of the noncontrolling ~~interest~~ interest if market participants would take into account such a premium or discount when pricing the noncontrolling interest.

Implementation Guidance and Illustrations

805-20-55-9 The identifiability criteria determine whether an intangible asset is recognized separately from goodwill. However, the criteria neither provide guidance for measuring the fair value of an intangible asset nor restrict the assumptions used in estimating ~~measuring~~ the fair value of an intangible asset. For example, the acquirer would take into account the ~~assumptions~~ that market participants would ~~consider~~ use when pricing the intangible asset, such as expectations of future contract renewals, in measuring fair value. It is not necessary for the renewals themselves to meet the identifiability criteria. (However, see paragraph 805-20-30-20, which establishes an exception to the fair value measurement principle for reacquired rights recognized in a business combination.)

Amendments to Subtopic 805-30

89. Amend paragraphs 805-30-50-4 and 805-30-55-2, with a link to transition paragraph 820-10-65-8, as follows:

Business Combinations—Goodwill or Gain from Bargain Purchase, Including Consideration Transferred

Disclosure

805-30-50-4 Paragraph 805-10-50-5 identifies the second objective of disclosures about the effects of business combinations that occurred in the current or previous reporting periods. To meet the objective in that paragraph, the acquirer shall disclose the following information for each material business combination or in the aggregate for individually immaterial business combinations that are material collectively:

- a. For each reporting period after the acquisition date until the entity collects, sells, or otherwise loses the right to a contingent consideration asset, or until the entity settles a contingent consideration liability or the liability is cancelled or expires, all of the following:
 1. Any changes in the recognized amounts, including any differences arising upon settlement
 2. Any changes in the range of outcomes (undiscounted) and the reasons for those changes
 3. The disclosures required by ~~paragraphs 820-10-50-1 through 50-3~~Section 820-10-50.
- b. A reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period as required by paragraph 350-20-50-1.

Implementation Guidance

805-30-55-2 In a business combination achieved without the transfer of consideration, the **acquirer** must substitute the acquisition-date **fair value** of its interest in the **acquiree** for the acquisition-date fair value of the consideration transferred to measure goodwill or a gain on a bargain purchase (see paragraphs 805-30-30-1 through 30-4). ~~The acquirer should measure the acquisition-date fair value of its interest in the acquiree using one or more valuation techniques that are appropriate in the circumstances and for which sufficient data are available. If more than one valuation technique is used, the acquirer should evaluate the results of the techniques, considering the relevance and reliability of the inputs used and the extent of the available data.~~ Subtopic 820-10 provides guidance on using valuation techniques to measure fair value.

Amendments to Subtopic 815-20

90. Amend paragraph 815-20-25-104(b), with a link to transition paragraph 820-10-65-8, as follows:

Derivatives and Hedging—Hedging—General

Recognition

815-20-25-104 All of the following conditions apply to both fair value hedges and cash flow hedges:

- b. If the hedging instrument is solely an interest rate swap, the fair value of that interest rate swap at the inception of the hedging relationship must be zero, with one exception. The fair value of the swap may be other than zero at the inception of the hedging relationship only if the swap was entered into at the relationship's inception, the transaction price of the swap was zero in the entity's principal market (or most advantageous market), and the difference between transaction price and fair value is attributable solely to differing prices within the bid-ask spread between the entry transaction and a hypothetical exit transaction. The guidance in the preceding sentence is applicable only to transactions considered *at market* (that is, transaction price is zero exclusive of commissions and other transaction costs, as discussed in ~~820-10-35-7~~ paragraph 820-10-35-9B). If the hedging instrument is solely an interest rate swap that at the inception of the hedging relationship has a positive or negative fair value, but does not meet the one exception specified in this paragraph, the shortcut method shall not be used even if all the other conditions are met.

Amendments to Subtopic 825-10

91. Add paragraph 825-10-25-13, with a link to transition paragraph 820-10-65-8, as follows:

Financial Instruments—Overall

Recognition

825-10-25-13 For the issuer of a {add glossary link}liability issued with an inseparable third-party credit enhancement{add glossary link} (for example, debt that is issued with a contractual third-party guarantee), the unit of accounting for ~~a~~the liability measured or disclosed at fair value does not include the third-party credit enhancement. This paragraph does not apply to the holder of the issuer's credit-enhanced ~~liability~~liability or to any of the following financial instruments or transactions: **[Content amended as shown and moved from paragraph 820-10-35-18A]**

- a. A credit enhancement granted to the issuer of the liability (for example, deposit insurance provided by a government or government agency) agency (for example, deposit insurance)
- b. A credit enhancement provided between reporting entities within a consolidated or combined group (for example, between a parent and its subsidiary or
- e. ~~A credit enhancement provided between entities under common control).~~ **[Content amended as shown and moved from paragraph 820-10-25-1]**

92. Amend paragraph 825-10-50-10, with a link to transition paragraph 820-10-65-8, as follows:

Disclosure

> Fair Value of Financial Instruments

825-10-50-10 ~~AA~~ A reporting entity shall disclose all of the following:

- a. Either in the body of the financial statements or in the accompanying notes, the fair value of financial instruments for which it is practicable to estimate that value
- b. The method(s) and significant assumptions used to estimate the fair value of financial instruments consistent with the requirements of paragraph 820-10-50-2(bbb) except that a reporting entity is not required to provide the quantitative disclosures about significant unobservable inputs used in fair value measurements categorized within Level 3 of the fair value hierarchy required by that paragraph
- c. A description of the changes in the method(s) and significant assumptions used to estimate the fair value of financial instruments, if any, during the ~~period~~ period
- d. The level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2, or 3).

For financial instruments recognized at fair value in the statement of financial position, the disclosure requirements of Topic 820 also apply.

93. Amend paragraph 825-10-55-10, with a link to transition paragraph 820-10-65-8, as follows:

Implementation Guidance and Illustrations

825-10-55-10 The following table represents the fair value tabular disclosure ~~under paragraphs 820-10-50-2(b) and 820-10-50-5(b)~~ required by paragraph 820-10-50-2(b), supplemented to do both of the following:

- a. Provide information about where in the income statement changes in fair values of assets and liabilities reported at fair value are included in earnings
- b. Voluntarily integrate selected disclosures required annually by the General Subsection of ~~825-10-50~~825-10-50.

Disclosures required by paragraphs 825-10-50-28(c) and 825-10-50-30(a) are illustrated in the narrative disclosure that follows the table.

[Note: Because there were no changes to the table, it is not shown here.]

Amendments to Subtopic 926-605

94. Amend paragraph 926-605-25-16, with a link to transition paragraph 820-10-65-8, as follows:

Entertainment—Films—Revenue Recognition

Recognition

926-605-25-16 A discounted cash flows model is often used to estimate fair value. Paragraphs 39 ~~through~~ 71 of FASB Concepts Statement No. 7, *Using Cash Flow Information and Present Value in Accounting Measurements*~~*Using Cash Flow Information and Present Value in Accounting Measurements*~~ provide guidance on the traditional and expected cash flow approaches to present value measurements. See paragraphs ~~820-10-35-7~~820-10-35-9B and 820-10-55-4.

Amendments to Subtopic 940-820

95. Amend the title of Subtopic 940-820, with no link to a transition paragraph, as follows:

Financial Services—Broker and Dealers

Fair Value ~~Measurements and Disclosures~~Measurement

Amendments to Subtopic 958-30

96. Amend paragraph 958-30-50-1, with a link to transition paragraph 820-10-65-8, as follows:

Not-for-Profit Entities—Split-Interest Agreements

Disclosure

958-30-50-1 The notes to financial statements shall include all of the following disclosures related to **split-interest agreements**:

- a. A description of the general terms of existing split-interest agreements
- b. Assets and liabilities recognized under split-interest agreements, if not reported separately from other assets and liabilities in a statement of financial position
- c. The basis used (for example, cost, lower of cost or market, fair market value) for recognized assets
- d. The discount rates and actuarial assumptions used, if present value techniques are used in reporting the assets and liabilities related to split-interest agreements
- e. **Contribution** revenue recognized under such agreements, if not reported as a separate line item in a statement of activities
- f. Changes in the value of split-interest agreements recognized, if not reported as a separate line item in a statement of activities
- g. The disclosures required by the Fair Value Option Subsections of Subtopic 825-10, if a **not-for-profit entity** (NFP) elects the **fair value** option pursuant to paragraph 958-30-35-2(b) or 958-30-35-2(c)
- h. The disclosures required by paragraphs 820-10-50-1 through 50-2 and 820-10-50-2B through 50-2E in the format described in paragraph 820-10-50-8, if the assets and liabilities of split-interest agreements are measured at fair value on a recurring basis in periods after initial recognition.

Amendments to Subtopic 958-310

97. Amend paragraph 958-310-35-1, with a link to transition paragraph 820-10-65-8, as follows:

Not-for-Profit Entities—Receivables

Subsequent Measurement

958-310-35-1 The Fair Value Option Subsections of Subtopic 825-10 create a **fair value** option under which a **not-for-profit entity** (NFP) may irrevocably elect fair value as the initial and subsequent measure for most receivables. If an NFP elects to measure a receivable at fair value and uses a present value technique to measure fair value, the discount rate assumptions, and all other elements discussed in paragraph 820-10-55-5 shall be revised at each measurement date to reflect current market conditions. Paragraph ~~820-10-35-1~~820-10-35-2B states

~~that market participant assumptions should consider assumptions about a fair value measurement takes into account~~ the effect of a restriction on the sale or use of an asset if market participants would ~~consider~~take into account the effect of the restriction ~~in when~~ pricing the asset. Example 6 (see paragraph 820-10-55-51) illustrates that restrictions that are ~~an attribute~~a characteristic of an asset and, therefore, would transfer to a market participant are the only restrictions reflected in fair value. Donor restrictions that are specific to the donee are reflected in the classification of **net assets**, not in the measurement of fair value.

98. Amend paragraph 958-310-50-3, with a link to transition paragraph 820-10-65-8, as follows:

Disclosure

958-310-50-3 If unconditional promises to give are subsequently measured at **fair value**, the notes to financial statements shall also include the following disclosures:

- a. Disclosures required by paragraphs 820-10-50-1 through 50-2 and 820-10-50-2B through 50-2E in the format described in paragraph 820-10-50-8
- b. Disclosures required by paragraphs 825-10-50-28 through 50-31
- c. Disclosures required by paragraph 825-10-50-32, if an election to report unconditional promises to give is made after initial recognition pursuant to paragraph 825-10-25-4(e).

Amendments to Subtopic 958-605

99. Amend paragraph 958-605-30-3, with a link to transition paragraph 820-10-65-8, as follows:

Not-for-Profit Entities—Revenue Recognition

Initial Measurement

958-605-30-3 Paragraph ~~820-10-35-19~~820-10-35-2B states that ~~market participant assumptions should consider assumptions about a fair value measurement takes into account~~ the effect of a restriction on the sale or use of an asset if market participants would ~~consider~~take into account the effect of the restriction ~~in when~~ pricing the asset. Example 6 (see paragraph 820-10-55-51) illustrates that restrictions that are ~~an attribute~~a characteristic of an asset, and, therefore, would transfer to a market participant, are the only restrictions reflected in fair value. Donor restrictions that are specific to the donee are reflected in the classification of net assets, not in the measurement of fair value.

Amendments to Subtopic 958-805

100. Amend paragraph 958-805-50-16, with a link to transition paragraph 820-10-65-8, as follows:

Not-for-Profit Entities—Business Combinations

Disclosure

958-805-50-16 To meet the objective in paragraph 805-10-50-5, an NFP acquirer shall disclose the information in this paragraph and paragraph 805-10-50-6 for each material acquisition or in the aggregate for individually immaterial business combinations that are material collectively. For each reporting period after the acquisition date until the NFP acquirer collects, sells, or otherwise loses the right to a contingent consideration asset, or until the NFP acquirer settles a contingent consideration liability or the liability is cancelled or expires, the NFP acquirer shall disclose all of the following:

- a. Any changes in the recognized amounts, including any differences arising upon settlement
- b. Any changes in the range of outcomes (undiscounted) and the reasons for those changes
- c. The disclosures required by ~~paragraphs 820-10-50-1 through 50-3~~Section 820-10-50.

Amendments to Master Glossary

101. Amend the following Master Glossary terms, with a link to transition paragraph 820-10-65-8, as follows:

Active Market

~~An active market for an asset or liability is a~~A market in which transactions for the asset or liability ~~occur~~take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Brokered Market

~~In a brokered market,~~A market in which brokers attempt to match buyers with sellers but do not stand ready to trade for their own account. In other words, brokers do not use their own capital to hold an inventory of the items for which they make a market. The broker knows the prices bid and asked by the respective parties, but each party is typically unaware of another party's price requirements. Prices of completed transactions are sometimes available. Brokered markets include electronic communication networks, in which buy and sell orders are matched, and commercial and residential real estate markets.

Cost Approach

~~The cost approach is a~~ valuation technique based on that reflects the amount that currently would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

Dealer Market

~~In a dealer market,~~ A market in which dealers stand ready to trade (either buy or sell for their own account), thereby providing liquidity by using their capital to hold an inventory of the items for which they make a market. Typically, bid and ask prices (representing the price at which the dealer is willing to ~~pay~~buy and the price at which the dealer is willing to sell, respectively) are more readily available than closing prices. Over-the-counter markets (wherefor which prices are publicly reported by the National Association of Securities Dealers Automated Quotations systems or by Pink Sheets LLC) are dealer markets. For example, the market for U.S. Treasury securities is a dealer market. Dealer markets also exist for some other assets and liabilities, including other financial instruments, commodities, and physical assets (for example, ~~certain~~ used equipment).

Discount Rate Adjustment Technique

~~The discount rate adjustment technique is a~~ present value technique that uses a risk-adjusted discount rate and contractual, promised, or most likely cash flows.

Exchange Market

~~An active exchange market is a~~ market in which closing prices are both readily available and generally representative of fair value. An example of such a market is the New York Stock Exchange.

Expected Cash Flow

~~The sum of probability-weighted~~ average (that is, mean of the distribution) amounts in a range of possible estimated amounts; of possible future cash flows ~~the estimated mean or average.~~

Highest and Best Use

~~In broad terms, the~~ The use of an nonfinancial asset by market participants that would maximize the value of the asset or the group of assets and liabilities (for example, a business) within which the asset would be used.

Income Approach

~~The income approach uses valuation techniques to~~ Valuation techniques that convert future amounts (for example, cash flows or earnings income and expenses) to a single present current (that is, discounted) amount ~~(discounted)~~. The fair value measurement is based determined on the basis of the value indicated by current market expectations about those future amounts.

Inputs

~~Inputs refer broadly to the~~The assumptions that market participants would use ~~in when~~ pricing the asset or liability, including assumptions about risk, ~~for example, either of such as~~ the following:

- a. The risk inherent in a particular valuation technique used to measure fair value (such as a pricing model)
- b. The risk inherent in the inputs to the valuation technique.

Inputs may be observable or unobservable.

Level 1 Inputs

~~Level 1 inputs are quoted~~Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity ~~has the ability to can~~ access at the measurement date.

Level 2 Inputs

~~Level 2 inputs are inputs~~Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs

~~Level 3 inputs are unobservable~~Unobservable inputs for the asset or liability.

Market Approach

A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (that is, similar) assets or liabilities (including a business), assets, liabilities, or a group of assets and liabilities, such as a business.

Market Participants

~~Market participants are buyers~~Buyers and sellers in the principal (or most advantageous) market for the asset or liability that have all of the following characteristics:

- a. ~~Independent of the reporting entity~~They are independent of each other, (that that is, they are not **related parties**)**parties**, although the price in a related-party transaction may be used as an input to a fair value measurement if the reporting entity has evidence that the transaction was entered into at market terms
- b. ~~Knowledgeable~~They are knowledgeable, having a reasonable understanding about the asset or liability and the transaction ~~based on~~using all available information, including information that might be obtained through due diligence efforts that are usual and customary
- c. ~~Able to transact~~They are able to enter into a transaction for the asset or liability

- d. ~~Willing to transact~~ They are willing to enter into a transaction for the asset or liability ~~(that, that~~ is, they are motivated but not forced or otherwise compelled to do ~~so)so~~.

Most Advantageous Market

~~The most advantageous market is the market in which the reporting entity would sell an asset or transfer a liability with the price. The market that maximizes the amount that would be received for to sell the asset or minimizes the amount that would be paid to transfer the liability, after considering taking into account transaction costs and transportation costs, in the respective market(s). The most advantageous market (and thus, market participants) should be considered from the perspective of the reporting entity, thereby allowing for differences between and among entities with different activities.~~

Nonperformance Risk

~~Nonperformance risk refers to the risk that the obligation will not be fulfilled and affects the value at which the liability is transferred. The risk that an entity will not fulfill an obligation. Nonperformance risk includes includes, but may not be limited to to, the reporting entity's own credit risk.~~

Observable Inputs

~~Observable inputs are inputs that Inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use in when pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity.~~

Orderly Transaction

~~An orderly transaction is a A transaction that assumes exposure to the market for a period prior to before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction (for example, a forced liquidation or distress sale).~~

Present Value

~~A tool used to link uncertain future amounts (cash flows or values) to a present amount using a discount rate (an application of the income approach) that is consistent with value maximizing behavior and capital market equilibrium. Present value techniques differ in how they adjust for risk and in the type of cash flows they use. See **Discount Rate Adjustment Technique**.~~

Principal Market

~~The principal market is the market in which the reporting entity would sell the asset or transfer the liability. The market with the greatest volume and level of activity for the asset or liability. The principal market (and thus, market participants) should be considered from the perspective of the reporting entity,~~

~~thereby allowing for differences between and among entities with different activities.~~

Principal-to-Principal Market

~~Principal-to-principal~~ A market in which transactions, both originations and resales, are negotiated independently with no intermediary. Little information about those transactions may be released made available publicly.

Risk Premium

~~Compensation generally sought by risk-averse market participants for bearing the uncertainty inherent in the cash flows of an asset or a liability.~~ Also referred to as a risk adjustment.

Systematic Risk

~~The systematic (or nondiversifiable risk) of an asset (or liability) refers to the amount~~ The common risk shared by which the an asset (or liability) or a liability with the other items in increases the variance of a diversified portfolio when it is added to that portfolio. Portfolio theory holds that in a market in equilibrium, market participants will be compensated only for bearing the systematic or nondiversifiable risk inherent in the cash flows. (In markets that are inefficient or out of equilibrium, other forms of return or compensation might be available.) Also referred to as nondiversifiable risk.

Transaction Costs

The costs to sell an asset or transfer a liability in the principal (or most advantageous) market for the asset or liability that are directly attributable to the disposal of the asset or the transfer of the liability and meet both of the following criteria:

- a. They result directly from and are essential to that transaction.
- b. They would not have been incurred by the entity had the decision to sell the asset or transfer the liability not been made (similar to costs to sell, as defined in paragraph 360-10-35-38). ~~Transaction costs represent the incremental direct costs to sell an asset or transfer a liability in the principal (or most advantageous) market for the asset or liability. Transaction costs are not an attribute of the asset or liability; rather, they are specific to the transaction and will differ depending on how the reporting entity transacts. [Content amended and moved to paragraph 820-10-35-9B]~~ However, transaction costs do not include the costs that would be incurred to transport the asset or liability to (or from) its principal (or most advantageous) market.

Unit of Account

That which is being measured by reference to the The level at which an asset or a liability is aggregated (or disaggregated) or disaggregated in a Topic for recognition purposes.

Unobservable Inputs

Unobservable inputs are inputs that reflect the reporting entity's own assumptions. Inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use in when pricing the asset or liability—developed based on the best information available in the circumstances.

Unsystematic Risk

The risk specific to a particular asset or liability, also liability. Also referred to as diversifiable risk.

102. Add the following terms to the Master Glossary, with a link to transition paragraph 820-10-65-8, as follows:

Currency Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Liability Issued with an Inseparable Third-Party Credit Enhancement

A liability that is issued with a credit enhancement obtained from a third party, such as debt that is issued with a financial guarantee from a third party that guarantees the issuer's payment obligation.

Market Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises the following:

- a. Interest rate risk
- b. Currency risk
- c. Other price risk.

Other Price Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

Transportation Costs

The costs that would be incurred to transport an asset from its current location to its principal (or most advantageous) market.

103. Supersede the following Master Glossary terms, with a link to transition paragraph 820-10-65-8, as follows:

General Market Risk

See **Systematic Risk**.

Incremental Direct Costs

Incremental direct costs to sell an asset or transfer a liability refer to those costs that meet both of the following criteria:

- a. ~~They result directly from and are essential to that transaction.~~
- b. ~~They would not have been incurred by the reporting entity had the decision to sell the asset (or transfer the liability) not been made (similar to cost to sell, as defined in paragraph 360-10-35-38).~~

Obsolescence

~~Obsolescence encompasses physical deterioration, functional (technological) obsolescence, and economic (external) obsolescence and is broader than depreciation for financial reporting purposes (an allocation of historical cost) or tax purposes (based on specified service lives). [Content moved to paragraph 820-10-55-3E]~~

104. Amend paragraph 820-10-00-1 as follows:

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

Note: Topic title changed by Accounting Standards Update No. 2011-04 on 05/12/2011 from *Fair Value Measurements and Disclosures* to *Fair Value Measurement*.

Paragraph	Action	Accounting Standards Update	Date
Active Market	Amended	2011-04	05/12/2011
Brokered Market	Amended	2011-04	05/12/2011
Cost Approach	Amended	2011-04	05/12/2011
Currency Risk	Added	2011-04	05/12/2011
Dealer Market	Amended	2011-04	05/12/2011
Discount Rate Adjustment Technique	Amended	2011-04	05/12/2011
Exchange	Amended	2011-04	05/12/2011

Paragraph	Action	Accounting Standards Update	Date
Market			
Expected Cash Flow	Amended	2011-04	05/12/2011
General Market Risk	Superseded	2011-04	05/12/2011
Highest and Best Use	Amended	2011-04	05/12/2011
Income Approach	Amended	2011-04	05/12/2011
Incremental Direct Costs	Superseded	2011-04	05/12/2011
Inputs	Amended	2011-04	05/12/2011
Level 1 Inputs	Amended	2011-04	05/12/2011
Level 2 Inputs	Amended	2011-04	05/12/2011
Level 3 Inputs	Amended	2011-04	05/12/2011
Liability Issued with an Inseparable Third-Party Credit Enhancement	Added	2011-04	05/12/2011
Market Approach	Amended	2011-04	05/12/2011
Market Participants	Amended	2011-04	05/12/2011
Market Risk	Added	2011-04	05/12/2011
Most Advantageous Market	Amended	2011-04	05/12/2011
Nonperformance Risk	Amended	2011-04	05/12/2011
Observable Inputs	Amended	2011-04	05/12/2011
Obsolescence	Superseded	2011-04	05/12/2011
Orderly Transaction	Amended	2011-04	05/12/2011
Other Price Risk	Added	2011-04	05/12/2011
Present Value	Amended	2011-04	05/12/2011
Principal Market	Amended	2011-04	05/12/2011
Principal-to-Principal Market	Amended	2011-04	05/12/2011
Risk Premium	Amended	2011-04	05/12/2011

Paragraph	Action	Accounting Standards Update	Date
Systematic Risk	Amended	2011-04	05/12/2011
Transaction Costs	Amended	2011-04	05/12/2011
Transportation Costs	Added	2011-04	05/12/2011
Unit of Account	Amended	2011-04	05/12/2011
Unobservable Inputs	Amended	2011-04	05/12/2011
Unsystematic Risk	Amended	2011-04	05/12/2011
820-10-05-1	Amended	2011-04	05/12/2011
820-10-05-1A through 05-1D	Added	2011-04	05/12/2011
820-10-05-2	Superseded	2011-04	05/12/2011
820-10-05-3	Superseded	2011-04	05/12/2011
820-10-15-1	Amended	2011-04	05/12/2011
820-10-15-2 through 15-5	Amended	2011-04	05/12/2011
820-10-25-1	Superseded	2011-04	05/12/2011
820-10-25-2	Superseded	2011-04	05/12/2011
820-10-30-1 through 30-3	Amended	2011-04	05/12/2011
820-10-30-3A	Added	2011-04	05/12/2011
820-10-30-4	Superseded	2011-04	05/12/2011
820-10-30-5	Amended	2011-04	05/12/2011
820-10-30-6	Added	2011-04	05/12/2011
820-10-35-1	Amended	2011-04	05/12/2011
820-10-35-2	Amended	2011-04	05/12/2011
820-10-35-2A through 35-2E	Added	2011-04	05/12/2011
820-10-35-3	Amended	2011-04	05/12/2011
820-10-35-4	Superseded	2011-04	05/12/2011
820-10-35-5	Amended	2011-04	05/12/2011
820-10-35-5A	Added	2011-04	05/12/2011
820-10-35-6	Amended	2011-04	05/12/2011
820-10-35-6A through 35-6C	Added	2011-04	05/12/2011
820-10-35-7	Superseded	2011-04	05/12/2011
820-10-35-8	Superseded	2011-04	05/12/2011
820-10-35-9	Amended	2011-04	05/12/2011
820-10-35-9A	Added	2011-04	05/12/2011

Paragraph	Action	Accounting Standards Update	Date
through 35-9C			
820-10-35-10	Superseded	2011-04	05/12/2011
820-10-35-10A through 35-10E	Added	2011-04	05/12/2011
820-10-35-11	Superseded	2011-04	05/12/2011
820-10-35-11A	Added	2011-04	05/12/2011
820-10-35-12	Superseded	2011-04	05/12/2011
820-10-35-13	Superseded	2011-04	05/12/2011
820-10-35-14	Amended	2011-04	05/12/2011
820-10-35-15	Superseded	2011-04	05/12/2011
820-10-35-16	Amended	2011-04	05/12/2011
820-10-35-16A	Amended	2011-04	05/12/2011
820-10-35-16AA	Added	2011-04	05/12/2011
820-10-35-16B	Amended	2011-04	05/12/2011
820-10-35-16BB	Added	2011-04	05/12/2011
820-10-35-16C	Superseded	2011-04	05/12/2011
820-10-35-16D	Amended	2011-04	05/12/2011
820-10-35-16E through 35-16G	Superseded	2011-04	05/12/2011
820-10-35-16H through 35-16L	Added	2011-04	05/12/2011
820-10-35-17 through 35-18A	Amended	2011-04	05/12/2011
820-10-35-18B through 35-18L	Added	2011-04	05/12/2011
820-10-35-19 through 35-23	Superseded	2011-04	05/12/2011
820-10-35-24	Amended	2011-04	05/12/2011
820-10-35-24A through 35-24C	Added	2011-04	05/12/2011
820-10-35-25 through 35-27	Amended	2011-04	05/12/2011
820-10-35-28 through 35-35	Superseded	2011-04	05/12/2011
820-10-35-36	Amended	2011-04	05/12/2011
820-10-35-36A through 35-36D	Added	2011-04	05/12/2011
820-10-35-37	Amended	2011-04	05/12/2011
820-10-35-37A	Added	2011-04	05/12/2011
820-10-35-38	Amended	2011-04	05/12/2011
820-10-35-38A	Added	2011-04	05/12/2011

Paragraph	Action	Accounting Standards Update	Date
820-10-35-39	Superseded	2011-04	05/12/2011
820-10-35-40	Amended	2011-04	05/12/2011
820-10-35-41	Amended	2011-04	05/12/2011
820-10-35-41A	Superseded	2011-04	05/12/2011
820-10-35-41B	Added	2011-04	05/12/2011
820-10-35-41C	Added	2011-04	05/12/2011
820-10-35-42	Superseded	2011-04	05/12/2011
820-10-35-43	Superseded	2011-04	05/12/2011
820-10-35-44	Amended	2011-04	05/12/2011
820-10-35-45	Superseded	2011-04	05/12/2011
820-10-35-46 through 35-48	Amended	2011-04	05/12/2011
820-10-35-50	Amended	2011-04	05/12/2011
820-10-35-51	Amended	2011-04	05/12/2011
820-10-35-51A through 35-51H	Superseded	2011-04	05/12/2011
820-10-35-52 through 35-54	Amended	2011-04	05/12/2011
820-10-35-54A through 35-54M	Added	2011-04	05/12/2011
820-10-35-55	Superseded	2011-04	05/12/2011
820-10-35-56 through 35-58	Superseded	2011-04	05/12/2011
820-10-35-59	Amended	2011-04	05/12/2011
820-10-35-61	Amended	2011-04	05/12/2011
820-10-50-1	Amended	2011-04	05/12/2011
820-10-50-1A	Added	2011-04	05/12/2011
820-10-50-1B	Added	2011-04	05/12/2011
820-10-50-2	Amended	2011-04	05/12/2011
820-10-50-2A	Superseded	2011-04	05/12/2011
820-10-50-2B through 50-2F	Added	2011-04	05/12/2011
820-10-50-4	Superseded	2011-04	05/12/2011
820-10-50-4A	Amended	2011-04	05/12/2011
820-10-50-5	Superseded	2011-04	05/12/2011
820-10-50-6	Superseded	2011-04	05/12/2011
820-10-50-6A through 50-8	Amended	2011-04	05/12/2011
820-10-50-9	Superseded	2011-04	05/12/2011
820-10-50-10	Amended	2011-04	05/12/2011
820-10-55-1	Amended	2011-04	05/12/2011

Paragraph	Action	Accounting Standards Update	Date
through 55-3			
820-10-55-3A through 55-3G	Added	2011-04	05/12/2011
820-10-55-4 through 55-19	Amended	2011-04	05/12/2011
820-10-55-21	Amended	2011-04	05/12/2011
820-10-55-22	Amended	2011-04	05/12/2011
820-10-55-22A through 55-23	Superseded	2011-04	05/12/2011
820-10-55-23C	Superseded	2011-04	05/12/2011
820-10-55-23D	Superseded	2011-04	05/12/2011
820-10-55-24 through 55-38	Amended	2011-04	05/12/2011
820-10-55-38A	Added	2011-04	05/12/2011
820-10-55-39 through 55-45	Amended	2011-04	05/12/2011
820-10-55-45A	Added	2011-04	05/12/2011
820-10-55-46 through 55-49	Amended	2011-04	05/12/2011
820-10-55-50	Superseded	2011-04	05/12/2011
820-10-55-51 through 55-55	Amended	2011-04	05/12/2011
820-10-55-55A	Added	2011-04	05/12/2011
820-10-55-56	Amended	2011-04	05/12/2011
820-10-55-57	Amended	2011-04	05/12/2011
820-10-55-57A	Added	2011-04	05/12/2011
820-10-55-58	Superseded	2011-04	05/12/2011
820-10-55-59	Amended	2011-04	05/12/2011
820-10-55-59A through 55-59I	Superseded	2011-04	05/12/2011
820-10-55-60 through 55-76	Superseded	2011-04	05/12/2011
820-10-55-77 through 55-107	Added	2011-04	05/12/2011
820-10-65-8	Added	2011-04	05/12/2011

105. Amend paragraph 270-10-00-1, by adding the following items to the table, as follows:

270-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
270-10-50-1	Amended	2011-04	05/12/2011
270-10-50-7	Amended	2011-04	05/12/2011
270-10-60-1	Amended	2011-04	05/12/2011

106. Amend paragraph 310-10-00-1, by adding the following item to the table, as follows:

310-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
310-10-35-22	Amended	2011-04	05/12/2011

107. Amend paragraph 715-20-00-1, by adding the following items to the table, as follows:

715-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
715-20-50-1	Amended	2011-04	05/12/2011
715-20-50-5	Amended	2011-04	05/12/2011

108. Amend paragraph 805-10-00-1, by adding the following item to the table, as follows:

805-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
805-10-55-47	Amended	2011-04	05/12/2011

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

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

Paragraph Number	Action	Accounting Standards Update	Date
805-20-30-6 through 30-8	Amended	2011-04	05/12/2011
805-20-55-9	Amended	2011-04	05/12/2011

110. Amend paragraph 805-30-00-1, by adding the following items to the table, as follows:

805-30-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
805-30-50-4	Amended	2011-04	05/12/2011
805-30-55-2	Amended	2011-04	05/12/2011

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

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

Paragraph Number	Action	Accounting Standards Update	Date
815-20-25-104	Amended	2011-04	05/12/2011

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

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

Paragraph Number	Action	Accounting Standards Update	Date
825-10-25-13	Added	2011-04	05/12/2011
825-10-50-10	Amended	2011-04	05/12/2011
825-10-55-10	Amended	2011-04	05/12/2011

113. Add paragraph 926-605-00-1, as follows:

926-605-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
926-605-25-16	Amended	2011-04	05/12/2011

114. Amend paragraph 940-820-00-1 as follows:

940-820-00-1 The following table identifies the changes made to this Subtopic.

Note: Subtopic title changed by Accounting Standards Update No. 2011-04 on 05/12/2011 from *Fair Value Measurements and Disclosures* to *Fair Value Measurement*.

115. Amend paragraph 958-30-00-1, by adding the following item to the table, as follows:

958-30-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
958-30-50-1	Amended	2011-04	05/12/2011

116. Amend paragraph 958-310-00-1, by adding the following items to the table, as follows:

958-310-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
958-310-35-1	Amended	2011-04	05/12/2011
958-310-50-3	Amended	2011-04	05/12/2011

117. Amend paragraph 958-605-00-1, by adding the following item to the table, as follows:

958-605-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
958-605-30-3	Amended	2011-04	05/12/2011

118. Amend paragraph 958-805-00-1, by adding the following item to the table, as follows:

958-805-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
958-805-50-16	Amended	2011-04	05/12/2011

The amendments in this Update were adopted by the affirmative vote of five members of the Financial Accounting Standards Board. Messrs. Buck and Schroeder abstained from voting.

Members of the Financial Accounting Standards Board:

Leslie F. Seidman, *Chairman*

Daryl E. Buck

Russell G. Golden

Thomas J. Linsmeier

R. Harold Schroeder

Marc A. Siegel

Lawrence W. Smith

Background Information and Basis for Conclusions

Introduction

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

BC2. The amendments in this Update are the result of the FASB's discussions with the IASB about measuring fair value and disclosing information about fair value measurements.

BC3. The IASB separately developed a Basis for Conclusions summarizing its considerations in reaching the conclusions in IFRS 13.

Background Information

BC4. The FASB and the IASB began developing their fair value measurement standards separately.

BC5. The FASB began working on its fair value measurement project in June 2003. In September 2005, during the FASB's redeliberations on the project, the IASB added to its agenda a project to clarify the meaning of fair value and to provide guidance for its application in IFRSs.

BC6. In September 2006, the FASB issued FASB Statement No. 157, *Fair Value Measurements* (now in Topic 820). Topic 820 defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements.

BC7. In November 2006, as a first step in developing a fair value measurement standard, the IASB published a Discussion Paper, *Fair Value Measurements*. In that Discussion Paper, the IASB used Statement 157 as a basis for its preliminary views because of the consistency of Statement 157 with the existing fair value measurement guidance in IFRSs and the need for increased convergence of IFRSs and U.S. GAAP. In November 2007, the IASB began its deliberations for the development of the Exposure Draft, *Fair Value Measurement*.

BC8. In May 2009, the IASB published that Exposure Draft, which proposed a definition of fair value, a framework for measuring fair value, and disclosures about fair value measurements. Because the proposals in the Exposure Draft were developed using the requirements of Statement 157, there were many

similarities between them. However, some of those proposals were different from the requirements of Statement 157, and many of them used wording that was similar, but not identical, to the wording in Statement 157. One of the most prevalent comments received on that Exposure Draft was a request for the IASB and the FASB to work together to develop common fair value measurement and disclosure requirements in IFRSs and U.S. GAAP.

BC9. In response to that request, the FASB and the IASB agreed at their joint meeting in October 2009 to work together to develop common requirements. The Boards concluded that having common requirements for fair value measurement and disclosure would improve the comparability of financial statements prepared in accordance with U.S. GAAP and IFRSs. In addition, they concluded that having common requirements would reduce diversity in the application of fair value measurement requirements and would simplify financial reporting. To achieve those goals, the Boards needed to ensure that fair value had the same meaning in U.S. GAAP and IFRSs and that U.S. GAAP and IFRSs had the same fair value measurement and disclosure requirements (except for minor differences in wording and style). Consequently, the FASB agreed to consider the comments received on the IASB's Exposure Draft and to propose amendments to U.S. GAAP if necessary.

BC10. The Boards began their joint discussions in January 2010. They discussed nearly all of the issues together so that each Board would benefit from hearing the rationale for the other Board's decisions on each issue. They initially focused on the following:

- a. Differences between the requirements in Topic 820 and the proposals in the IASB's Exposure Draft
- b. Comments received on the IASB's Exposure Draft (including comments received from participants at the IASB's roundtable meetings held in November and December 2009)
- c. Feedback received on the implementation of Topic 820 (for example, issues discussed by the FASB's Valuation Resource Group).

BC11. In March 2010, the Boards completed their initial discussions. As a result of those discussions, in June 2010, the FASB issued a proposed Accounting Standards Update, *Fair Value Measurements and Disclosures (Topic 820): Amendments for Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, and the IASB reexposed a proposed disclosure of the unobservable inputs used in a fair value measurement (*Measurement Uncertainty Analysis Disclosure for Fair Value Measurements*). The FASB received nearly 100 comment letters on its proposed Update.

BC12. In September 2010, after the end of the comment periods on the FASB's proposed Update and the IASB's reexposure document, the Boards jointly considered the comments received on those Exposure Drafts. The Boards completed their discussions in March 2011.

BC13. Since Statement 157 was issued, the Board has issued additional guidance about fair value measurements and disclosures. That guidance includes the following:

- a. FASB Staff Position (FSP) FAS 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13*
- b. FSP FAS 157-2, *Effective Date of FASB Statement No. 157*
- c. FSP FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*
- d. FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*
- e. Emerging Issues Task Force (EITF) Issue No. 08-5, "Issuer's Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement" (now in Topic 820)
- f. Accounting Standards Update No. 2009-05, *Fair Value Measurements and Disclosures (Topic 820): Measuring Liabilities at Fair Value*
- g. Accounting Standards Update No. 2009-12, *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*
- h. Accounting Standards Update No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements.*

Scope

BC14. The Boards separately discussed the scope of their respective fair value measurement standards because of the differences between U.S. GAAP and IFRSs in the measurement bases specified in other standards for both initial recognition and subsequent measurement.

BC15. Topic 820 applies when another Topic requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), with some exceptions and qualifications that are specified in Section 820-10-15.

BC16. The Board decided not to amend the scope of Topic 820 with respect to the measurement requirements because it was not aware of any issues with the current scope. However, the Board concluded that some of the disclosure amendments in this Update should not be required for nonpublic reporting entities because of the characteristics of the users of the financial statements of those entities. The Board considered the ability of those users to access information about the reporting entity's financial position and the relevance to

those users of the information that would be provided by the requirements in the disclosure amendments.

BC17. Topic 820 was not explicit about whether the measurement and disclosure requirements applied to measurements based on fair value, such as fair value less cost to sell. In the Boards' discussions, they concluded that the measurement and disclosure requirements should apply to all measurements for which fair value is the underlying measurement basis. Consequently, the Boards decided to clarify that the measurement and disclosure requirements in Topic 820 apply to both fair value measurements and measurements based on fair value, such as fair value less cost to sell. However, those requirements do not apply to measurements that are similar to fair value but are not fair value, such as vendor specific objective evidence of fair value in Topic 985, Software, as well as inventory pricing in Topic 330, Inventory.

BC18. The Boards decided to clarify that the measurement requirements apply when measuring the fair value of an asset or a liability that is not measured at fair value in the statement of financial position but for which the fair value is disclosed (for example, for financial instruments subsequently measured at amortized cost in Topic 825).

Accounting Guidance

Overall Amendments

BC19. To meet the objective of developing common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs, the Board amended U.S. GAAP to change the wording used to describe many of the requirements for measuring fair value and for disclosing information about fair value measurements.

BC20. In most cases, the Board does not intend for the amendments to change the meaning of fair value, the requirements for measuring fair value, or how those requirements are applied. However, some of the amendments either clarify the Board's intent regarding the application of existing fair value measurement requirements or change a particular principle or requirement for measuring fair value or disclosing information about fair value measurements. Those amendments could result in changes in the amounts presented in a reporting entity's financial statements.

Principal (or Most Advantageous) Market

BC21. Topic 820 states that a fair value measurement is assumed to take place in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The IASB Exposure Draft proposed that the transaction to sell an asset or transfer a liability takes place in the most advantageous market to which the entity has

access. Although the Boards think that in most cases the principal market and the most advantageous market would be the same, they concluded that the focus should be on the principal market for the asset or liability and decided to clarify the definition of the principal market.

BC22. Some respondents to the IASB Exposure Draft on fair value measurement stated that the language in Topic 820 was unclear about whether the principal market should be determined on the basis of the volume or level of activity *for the asset or liability* or on the volume or level of activity *of the reporting entity's transactions in a particular market*. Consequently, the Boards decided to clarify that the principal market is the market for the asset or liability that has the greatest volume or level of activity *for the asset or liability*. Because the principal market is the most liquid market for the asset or liability, that market will provide the most representative input for a fair value measurement. As a result, the Boards also decided to specify that a transaction to sell an asset or to transfer a liability takes place in the principal (or most advantageous) market, provided that the reporting entity can access that market on the measurement date. The Boards concluded that the requirements are consistent with Topic 820 before the amendments.

BC23. In addition, the Boards concluded that a reporting entity normally enters into transactions in the principal market for the asset or liability (that is, the most liquid market, assuming that the reporting entity can access that market). As a result, the Boards decided to specify that a reporting entity can use the price in the market in which it normally enters into transactions, unless there is evidence that the principal market and that market are not the same. Consequently, a reporting entity does not need to perform an exhaustive search for markets that might have more activity for the asset or liability than the market in which that reporting entity normally enters into transactions. Thus, the amendments address practical concerns about the costs of searching for the market with the greatest volume and level of activity for the asset or liability.

BC24. The Boards also concluded that the determination of the most advantageous market (which is used in the absence of a principal market) for an asset or liability takes into account both transaction costs and transportation costs. However, regardless of whether a reporting entity measures fair value on the basis of the price in the principal market or in the most advantageous market, the fair value measurement takes into account transportation costs, but not transaction costs. That is consistent with the requirements in Topic 820.

Market Participants

BC25. Before the amendments, Topic 820 described market participants as being *independent of the reporting entity*. Because fair value assumes an orderly transaction *between market participants* at the measurement date and not an orderly transaction *between the reporting entity and another market participant*, the Board decided to clarify that the term *independence* in the definition of

market participant means that market participants are independent of *each other* (that is, they are not related parties). That proposal was consistent with the proposal in the IASB Exposure Draft on fair value measurement.

BC26. Some respondents to the IASB Exposure Draft noted that in some jurisdictions, reporting entities often have common ownership (for example, state-owned enterprises or entities with cross ownership) and those respondents questioned whether transactions observed in those jurisdictions would be permitted as an input in a fair value measurement. The Boards decided to clarify that the price in a related party transaction may be used as an input in a fair value measurement if the reporting entity has evidence that the transaction was entered into at market terms. The Boards concluded that this is consistent with Topic 850.

Removing the Terms *In Use* and *In Exchange*

BC27. Before the amendments, Topic 820 used the terms *in use* and *in exchange* to describe the valuation premise for a fair value measurement. Those terms also were used in the IASB Exposure Draft on fair value measurement.

BC28. Many respondents to the IASB Exposure Draft found the terms *in use* and *in exchange* confusing because they thought that the terminology did not accurately reflect the objective of the valuation premise (that is, in both cases the asset is being exchanged, and both cases involve an assessment of how the asset will be used by market participants). In addition, some respondents stated that the in-use valuation premise could be confused with the term *value in use*, which is used in IAS 36, *Impairment of Assets*.

BC29. In response, the Boards decided to remove the terms *in use* and *in exchange* entirely and instead describe the objective of the valuation premise: the valuation premise assumes that an asset would be used either (a) in combination with other assets or with other assets and liabilities (formerly referred to as *in use*) or (b) on a standalone basis (formerly referred to as *in exchange*). Respondents to the proposed Update generally supported that proposal. The Boards concluded that the change improves the understandability of the valuation premise concept.

Application to Liabilities

BC30. The Boards concluded that the objective of a fair value measurement of a liability when using a valuation technique (that is, when there is not an observable market to provide pricing information about the transfer of the liability) is to estimate the price that would be paid to transfer the liability in an orderly transaction between market participants at the measurement date under current market conditions. The same concept applies to instruments classified in a reporting entity's shareholders' equity, as discussed in paragraphs BC41–BC44.

BC31. Therefore, the Boards decided to describe how a reporting entity should measure the fair value of a liability when there is no observable market to provide pricing information for the transfer of a liability. For example, Topic 820 states that a reporting entity may measure the fair value of a liability by using a quoted price for an identical or a similar liability held by another party as an asset or by using another valuation technique (such as an income approach).

BC32. The Boards clarified that regardless of the approach used, when there is no observable market price for the transfer of a liability and the identical liability is held by another party as an asset, a reporting entity measures the fair value of the liability from the perspective of a market participant that holds the identical liability as an asset at the measurement date. That approach is consistent with U.S. GAAP and the IASB Exposure Draft.

BC33. Thus, in the Boards' view, the fair value of a liability equals the fair value of a properly defined corresponding asset (that is, an asset whose features mirror those of the liability), assuming an exit from both positions in the same market. In reaching their decision, the Boards considered whether the effects of illiquidity could create a difference between those values. The Boards noted that the effects of illiquidity are difficult to differentiate from effects related to credit. The Boards concluded that there was no conceptual reason why the liability value would diverge from the corresponding asset value in the same market because the contractual terms are the same, unless the unit of account for the liability is different from the unit of account for the asset or the quoted price for the asset relates to a similar (but not identical) liability held as an asset.

BC34. Furthermore, the Boards concluded that in an efficient market, the price of a liability held by another party as an asset must equal the price for the corresponding asset. If those prices differed, the market participant transferee (that is, the party taking on the obligation) would be able to earn a profit by financing the purchase of the asset with the proceeds received by taking on the liability. In such cases, the price for the liability and the price for the asset would adjust until the arbitrage opportunity was eliminated.

BC35. Before the amendments, Topic 820 stated that when using a present value technique to measure the fair value of a liability that is not held by another party as an asset, a reporting entity should include the compensation that a market participant would require for taking on the obligation. The IASB Exposure Draft on fair value measurement proposed similar guidance. Respondents to the IASB Exposure Draft asked for clarification on the meaning of *compensation that a market participant would require for taking on the obligation*. Therefore, the Boards decided to provide additional guidance about the compensation that market participants would require, such as the compensation for taking on the responsibility of fulfilling an obligation and for assuming the risk associated with an uncertain obligation (that is, the risk that the actual cash outflows might ultimately differ from the expected cash outflows). The Boards concluded that

including this description will improve the application of the requirements for measuring the fair value of liabilities that are not held as assets.

BC36. Some respondents to the proposed Update requested clarification about applying risk premiums when measuring the fair value of liabilities that are not held by another party as an asset (for example, an asset retirement obligation) when using a present value technique. They noted that the description of present value techniques described adjustments for risk as *additions* to the discount rate, which they agreed was consistent with asset valuation but not necessarily consistent with liability valuation in the absence of a corresponding asset. The Boards reasoned that from a market participant's perspective, compensation for the uncertainty related to a liability results in an increase to the amount that the market participant would expect to receive for assuming the obligation. If that compensation was accounted for in the discount rate, rather than in the cash flows, it would result in a reduction of the discount rate used in the fair value measurement of the liability. Therefore, the Boards concluded that, all else being equal, the risk associated with an asset decreases the fair value of that asset, whereas the risk associated with a liability increases the fair value of that liability. However, the Boards decided not to prescribe how a reporting entity would adjust for the risk inherent in an asset or a liability but to state that the objective is to ensure that the fair value measurement takes that risk into account. That can be done by adjusting the cash flows or the discount rate or by adding a risk adjustment to the present value of the expected cash flows (which is another way of adjusting the cash flows).

Restrictions Preventing Transfer

BC37. The Boards concluded that there are two fundamental differences between the fair value measurement of an asset and the fair value measurement of a liability that justify different treatments for asset restrictions and liability restrictions. First, restrictions on the transfer of a liability relate to the performance of the obligation (that is, the reporting entity is legally obligated to satisfy the obligation and needs to do something to be relieved of the obligation), whereas restrictions on the transfer of an asset relate to the marketability of the asset. Second, nearly all liabilities include a restriction preventing the transfer of the liability, whereas most assets do not include a similar restriction. As a result, the effect of a restriction preventing the transfer of a liability, theoretically, would be consistent for all liabilities and, therefore, would require no additional adjustment beyond the factors considered in determining the original transaction price. The inclusion of a restriction preventing the sale of an asset typically results in a lower fair value for the restricted asset than for the nonrestricted asset, all other factors being equal.

Liabilities Issued with Third-Party Credit Enhancements

BC38. A credit enhancement (also referred to as a guarantee) may be purchased by an issuer that combines it with a liability, such as debt, and then issues the combined security to an investor. For example, debt may be issued with a financial guarantee from a third party that guarantees the issuer's payment obligations. Generally, if the issuer of the liability fails to meet its payment obligations to the investor, the guarantor has an obligation to make the payments on the issuer's behalf and the issuer has an obligation to the guarantor. By issuing debt combined with a credit enhancement, the issuer is able to market its debt more easily and can either reduce the interest rate paid to the investor or receive higher proceeds when the debt is issued.

BC39. The Boards concluded that the measurement of a liability should follow the unit of account of the liability for financial reporting purposes. When the unit of account for such liabilities is the obligation without the credit enhancement (as determined in EITF Issue 08-5 [now in Topic 825]), the fair value of the liability from the issuer's perspective will not equal its fair value as a guaranteed liability held by another party as an asset. Therefore, the fair value of the guaranteed liability held by another entity as an asset would need to be adjusted because any payments made by the guarantor in accordance with the guarantee result in a transfer of the issuer's debt obligation from the investor to the guarantor. The issuer's resulting debt obligation to the guarantor has not been guaranteed. Consequently, the Boards decided that if the third-party credit enhancement is accounted for separately from the liability, the fair value of that obligation takes into account the credit standing of the issuer and not the credit standing of the guarantor. That conclusion is consistent with Topic 820 before the amendments.

BC40. The amendments in this Update do not address the accounting for a premium paid by the issuer for credit-enhanced liabilities that are not measured at fair value on a recurring basis, for example, if the issuer recognizes a credit-enhanced liability at amortized cost.

Measuring the Fair Value of Instruments Classified in a Reporting Entity's Shareholders' Equity

BC41. Topic 820 and the IASB Exposure Draft stated that although the definition of fair value refers to assets and liabilities, it also should be applied to an instrument measured at fair value that is classified in a reporting entity's shareholders' equity. Respondents to the IASB's Discussion Paper asked for explicit guidance for measuring the fair value of such instruments because Topic 820 did not contain explicit guidance. Consequently, the Boards decided to describe how a reporting entity should measure the fair value of instruments classified in a reporting entity's shareholders' equity (for example, when an acquirer issues equity in consideration for an acquiree in a business combination).

BC42. The IASB's Exposure Draft on fair value measurement proposed requiring a reporting entity to measure the fair value of its own equity instrument from the perspective of a market participant that holds the instrument as an asset. That was because the issuer of an equity instrument can exit from that instrument only if the instrument ceases to exist or if the reporting entity repurchases the instrument from the holder. The Board agreed with that conclusion.

BC43. The Boards also noted that some instruments may be classified as liabilities or shareholders' equity, depending on the characteristics of the transaction and the characteristics of the instrument. Examples of such instruments include contingent consideration issued in a business combination in accordance with Topic 805, Business Combinations, and equity warrants issued by a reporting entity in accordance with Topic 815, Derivatives and Hedging. The Boards concluded that the requirements for measuring the fair value of instruments classified in shareholders' equity should be consistent with the requirements for measuring the fair value of liabilities. Consequently, the Boards decided to clarify that the accounting classification of an instrument should not affect that instrument's fair value measurement.

BC44. The Boards decided to clarify that the objective of a fair value measurement for liabilities and instruments classified in a reporting entity's shareholders' equity should be an exit price from the perspective of a market participant that holds the instrument as an asset at the measurement date if there is a corresponding asset, regardless of whether there is an observable market for the instrument as an asset. That decision is consistent with the Boards' decisions about the requirements for measuring the fair value of a liability.

Applicability of Highest and Best Use and Valuation Premise

BC45. Before the amendments, Topic 820 specified that the concepts of highest and best use and valuation premise applied when measuring the fair value of assets, but it did not distinguish between financial assets and nonfinancial assets.

BC46. In its discussions with the IASB, the Board considered the IASB's rationale for proposing in its Exposure Draft on fair value measurement that those concepts would not apply to financial assets or to liabilities. The IASB reached that conclusion for the following reasons:

- a. Financial assets do not have alternative uses because a financial asset has specific contractual terms and can have a different use only if the characteristics of the financial asset (that is, the contractual terms) are changed. However, a change in characteristics causes that particular asset to become a different asset. The objective of a fair value measurement is to measure the asset that exists at the measurement date.

- b. Even though a reporting entity may be able to change the cash flows associated with a liability by relieving itself of the obligation in different ways, the different ways of doing so are not alternative uses. Moreover, although a reporting entity might have entity-specific advantages or disadvantages that enable it to fulfill a liability more or less efficiently than other market participants, those entity-specific factors do not affect fair value.
- c. Those concepts were originally developed within the valuation profession to value nonfinancial assets, such as land.

BC47. The Board agreed with the IASB that the concepts of highest and best use and valuation premise are relevant when measuring the fair value of nonfinancial assets and are not relevant when measuring the fair value of financial assets or the fair value of liabilities. The Boards also concluded that those concepts do not apply to instruments classified in shareholders' equity because those arrangements, similar to financial instruments, typically have specific contractual terms. Paragraphs BC50–BC69 below describe the Boards' rationale in developing the requirements for measuring the fair value of financial assets and financial liabilities with offsetting positions in market risks and counterparty credit risk.

BC48. Some respondents to the proposed Update were concerned that limiting the highest and best use concept to nonfinancial assets removed the concept of value maximization by market participants, which they considered to be fundamental to a fair value measurement for financial assets and financial liabilities.

BC49. The Boards decided to clarify that although there are no excess returns available from holding financial assets and financial liabilities within a portfolio (because in an efficient market, the price reflects the benefits that market participants would derive from holding the asset or liability in a diversified portfolio), a fair value measurement assumes that market participants seek to maximize the fair value of a financial or nonfinancial asset or to minimize the fair value of a financial or nonfinancial liability by acting in their economic best interest in a transaction to sell the asset or to transfer the liability in the principal (or most advantageous) market for the asset or liability. Such a transaction might involve grouping assets and liabilities in a way in which market participants would enter into a transaction, if the unit of account specified in other Topics does not prohibit that grouping.

Application to Financial Assets and Financial Liabilities When a Reporting Entity Has Offsetting Positions in Market Risks or Counterparty Credit Risk

BC50. A reporting entity that holds a group of financial assets and financial liabilities is exposed to market risks (that is, interest rate risk, currency risk, or other price risk) and to the credit risk of each of the counterparties. Financial

institutions and similar reporting entities that hold financial assets and financial liabilities often manage those instruments on the basis of the reporting entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty.

BC51. The previous requirements in U.S. GAAP and IFRSs for measuring the fair value of financial assets and financial liabilities that are managed in this way were expressed differently. Therefore, the Boards concluded that it is important that U.S. GAAP and IFRSs express the requirements for measuring the fair value of those financial instruments in the same way.

BC52. When applying U.S. GAAP, many reporting entities applied the in-use valuation premise when measuring the fair value of such financial assets and financial liabilities. In other words, a reporting entity would take into account how the fair value of each financial asset or financial liability might be affected by the combination of that asset or liability with other financial assets or financial liabilities held by the reporting entity. Other reporting entities applied the in-exchange valuation premise to the reporting entity's net risk exposure and assumed that the transaction took place for the net position, not for the individual assets and liabilities making up that position. Those differing applications of the valuation premise arose because Topic 820 did not specify the valuation premise for financial assets.

BC53. When applying IFRSs, reporting entities applied IFRS 9, *Financial Instruments*, or IAS 39, *Financial Instruments: Recognition and Measurement*, which permitted a reporting entity to take into account the effects of offsetting positions in the same market risk (or risks) when measuring the fair value of a financial asset or financial liability. Many reporting entities were using the same approach for offsetting positions in the credit risk of a particular counterparty by analogy.

BC54. The Boards understand that although those approaches were expressed differently in U.S. GAAP and IFRSs, they resulted in similar fair value measurement conclusions in many cases. However, the Board was aware that before the amendments, Topic 820 was sometimes interpreted more broadly than the Board intended, such as when a reporting entity used the in-use valuation premise to measure the fair value of a group of financial assets when the reporting entity did not have offsetting positions in a particular market risk (or risks) or counterparty credit risk.

BC55. The previous requirements in U.S. GAAP and IFRSs did not clearly specify the relationship between a fair value measurement of financial instruments and how a reporting entity manages its net risk exposure. For example, Topic 820 did not explicitly address how the following meet the objective of a fair value measurement for financial instruments:

- a. Reporting entities typically do not manage their exposure to market risks and credit risk by *selling* a financial asset or transferring a financial

liability (for example, by unwinding a transaction). Instead, they manage their risk exposure by entering into a transaction for another financial instrument (or instruments) that would result in an offsetting position in the same risk. The resulting measurement represents the fair value of the net risk exposure, not the fair value of an individual financial instrument. The sum of the fair values of the individual instruments is not equal to the fair value of the net risk exposure.

- b. A reporting entity's net risk exposure is a function of the other financial instruments held by the reporting entity and of the reporting entity's risk preferences (both of which are entity-specific decisions and, thus, do not form part of a fair value measurement). Market participants may hold different groups of financial instruments or may have different risk preferences, and it is those factors that are taken into account when measuring fair value. However, the Boards understand that market participants holding that particular group of financial instruments and with those particular risk preferences would be likely to price those financial instruments similarly (that is, using similar valuation techniques and similar market data). As a result, the market participants' measurement of those financial instruments within that particular group is a market-based measurement, and a measurement using an entity's risk preferences would not be a fair value measurement but an entity-specific measurement.

BC56. Consequently, the Boards decided to permit an exception to the requirements in Topic 820 and IFRS 13 for measuring fair value when a reporting entity manages its financial assets and financial liabilities on the basis of the reporting entity's net exposure to market risks or to the credit risk of a particular counterparty. Respondents generally supported that proposal and stated that it was consistent with current practice for measuring the fair value of such financial assets and financial liabilities.

BC57. That exception permits a reporting entity to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (that is, an asset) for a particular risk exposure or to transfer a net short position (that is, a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions, subject to specific requirements.

Evidence of Managing Financial Instruments on the Basis of the Net Risk Exposure

BC58. Topic 820 states that to use the exception, a reporting entity must provide evidence that it consistently manages its financial instruments on the basis of its net exposure to market risks or credit risk. In addition, the reporting entity must be required (or must have elected, for example, in accordance with

the fair value option) to measure the financial instruments at fair value on a recurring basis. The Boards concluded that if a reporting entity does not manage its risk exposure on a net basis and does not manage its financial instruments on a fair value basis, the reporting entity should not be permitted to measure the fair value of its financial instruments on the basis of the reporting entity's net risk exposure.

BC59. The Boards decided to require a reporting entity to provide evidence that it manages its net risk exposure consistently from period to period. The Boards decided this because a reporting entity that can provide evidence that it manages its financial instruments on the basis of its net risk exposure would do so consistently for a particular portfolio from period to period, and not on a net basis for that portfolio in some periods and on a gross basis in other periods. Some respondents found that requirement limiting because they noted that the composition of a portfolio changes continually as the reporting entity rebalances the portfolio and changes its risk exposure preferences over time. Although the reporting entity does not need to maintain a static portfolio, the Boards decided to clarify that the reporting entity must make an accounting policy decision to use the exception described in paragraphs BC56 and BC57. The Boards also decided that the accounting policy decision could be changed if the reporting entity's risk exposure preferences change. In that case, the reporting entity can decide not to use the exception but instead to measure the fair value of its financial instruments on an individual instrument basis. However, if the reporting entity continues to value a portfolio using the exception, it must do so consistently from period to period.

Exposure to Market Risks

BC60. The Boards decided that a reporting entity could apply the bid-ask spread guidance to the reporting entity's net position in a particular market risk (rather than to each individual financial instrument included in that position) only if the market risks that are being offset are substantially the same. Some respondents asked for additional guidance on what is meant by *substantially the same* given the different instruments and types of instruments that might make up a portfolio. In addition, they were concerned that the proposed requirement that the market risks be substantially the same meant that there could be no basis risk in the portfolio or, conversely, that the basis risk would not be reflected in the fair value measurement.

BC61. Consequently, the Boards decided to include additional guidance for determining whether market risks are substantially the same. The Boards held discussions with several financial institutions that manage their financial assets and financial liabilities on the basis of their net exposure to market risks. From those discussions, the Boards concluded that when measuring fair value on the basis of a reporting entity's net exposure to a particular market risk, the reporting entity should not combine a financial asset that exposes it to a particular market

risk with a financial liability that exposes it to a different market risk that does not mitigate either of the market risk exposures that the reporting entity faces. The Boards also concluded that it is not necessary that the grouping of particular financial assets and financial liabilities results in a reporting entity having no basis risk because the fair value measurement would take into account any basis risk. Furthermore, on the basis of their discussions with financial institutions, the Boards concluded that a reporting entity should not combine a financial asset that exposes it to a particular market risk over a particular duration with a financial liability that exposes it to substantially the same market risk over a different duration without taking into account the fact that the entity is fully exposed to that market risk over the time period for which the market risks are not offset. If there is a time period in which a market risk is not offset, the reporting entity may measure its net exposure to that market risk over the time period in which the market risk is offset and must measure its gross exposure to that market risk for the remaining time period (that is, the time period in which the market risk is not offset).

Exposure to the Credit Risk of a Particular Counterparty

BC62. Because the bid-ask spread (which is the basis for making adjustments for an entity's exposure to market risk to arrive at the fair value of the net position) does not include adjustments for counterparty credit risk (see paragraphs BC70–BC72), the Boards decided to specify that an entity may take into account its net exposure to the credit risk of a particular counterparty when applying the exception.

BC63. The Boards decided that when measuring fair value, a reporting entity may consider its net exposure to credit risk when it has entered into an arrangement with a counterparty that mitigates its credit exposure in the event of default (for example, a master netting agreement). On the basis of their discussions with financial institutions, the Boards concluded that a fair value measurement reflects market participants' expectations about the likelihood that such an arrangement would be legally enforceable.

BC64. Some respondents to the proposed Update asked whether the existence of a master netting agreement was necessary or whether other credit mitigating arrangements could be taken into account in the fair value measurement. The Boards decided to clarify that in the fair value measurement, a reporting entity must take into account other arrangements that mitigate credit risk, such as an agreement that requires the exchange of collateral on the basis of each party's net exposure to the credit risk of the other party, if market participants would expect such arrangements to be legally enforceable in the event of default.

BC65. The Boards acknowledged that the group of financial assets and financial liabilities for which a reporting entity manages its net exposure to a particular market risk (or risks) could differ from the group of financial assets and

financial liabilities for which a reporting entity manages its net exposure to the credit risk of a particular counterparty because it is unlikely that all contracts would be with the same counterparty.

Relationship Between Measurement and Presentation

BC66. In some cases, the basis for the presentation of financial instruments in the statement of financial position differs from the basis for the measurement of those financial instruments. For example, that would be the case if another Topic does not require or permit financial instruments to be presented on a net basis. The amendments in the proposed Update stated that the exception would not apply to financial statement presentation (that is, a reporting entity must comply with the financial statement presentation requirements specified in other Topics).

BC67. The Boards discussed the different approaches to measurement and presentation, particularly in light of their currently differing requirements for offsetting financial assets and financial liabilities. In U.S. GAAP, many entities are able to use net presentation in their financial statements, whereas in IFRSs, a reporting entity may not use net presentation unless specific criteria are met. However, the criteria for net presentation in U.S. GAAP relate to credit risk, not to market risks. As a result, the presentation and measurement bases are different when a reporting entity applies bid-ask adjustments on a net basis but is required to present fair value information on a gross basis (although, generally, the financial instruments with bid-ask adjustments would qualify for net presentation in U.S. GAAP because of the existence of master netting agreements and other credit risk mitigating arrangements).

BC68. The Boards concluded that a relationship between presentation and measurement is not necessary and that adjustments for market risks or credit risk (that is, portfolio-level adjustments) are a matter of measurement rather than presentation. They reasoned that fair value measurements are meant to reflect (a) the risk exposure faced by the reporting entity and (b) how that risk exposure would be priced by market participants (which is one reason the Boards decided to permit the exception; see paragraphs BC56–BC57). When pricing financial instruments, a market participant would take into account the other instruments it holds to the extent that those instruments reduce or enhance its overall risk exposure. That is a consequence of requiring or permitting financial instruments to be measured at fair value. The Boards' considerations for requiring net or gross presentation of financial instruments are different from those for requiring net or gross measurement.

BC69. Some respondents asked for additional guidance for allocating the bid-ask and credit adjustments to the individual assets and liabilities that make up the group of financial assets and financial liabilities. Although any allocation method is inherently subjective, the Boards concluded that a quantitative allocation would be appropriate if it was reasonable and consistently applied. Therefore, the Boards decided not to require a particular method of allocation.

Inputs Based on Bid and Ask Prices

BC70. Although the Board decided to remove the reference to the Securities and Exchange Commission's (SEC) Accounting Series Release (ASR) No. 118, *Accounting for Investment Securities by Registered Investment Companies*, it concluded that the bid-ask spread pricing methods described under that ASR are consistent with this Topic.

BC71. Some respondents to the IASB Exposure Draft asked whether the proposed bid-ask guidance reflected the view in IAS 39 that bid-ask spread only includes transaction costs. Although the Boards decided not to specify what, if anything, is in a bid-ask spread besides transaction costs, in the Boards' view, the bid-ask spread does not include adjustments for counterparty credit risk (see paragraphs BC62–BC65 for a discussion on adjustments for counterparty credit risk when measuring fair value). Therefore, a reporting entity will need to make an assessment of what is in the bid-ask spread for an asset or a liability when determining the point within the bid-ask spread that is most representative of fair value in the circumstances.

BC72. Some respondents noted that there could be a difference between entry prices and exit prices when reporting entities enter into transactions at different points within the bid-ask spread. For example, a reporting entity might buy an asset at the ask price (entry price) and measure fair value using the bid price (exit price). The Boards concluded that bid-ask spreads are only relevant for financial instruments and in markets in which an intermediary (for example, a broker) is necessary to bring together a buyer and a seller to engage in a transaction (that is, when the buyer and seller need an intermediary to find one another). When measuring the fair value of a nonfinancial asset or a nonfinancial liability, the notion of a bid-ask spread will not be relevant because the buyers and sellers in the principal (or most advantageous) market have already found one another and are assumed to have negotiated the transaction price (that is, fair value).

Application of Premiums and Discounts in a Fair Value Measurement

BC73. Before the amendments, Topic 820 generally prohibited any adjustment to a quoted price in an active market for an identical asset or liability for a fair value measurement categorized within Level 1 of the fair value hierarchy (including either a blockage factor, which was described as an adjustment to a quoted price for an asset or a liability when the normal daily trading volume for the asset or liability is not sufficient to absorb the quantity held and therefore placing orders to sell the asset or liability in a single transaction might affect the quoted price, or any other premium or discount). However, Topic 820 did not specify whether a blockage factor (or another premium or discount, such as a control premium or a noncontrolling interest discount) should be applied in a fair value measurement categorized within Level 2 or Level 3 of the fair value

hierarchy if market participants would take it into account when pricing the asset or liability.

BC74. The IASB Exposure Draft on fair value measurement proposed an amendment to IAS 39 making it explicit that the unit of account for a financial instrument is the individual financial instrument at all levels of the fair value hierarchy. That proposal, in effect, would have prohibited the application of premiums and discounts related to the size of a reporting entity's holding in a fair value measurement categorized within any level of the fair value hierarchy for financial instruments within the scope of IAS 39. The IASB proposed that amendment for the following reasons:

- a. The unit of account for a financial instrument should not depend on an instrument's categorization within the fair value hierarchy.
- b. Market participants will enter into a transaction to sell a financial instrument that maximizes the fair value of an asset or minimizes the fair value of a liability. A reporting entity's decision to sell at a less advantageous price because it sells an entire holding rather than each instrument individually is a factor specific to that reporting entity.

BC75. Respondents interpreted the proposal in the IASB Exposure Draft as being consistent with Topic 820 for fair value measurements categorized within Level 1 of the fair value hierarchy, but they thought it was inconsistent with Topic 820 for fair value measurements categorized within Level 2 and Level 3. For example, some respondents thought that the Board intended to prohibit the application of any premiums or discounts (such as a control premium) for fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy even when market participants would take into account a premium or discount when pricing the asset or liability for a particular unit of account.

BC76. Some respondents supported the IASB proposal for fair value measurements categorized within Level 1 of the fair value hierarchy even though, in their view, reporting entities do not typically exit a position on an individual instrument basis (for example, by entering into a transaction to sell a single share of equity). Those respondents understood the Boards' concerns about verifiability within Level 1. Other respondents stated that the fair value measurement should reflect the fair value of the reporting entity's holding, not of each individual instrument within that holding (that is, they did not agree that the unit of account for a financial instrument should be a single instrument). Those respondents maintained that the principle should be that the unit of account reflects how market participants would enter into a transaction for the asset or liability. They asserted that market participants would not (and often cannot) sell individual items. The FASB received similar comments when developing Statement 157. The Boards concluded that such concerns were outside the scope of the fair value measurement project because the project addressed *how* to measure fair value and not *what* is measured at fair value.

BC77. In addition, the comments received on the IASB's Exposure Draft indicated that respondents had different interpretations of the term *blockage factor*. Many respondents interpreted a blockage factor as any adjustment made because of the size of an asset or a liability. In the Boards' view, there is a difference between size being a characteristic of the asset or liability and size being a characteristic of the reporting entity's holding. Accordingly, the Boards clarified that a blockage factor encompasses the latter and is not relevant in a fair value measurement because a fair value measurement reflects the value of the asset or liability to a market participant for a particular unit of account and is not necessarily representative of the value of the entity's entire holding.

BC78. Given the description of a blockage factor, the Boards concluded that a reporting entity's decision to realize a blockage factor is specific to that reporting entity, not to the asset or liability. In many cases, the unit of account for a financial instrument for financial reporting is the individual financial instrument. In such cases, the size of a reporting entity's holding is not relevant in a fair value measurement. A reporting entity would realize a blockage factor when that reporting entity decides to enter into a transaction to sell a block consisting of a large number of identical assets or liabilities. Therefore, blockage factors are conceptually similar to transaction costs in that they will differ depending on how a reporting entity enters into a transaction for an asset or a liability. The Boards concluded that if a reporting entity decides to enter into a transaction to sell a block, the consequences of that decision should be recognized when the decision is carried out regardless of the level of the hierarchy in which the fair value measurement is categorized.

BC79. Therefore, the Boards decided to clarify that the application of premiums and discounts in a fair value measurement is related to the characteristics of the asset or liability being measured at fair value and its unit of account. The amendments specify that when a Level 1 input is not available, a fair value measurement should incorporate premiums or discounts if market participants would take them into account in a transaction for the asset or liability. However, the Boards decided to clarify that the application of premiums or discounts must be consistent with the unit of account in the Topic that requires or permits the fair value measurement. Topic 820 requires a reporting entity to use Level 1 inputs without adjustment whenever possible.

BC80. The Boards decided not to provide detailed descriptions of premiums and discounts or to provide detailed guidance about their application in a fair value measurement. They reasoned that such descriptions and guidance would be too prescriptive because the application of premiums and discounts in a fair value measurement depends on the facts and circumstances at the measurement date. In the Boards' view, different facts and circumstances might lead to particular premiums or discounts being relevant for some assets and liabilities but not for others (for example, in different jurisdictions). Furthermore, the Boards did not intend to preclude the use of particular premiums or discounts, except for blockage factors.

Fair Value at Initial Recognition

BC81. In the comments received on the proposed Update and the IASB Exposure Draft, many respondents suggested that U.S. GAAP and IFRSs should have the same requirements for recognizing gains or losses at initial recognition. The Boards concluded that determining whether to recognize a day 1 gain or loss was beyond the scope of the fair value measurement project. The Boards noted that the measurement basis at initial recognition of financial instruments in U.S. GAAP and IFRSs is not always the same, and so the Boards could not address comparability at this time. As a result, the Boards decided that a reporting entity would refer to relevant Topics for the asset or liability when determining whether to recognize those amounts. The Boards concluded that if the relevant Topic does not specify whether and, if so, where to recognize those amounts, the reporting entity should recognize them in profit or loss.

Disclosure

Information about Fair Value Measurements Categorized within Level 3 of the Fair Value Hierarchy

BC82. The Boards received requests from users of financial statements for more information about fair value measurements categorized within Level 3 of the fair value hierarchy. The following sections describe the Boards' response to those requests.

Quantitative Information

BC83. Before the amendments, Topic 820 required a reporting entity to provide a description of the inputs used when measuring the fair value of an asset or a liability that is categorized within Level 2 or Level 3 of the fair value hierarchy. Topic 820 was not explicit about whether that description needed to include quantitative information.

BC84. Users of financial statements asked the Boards to clarify that reporting entities must provide quantitative information about the inputs used in a fair value measurement, particularly information about unobservable inputs used in a measurement categorized within Level 3 of the fair value hierarchy. When limited or no information is publicly available, disclosures about such information help users to understand the measurement uncertainty inherent in the fair value measurement.

BC85. Therefore, the Boards decided to clarify that a reporting entity should disclose *quantitative* information about the significant unobservable inputs used in a fair value measurement categorized within Level 3 of the fair value hierarchy.

BC86. Some respondents questioned the usefulness of quantitative information about the unobservable inputs used in a fair value measurement

because of the level of aggregation required in those disclosures. The Boards noted that the objective of the disclosure is not to enable users of financial statements to replicate the reporting entity's pricing models but to provide enough information for users to assess whether the reporting entity's views about individual inputs differed from their own and, if so, to decide how to incorporate the reporting entity's fair value measurement in their decisions. The Boards concluded that the information required by the disclosure will facilitate comparison of the inputs used over time, providing users with information about changes in management's views about particular unobservable inputs and about changes in the market for the assets and liabilities within a particular class. In addition, that disclosure might facilitate comparison between reporting entities with similar assets and liabilities categorized within Level 3 of the fair value hierarchy.

BC87. Topic 820 and IFRS 13 state that a reporting entity should determine appropriate classes of assets and liabilities on the basis of the nature, characteristics, and risks of the assets and liabilities, noting that further disaggregation might be required for fair value measurements categorized within Level 3 of the fair value hierarchy. Consequently, the Boards concluded that the meaningfulness of the disclosure of quantitative information used in Level 3 fair value measurements will depend on a reporting entity's determination of its asset and liability classes.

BC88. Some respondents to the proposed Update and the IASB's reexposure document suggested requiring quantitative information about the unobservable inputs used in fair value measurements categorized within Level 2 of the fair value hierarchy because determining whether to categorize fair value measurements within Level 2 or Level 3 can be subjective. The Boards concluded that for a fair value measurement to be categorized within Level 2 of the fair value hierarchy, the unobservable inputs used, if any, must not be significant to the measurement in its entirety. As a result, the Boards decided that quantitative information about unobservable inputs would be of limited use for those measurements.

BC89. Some respondents were concerned that the proposed amendments to the disclosure requirements would result in requiring additional disclosures for reporting entities that use, as a practical expedient, the reported net asset value to estimate the fair value of an investment in an investment company entity. The Board concluded that the disclosures about the fair value of those assets and liabilities that are subject to the practical expedient and categorized within Level 3 of the fair value hierarchy would not be meaningful for such instruments because the determination of the level in the hierarchy is made on the basis of the reporting entity's ability to redeem its investment, rather than on the basis of whether the inputs used in the measurement are observable or unobservable.

BC90. In addition, the Boards understand that fair value is sometimes measured on the basis of prices in prior transactions (for example, adjustments

to the last round of financing for a venture capital investment) or third-party pricing information (for example, broker quotes). Such measurements might be categorized within Level 3 of the fair value hierarchy. In such cases, the Boards concluded that the reporting entity should be required to disclose how it has measured the fair value of the asset or liability, but that it should not need to create quantitative information (for example, an implied market multiple or future cash flows) to comply with the disclosure requirement if quantitative information other than the prior transaction price or third-party pricing information is not used when measuring fair value. However, the Boards concluded that when using a prior transaction price or third-party pricing information a reporting entity cannot ignore other quantitative information that is reasonably available. If there was an adjustment to the price in a prior transaction or third-party pricing information that is significant to the fair value measurement in its entirety, that adjustment would be an unobservable input about which the reporting entity would disclose quantitative information, even if the reporting entity does not disclose the unobservable information used when pricing the prior transaction or developing the third-party pricing information.

Valuation Processes

BC91. The Boards decided to require a reporting entity to disclose the valuation processes used for fair value measurements categorized within Level 3 of the fair value hierarchy (including, for example, how a reporting entity decides its valuation policies and procedures and analyzes changes in fair value measurements from period to period). They made that decision because users of financial statements told the Boards that information about a reporting entity's valuation processes helps them to assess the relative subjectivity of the reporting entity's fair value measurements, particularly for those categorized within Level 3 of the fair value hierarchy.

BC92. In addition, the amendments are consistent with the conclusions of the IASB's Expert Advisory Panel as described in its October 2008 report, *Measuring and Disclosing the Fair Value of Financial Instruments in Markets That Are No Longer Active*.

Sensitivity to Changes in Unobservable Inputs

BC93. The IASB's Exposure Draft proposed a measurement uncertainty analysis disclosure that had the objective of providing a range of fair values (exit prices) that could reasonably have been reported in the circumstances. The Board proposed a similar disclosure requirement in proposed Accounting Standards Update, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*, although that proposal would have required a reporting entity to take into account the effect of interrelationships between inputs. Very few respondents to that proposed Update supported the disclosure, stating that it would not provide useful information and

would be costly and operationally challenging. However, user respondents were supportive of the proposed disclosure. The Board decided at that time to defer consideration of a sensitivity analysis disclosure requirement to the joint fair value measurement project.

BC94. In the Boards' discussions about that sensitivity analysis disclosure, they considered whether the IASB's proposed disclosure and that in IFRS 7 would be improved if the Boards required an entity to include the effect of interrelationships between unobservable inputs, thereby showing a range of fair values (exit prices) that reasonably could have been measured in the circumstances as of the measurement date. The proposed measurement uncertainty analysis disclosure was similar to the requirement in IFRS 7 and in the IASB's Exposure Draft. However, the proposed measurement uncertainty analysis disclosure would have required that reporting entities consider the interrelationships between inputs when performing the sensitivity analysis. IFRS 7 does not include such a requirement, and the IASB's Exposure Draft did not explicitly require reporting entities to consider interrelationships between inputs.

BC95. Respondents to the proposed Update were concerned about whether the proposal would be operational (those comments were consistent with those received on the Board's Exposure Draft of Accounting Standards Update No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*). Although that proposal was in response to requests from users of financial statements to require additional information about the measurement uncertainty inherent in fair value measurements (particularly those categorized within Level 3 of the fair value hierarchy), the responses from preparers of financial statements indicated that the costs associated with preparing such a disclosure would outweigh the benefits to users once the information had been aggregated by class of asset or liability. As an alternative to the proposal, those respondents suggested that the Boards should require a qualitative assessment of the subjectivity of fair value measurements categorized within Level 3 of the fair value hierarchy, as well as an alternative quantitative approach that would be less costly to prepare (see paragraphs BC83–BC90).

BC96. Therefore, the Boards decided to require a reporting entity to provide a narrative description, by class of asset or liability, of the sensitivity of a recurring fair value measurement categorized within Level 3 of the fair value hierarchy to changes in the unobservable inputs used in the measurement if a change in those inputs to a different amount would result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs, the Boards decided to require a reporting entity to provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement. The Boards concluded that such information would provide users of financial statements with information about how the selection of unobservable inputs affects the valuation of a particular class of assets or liabilities. The Boards

expect that the narrative description will focus on the unobservable inputs for which quantitative information is disclosed because those are the unobservable inputs that the entity has determined are most significant to the fair value measurement. They will continue to assess whether a quantitative measurement uncertainty analysis disclosure would be practical after issuing the amendments in this Update, with the aim of reaching a conclusion about whether to require such a disclosure at a later date.

BC97. The Boards concluded that a narrative description about sensitivity provides users of financial statements with information about the directional effect of a change in a significant unobservable input on a fair value measurement. That disclosure, coupled with quantitative information about the inputs used in fair value measurements categorized within Level 3 of the fair value hierarchy, provides information for users to assess whether the reporting entity's views about individual inputs differed from their own and, if so, to decide how to incorporate the reporting entity's fair value measurement in their decisions. In addition, that disclosure provides information about the pricing model for those users that are not familiar with the valuation of a particular class of assets or liabilities (for example, complex financial instruments).

BC98. The Boards concluded that the objective of the narrative sensitivity analysis disclosure is different from the objectives of other disclosures that a reporting entity may be required to make in U.S. GAAP and IFRSs, such as SEC Financial Reporting Release (FRR) No. 48, *Disclosure of Accounting Policies for Derivative Financial Instruments and Derivative Commodity Instruments and Disclosure of Quantitative and Qualitative Information about Market Risk Inherent in Derivative Financial Instruments, Other Financial Instruments, and Derivative Commodity Instruments*. For example, the disclosure in the FRR provides information about a reporting entity's exposure to future changes in market risks, whereas a narrative description of the sensitivity of the fair value measurement at the measurement date to changes in unobservable inputs provides information about the uncertainty at the measurement date related to those fair value measurements with the greatest level of subjectivity (that is, fair value measurements categorized within Level 3 of the fair value hierarchy).

Transfers between Levels 1 and 2 of the Fair Value Hierarchy

BC99. Before the amendments, Topic 820 required a reporting entity to disclose the amounts of *significant* transfers into or out of Level 1 and Level 2 of the fair value hierarchy and the reasons for those transfers. That disclosure was also proposed in the IASB Exposure Draft. In their discussions, the Boards decided instead to require a disclosure of *any* transfers into or out of Levels 1 and 2. Respondents generally did not support that proposal because it would require a reporting entity to monitor all transfers on a daily basis, regardless of whether those transfers were significant. In addition, respondents were concerned about the accuracy of information about all transfers because there

can be an unclear distinction between less active Level 1 fair value measurements and more active Level 2 fair value measurements.

BC100. The Boards concluded that the objective of the disclosure is to provide information that will help users of financial statements assess changes in market and trading activity (the reporting entity's or others') so that users can (a) incorporate into their analyses the entity's future liquidity risk and (b) analyze the entity's exposure to the relative subjectivity in its fair value measurements. In the Boards' view, the only way to provide that information, and to reduce the subjectivity involved in preparing the information, is to require information about *all* transfers between Level 1 and Level 2 of the fair value hierarchy.

When a Reporting Entity Uses a Nonfinancial Asset in a Way That Differs from Its Highest and Best Use

BC101. The Boards decided to require a reporting entity to disclose information about when it uses a nonfinancial asset in a way that differs from its highest and best use (when that asset is measured at fair value in the statement of financial position or when its fair value is disclosed). The Boards concluded that such a disclosure provides useful information for users of financial statements that rely on fair value information when forecasting future cash flows, whether that fair value information is presented in the statement of financial position or is disclosed in the notes. Users have told the Boards that they would need to know how nonfinancial assets are being used and how that use fits with a reporting entity's strategic and operating plans.

BC102. The Boards considered whether to limit the disclosure to some nonfinancial assets and not others. The Boards concluded that because the measurement and disclosure requirements are principle based, those requirements should not need to be amended in the future if the Boards should decide to use fair value as the measurement basis for particular assets or liabilities. Therefore, the disclosure is required for any nonfinancial asset measured at fair value that an entity uses in a way that differs from its highest and best use.

The Categorization within the Level of the Fair Value Hierarchy for Items That Are Not Measured at Fair Value in the Statement of Financial Position

BC103. Topic 825 requires a reporting entity to disclose the fair value of financial instruments even if they are not measured at fair value in the statement of financial position. An example is a financial instrument that is measured at amortized cost in the statement of financial position.

BC104. The Boards decided to require a reporting entity to disclose the level of the fair value hierarchy in which an asset or a liability (financial or nonfinancial) would be categorized if that asset or liability had been measured at fair value in

the statement of financial position. The Boards concluded that such a disclosure would provide meaningful information about the relative subjectivity of that fair value measurement.

BC105. Respondents to the IASB's Exposure Draft and the FASB's proposed Update were concerned about the cost associated with preparing that disclosure because it is not always clear in which level a fair value measurement would be categorized. The Boards concluded that even if determining the level in which to categorize a fair value measurement requires judgment, the benefits of doing so outweigh the costs. Therefore, the Boards decided to require an entity to disclose the level of the fair value hierarchy in which an asset or a liability would be categorized if that asset or liability had been measured at fair value in the statement of financial position.

Application to Nonpublic Entities

BC106. In general, the Board concluded that the principles and concepts of Topic 820 are equally applicable to publicly traded and nonpublic reporting entities. However, the Board acknowledged that the relationship between costs and benefits related to certain disclosure requirements of this Topic can differ depending on whether the reporting entity is a nonpublic entity. In the Board's view, the information provided by each of the disclosures about fair value measurements provides useful information; however, it concluded that some of the disclosure requirements in this Topic should not be required for nonpublic reporting entities because of the characteristics of the users of their financial statements. The following are disclosures required by this Topic that are not required for nonpublic entities:

- a. For recurring fair value measurements, any transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for those transfers
- b. For recurring fair value measurements categorized in Level 3 of the fair value hierarchy, a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement
- c. For each class of assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed (unless required by another Topic):
 - (1) The level of the fair value hierarchy within which the measurement would be categorized in its entirety
 - (2) The valuation technique(s) and inputs used in the fair value measurement
 - (3) If the highest and best use in the fair value measurement of a nonfinancial asset differs from its current use, the fact that it differs and the reason for its current use.

BC107. The Board reached those conclusions because, in general, the users of the financial statements of nonpublic entities have a greater ability to access information about the financial position of the reporting entity. Furthermore, because of the characteristics of nonpublic entities, some of the disclosures in this Topic would be of limited relevance to those users.

Effective Date and Transition

BC108. The proposed Update included instructions that specified how an amendment would be made to the Accounting Standards Codification. For example, those amendments that, in the Board's view, would change a particular principle or requirement for measuring fair value or disclosing information about fair value measurements included a link to transition guidance. Proposed amendments that, in the Board's view, were insignificant in nature and would not change practice were not linked to transition guidance. As a result, those amendments that were not linked to transition guidance would have become effective immediately upon the issuance of this Update.

BC109. The proposed Update asked stakeholders whether they thought there were any amendments that were not linked to transition guidance that should be linked because those amendments could result in a change in practice. While many respondents agreed with the amendments that were not linked to transition guidance, a few respondents suggested linking additional amendments to transition guidance because they could result in a change in practice. The Board concluded that, due to the timing and breadth of the amendments in this Update, all of the amendments should be linked to transition guidance.

BC110. The amendments in the proposed Update would have required that if a difference exists in the fair value measurement of an item recorded at fair value as a result of applying those amendments, a reporting entity would be required to recognize a cumulative-effect adjustment in beginning retained earnings in the period of adoption (that is, a limited retrospective transition). Additionally, a reporting entity would have been required to provide the additional proposed disclosures upon adoption (that is, prospectively).

BC111. The proposed Update asked stakeholders whether they agreed that limited retrospective transition should be required for the proposed amendments. While many respondents agreed that limited retrospective transition would be appropriate, other respondents indicated that prospective transition would be more appropriate because it would be consistent with prior transition guidance for fair value measurements in U.S. GAAP. The Board concluded that the transition method for the amendments in this Update should be consistent with prior amendments to guidance related to fair value measurements and, therefore, that the amendments should be applied prospectively with a disclosure of the change, if any, resulting from adoption of the amendments. Additionally, the Board affirmed the transition guidance for additional disclosures in the proposed Update and decided that the amendments in this Update that require a reporting entity to

provide additional disclosures should be effective upon adoption (that is, prospectively).

BC112. The proposed Update did not include an effective date for the amendments but asked stakeholders how much time would be needed to prepare for and implement the amendments. Most respondents noted that except for the proposed measurement uncertainty analysis disclosure, the proposed amendments would not take a significant amount of time to implement because most would not represent a significant change in current practice.

BC113. The Board, therefore, concluded that for public entities, the amendments in this Update should be effective for interim and annual periods beginning after December 15, 2011. The Board also concluded that public entities should not be permitted to adopt the amendments early because early adoption might reduce the comparability, and therefore usefulness, of reporting entities' financial statements. The Board concluded that for nonpublic entities, the amendments in this Update should be effective for annual periods beginning after December 15, 2011, with early adoption permitted; however, adoption may be no earlier than for interim periods beginning after December 15, 2011.

BC114. The Board considered the amount of time that nonpublic entities would need to adopt the amendments in this Update, including the nonpublic entity education cycle, and decided that for nonpublic entities, the amendments should be effective for annual periods beginning after December 15, 2011. The Board also decided that nonpublic entities should be permitted to adopt the amendments in this Update early, but they should not be permitted to do so prior to the effective date for public entities (that is, nonpublic entities are permitted to adopt the amendments in this Update for interim periods beginning after December 15, 2011).

Benefits and Costs

BC115. The objective of financial reporting is to provide information that is useful to present and potential investors, creditors, donors, and other capital market participants in making rational investment, credit, and similar resource allocation decisions. However, the benefits of providing information for that purpose should justify the related costs. Present and potential investors, creditors, donors, and other users of financial information benefit from improvements in financial reporting, while the costs to implement new guidance are borne primarily by present investors. The Board's assessment of the costs and benefits of issuing new guidance is unavoidably more qualitative than quantitative because there is no method to objectively measure the costs to implement new guidance or to quantify the value of improved information in financial statements.

BC116. The Board does not expect that reporting entities will incur significant costs as a result of applying the amendments in this Update because most of the

amendments are clarifications of the Board's intent in developing and amending Statement 157 and Topic 820. The amendments will benefit users of financial statements by providing common requirements for fair value measurements and disclosures in U.S. GAAP and IFRSs and by improving the understandability of the fair value measurement guidance currently in U.S. GAAP. The amendments do not create new accounting requirements other than requiring additional disclosures for which information should be readily available.

Topic 820 as Amended by This Update

Fair Value Measurement—Overall

Overview and Background

820-10-05-1 This Topic contains only the Overall Subtopic. This Topic does all of the following:

- a. Defines **fair value**
- b. Sets out in a single Topic a framework for measuring fair value
- c. Requires disclosures about fair value measurements.

820-10-05-1A This Topic explains how to measure fair value for financial reporting. It does not require fair value measurements in addition to those already required or permitted by other Topics and is not intended to establish valuation standards or affect valuation practices outside of financial reporting.

820-10-05-1B Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same—to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an **exit price** at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

820-10-05-1C When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

820-10-05-1D The definition of fair value focuses on assets and liabilities because they are a primary subject of accounting measurement. In addition, this Topic shall be applied to instruments measured at fair value that are classified in shareholders' equity.

820-10-05-2 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-05-3 Paragraph superseded by Accounting Standards Update 2011-04.

Scope and Scope Exceptions

> Overall Guidance

820-10-15-1 The Scope Section of the Overall Subtopic establishes the scope for the Fair Value Measurement Topic. Except as noted below, this Topic applies when another Topic requires or permits **fair value** measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements).

820-10-15-1A Paragraph not used.

> Other Considerations

> > Topics and Subtopics Not within Scope

820-10-15-2 The Fair Value Measurement Topic does not apply as follows:

- a. To accounting principles that address share-based payment transactions (see Topic 718 and Subtopic 505-50)
- b. To Sections, Subtopics, or Topics that require or permit measurements that are similar to fair value but that are not intended to measure fair value, including both of the following:
 1. Sections, Subtopics, or Topics that permit measurements that are determined on the basis of, or otherwise use, vendor-specific objective evidence of fair value
 2. Topic 330.
- c. To accounting principles that address fair value measurements for purposes of lease classification or measurement in accordance with Topic 840. This scope exception does not apply to assets acquired and liabilities assumed in a business combination or an **acquisition by a not-for-profit entity** that are required to be measured at fair value in accordance with Topic 805, regardless of whether those assets and liabilities are related to leases.

> > Practicability Exceptions to This Topic

820-10-15-3 The Fair Value Measurement Topic does not eliminate the practicability exceptions to fair value measurements within the scope of this Topic. Those practicability exceptions to fair value measurements in specified circumstances include, among others, those stated in the following:

- a. The use of a transaction price (an **entry price**) to measure fair value (an **exit price**) at initial recognition, including the following:
 1. Guarantees in accordance with Topic 460

2. Subparagraph superseded by Accounting Standards Update No. 2009-16.
- b. An exemption to the requirement to measure fair value if it is not practicable to do so, including the following:
 1. Financial instruments in accordance with Subtopic 825-10
 2. Subparagraph superseded by Accounting Standards Update No. 2009-16.
- c. An exemption to the requirement to measure fair value if fair value is not reasonably determinable, such as all of the following:
 1. Nonmonetary assets in accordance with Topic 845 and Sections 605-20-25 and 605-20-50
 2. Asset retirement obligations in accordance with Subtopic 410-20 and Sections 440-10-50 and 440-10-55
 3. Restructuring obligations in accordance with Topic 420
 4. Participation rights in accordance with Subtopics 715-30 and 715-60.
- d. An exemption to the requirement to measure fair value if fair value cannot be measured with sufficient reliability (such as contributions in accordance with Topic 958 and Subtopic 720-25).
- e. The use of particular measurement methods referred to in paragraph 805-20-30-10 that allow measurements other than fair value for specified assets acquired and liabilities assumed in a business combination.

> > Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)

820-10-15-4 Paragraphs 820-10-35-59 through 35-62 and 820-10-50-6A shall apply only to an investment that meets both of the following criteria as of the reporting entity's measurement date:

- a. The investment does not have a **readily determinable fair value**
- b. The investment is in an entity that has all of the attributes specified in paragraph 946-10-15-2 or, if one or more of the attributes specified in paragraph 946-10-15-2 are not present, is in an entity for which it is industry practice to issue financial statements using guidance that is consistent with the measurement principles in Topic 946 (for example, certain investments in real estate funds that measure investment assets at fair value on a recurring basis).

820-10-15-5 The definition of *readily determinable fair value* indicates that an equity security would have a readily determinable fair value if any one of three conditions is met. One of those conditions is that sales prices or bid-and-asked quotations are currently available on a securities exchange registered with the U.S. Securities and Exchange Commission (SEC) or in the over-the-counter market, provided that those prices or quotations for the over-the-counter market are publicly reported by the National Association of Securities Dealers

Automated Quotations systems or by Pink Sheets LLC. The definition notes that restricted stock meets that definition if the restriction expires within one year. If an investment otherwise would have a readily determinable fair value, except that the investment has a restriction expiring in more than one year, the reporting entity shall not apply paragraphs 820-10-35-59 through 35-62 and 820-10-50-6A to the investment.

Glossary

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 by a Not-for-Profit Entity

Note: The following definition is Pending Content; see Transition Guidance in 958-805-65-1.

A transaction or other event in which a not-for-profit acquirer obtains control of one or more nonprofit activities or businesses and initially recognizes their assets and liabilities in the acquirer's financial statements. When applicable guidance in Topic 805 is applied by a **not-for-profit entity**, the term **business combination** has the same meaning as this term has for a not-for-profit entity. Likewise, a reference to business combinations in guidance that links to Topic 805 has the same meaning as a reference to acquisitions by not-for-profit entities.

Active Market

A market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Brokered Market

A market in which brokers attempt to match buyers with sellers but do not stand ready to trade for their own account. In other words, brokers do not use their own capital to hold an inventory of the items for which they make a market. The broker knows the prices bid and asked by the respective parties, but each party is typically unaware of another party's price requirements. Prices of completed transactions are sometimes available. Brokered markets include electronic communication networks, in which buy and sell orders are matched, and commercial and residential real estate markets.

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**.

Cost Approach

A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

Currency Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Dealer Market

A market in which dealers stand ready to trade (either buy or sell for their own account), thereby providing liquidity by using their capital to hold an inventory of the items for which they make a market. Typically, bid and ask prices (representing the price at which the dealer is willing to buy and the price at which the dealer is willing to sell, respectively) are more readily available than closing prices. Over-the-counter markets (for which prices are publicly reported by the National Association of Securities Dealers Automated Quotations systems or by Pink Sheets LLC) are dealer markets. For example, the market for U.S. Treasury securities is a dealer market. Dealer markets also exist for some other assets and liabilities, including other financial instruments, commodities, and physical assets (for example, used equipment).

Discount Rate Adjustment Technique

A present value technique that uses a risk-adjusted discount rate and contractual, promised, or most likely cash flows.

Entry Price

The price paid to acquire an asset or received to assume a liability in an exchange transaction.

Exchange Market

A market in which closing prices are both readily available and generally representative of fair value. An example of such a market is the New York Stock Exchange.

Exit Price

The price that would be received to sell an asset or paid to transfer a liability.

Expected Cash Flow

The probability-weighted average (that is, mean of the distribution) of possible future cash flows.

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 Asset

Cash, evidence of an ownership interest in an entity, or a contract that conveys to one entity a right to do either of the following:

- a. Receive cash or another financial instrument from a second entity
- b. Exchange other financial instruments on potentially favorable terms with the second entity.

Financial Liability

A contract that imposes on one entity an obligation to do either of the following:

- a. Deliver cash or another financial instrument to a second entity
- b. Exchange other financial instruments on potentially unfavorable terms with the second entity.

Highest and Best Use

The use of a nonfinancial asset by market participants that would maximize the value of the asset or the group of assets and liabilities (for example, a business) within which the asset would be used.

Income Approach

Valuation techniques that convert future amounts (for example, cash flows or income and expenses) to a single current (that is, discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.

Inputs

The assumptions that market participants would use when pricing the asset or liability, including assumptions about risk, such as the following:

- a. The risk inherent in a particular valuation technique used to measure fair value (such as a pricing model)
- b. The risk inherent in the inputs to the valuation technique.

Inputs may be observable or unobservable.

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.

Level 1 Inputs

Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2 Inputs

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs

Unobservable inputs for the asset or liability.

Liability Issued with an Inseparable Third-Party Credit Enhancement

A liability that is issued with a credit enhancement obtained from a third party, such as debt that is issued with a financial guarantee from a third party that guarantees the issuer's payment obligation.

Market Approach

A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (that is, similar) assets, liabilities, or a group of assets and liabilities, such as a business.

Market Participants

Buyers and sellers in the principal (or most advantageous) market for the asset or liability that have all of the following characteristics:

- a. They are independent of each other, that is, they are not **related parties**, although the price in a related-party transaction may be used as an input to a fair value measurement if the reporting entity has evidence that the transaction was entered into at market terms

- b. They are knowledgeable, having a reasonable understanding about the asset or liability and the transaction using all available information, including information that might be obtained through due diligence efforts that are usual and customary
- c. They are able to enter into a transaction for the asset or liability
- d. They are willing to enter into a transaction for the asset or liability, that is, they are motivated but not forced or otherwise compelled to do so.

Market-Corroborated Inputs

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Market Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises the following:

- a. **Interest rate risk**
- b. **Currency risk**
- c. **Other price risk.**

Most Advantageous Market

The market that maximizes the amount that would be received to sell the asset or minimizes the amount that would be paid to transfer the liability, after taking into account transaction costs and transportation costs.

Net Asset Value per Share

Net asset value per share is the amount of net assets attributable to each share of capital stock (other than senior equity securities, that is, preferred stock) outstanding at the close of the period. It excludes the effects of assuming conversion of outstanding convertible securities, whether or not their conversion would have a diluting effect.

Nonperformance Risk

The risk that an entity will not fulfill an obligation. Nonperformance risk includes, but may not be limited to, the reporting entity's own credit risk.

Not-for-Profit Entity

An entity that possesses the following characteristics, in varying degrees, that distinguish it from a business entity:

- a. Contributions of significant amounts of resources from resource providers who do not expect commensurate or proportionate pecuniary return
- b. Operating purposes other than to provide goods or services at a profit

- c. Absence of ownership interests like those of business entities.

Entities that clearly fall outside this definition include the following:

- a. All investor-owned entities
- b. Entities that provide dividends, lower costs, or other economic benefits directly and proportionately to their owners, members, or participants, such as mutual insurance entities, credit unions, farm and rural electric cooperatives, and employee benefit plans.

Observable Inputs

Inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability.

Orderly Transaction

A transaction that assumes exposure to the market for a period before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction (for example, a forced liquidation or distress sale).

Other Price Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

Present Value

A tool used to link future amounts (cash flows or values) to a present amount using a discount rate (an application of the income approach). Present value techniques differ in how they adjust for risk and in the type of cash flows they use. See **Discount Rate Adjustment Technique**.

Principal Market

The market with the greatest volume and level of activity for the asset or liability.

Principal-to-Principal Market

A market in which transactions, both originations and resales, are negotiated independently with no intermediary. Little information about those transactions may be made available publicly.

Readily Determinable Fair Value

An equity security has a readily determinable fair value if it meets any of the following conditions:

- a. The fair value of an equity security is readily determinable if sales prices or bid-and-asked quotations are currently available on a securities exchange registered with the U.S. Securities and Exchange Commission (SEC) or in the over-the-counter market, provided that those prices or quotations for the over-the-counter market are publicly reported by the National Association of Securities Dealers Automated Quotations systems or by Pink Sheets LLC. Restricted stock meets that definition if the restriction terminates within one year.
- b. The fair value of an equity security traded only in a foreign market is readily determinable if that foreign market is of a breadth and scope comparable to one of the U.S. markets referred to above.
- c. The fair value of an investment in a mutual fund is readily determinable if the fair value per share (unit) is determined and published and is the basis for current transactions.

Related Parties

Related parties include:

- a. Affiliates of the entity
- b. Entities for which investments in their equity securities would be required, absent the election of the fair value option under the **Fair Value Option Subsection** of Section 825–10–15, to be accounted for by the equity method by the investing entity
- c. Trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management
- d. Principal owners of the entity and members of their immediate families
- e. Management of the entity and members of their immediate families
- f. Other parties with which the entity may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests
- g. Other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

Risk Premium

Compensation sought by risk-averse market participants for bearing the uncertainty inherent in the cash flows of an asset or a liability. Also referred to as a risk adjustment.

Systematic Risk

The common risk shared by an asset or a liability with the other items in a diversified portfolio. Portfolio theory holds that in a market in equilibrium, market

participants will be compensated only for bearing the systematic risk inherent in the cash flows. (In markets that are inefficient or out of equilibrium, other forms of return or compensation might be available.) Also referred to as nondiversifiable risk.

Transaction Costs

The costs to sell an asset or transfer a liability in the principal (or most advantageous) market for the asset or liability that are directly attributable to the disposal of the asset or the transfer of the liability and meet both of the following criteria:

- a. They result directly from and are essential to that transaction.
- b. They would not have been incurred by the entity had the decision to sell the asset or transfer the liability not been made (similar to costs to sell, as defined in paragraph 360-10-35-38).

Transportation Costs

The costs that would be incurred to transport an asset from its current location to its principal (or most advantageous) market.

Unit of Account

The level at which an asset or a liability is aggregated or disaggregated in a Topic for recognition purposes.

Unobservable Inputs

Inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.

Unsystematic Risk

The risk specific to a particular asset or liability. Also referred to as diversifiable risk.

Variable Interest Entity

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

Recognition

820-10-25-1 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-25-2 Paragraph superseded by Accounting Standards Update 2011-04.

Initial Measurement

820-10-30-1 The fair value measurement framework, which applies at both initial and subsequent measurement if **fair value** is required or permitted by other

Topics, is discussed primarily in Section 820-10-35. This Section sets out additional guidance specific to applying the framework at initial measurement.

820-10-30-2 When an asset is acquired or a liability is assumed in an exchange transaction for that asset or liability, the transaction price is the price paid to acquire the asset or received to assume the liability (an **entry price**). In contrast, the fair value of the asset or liability is the price that would be received to sell the asset or paid to transfer the liability (an **exit price**). Entities do not necessarily sell assets at the prices paid to acquire them. Similarly, entities do not necessarily transfer liabilities at the prices received to assume them.

820-10-30-3 In many cases, the transaction price will equal the fair value (for example, that might be the case when on the transaction date the transaction to buy an asset takes place in the market in which the asset would be sold).

- a. Subparagraph superseded by Accounting Standards Update 2011-04.
- b. Subparagraph superseded by Accounting Standards Update 2011-04.
- c. Subparagraph superseded by Accounting Standards Update 2011-04.
- d. Subparagraph superseded by Accounting Standards Update 2011-04.

820-10-30-3A When determining whether fair value at initial recognition equals the transaction price, a reporting entity shall take into account factors specific to the transaction and to the asset or liability. For example, the transaction price might not represent the fair value of an asset or a liability at initial recognition if any of the following conditions exist:

- a. The transaction is between **related parties**, although the price in a related party transaction may be used as an input into a fair value measurement if the reporting entity has evidence that the transaction was entered into at market terms.
- b. The transaction takes place under duress or the seller is forced to accept the price in the transaction. For example, that might be the case if the seller is experiencing financial difficulty.
- c. The **unit of account** represented by the transaction price is different from the unit of account for the asset or liability measured at fair value. For example, that might be the case if the asset or liability measured at fair value is only one of the elements in the transaction (for example, in a **business combination**), the transaction includes unstated rights and privileges that are measured separately in accordance with another Topic, or the transaction price includes **transaction costs**.
- d. The market in which the transaction takes place is different from the **principal market (or most advantageous market)**. For example, those markets might be different if the reporting entity is a dealer that enters into transactions with customers in the retail market, but the principal (or most advantageous) market for the exit transaction is with other dealers in the **dealer market**.

820-10-30-4 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-30-5 Paragraph 820-10-55-46 illustrates situations in which the price in a transaction involving a derivative instrument might (and might not) equal the fair value of the instrument.

820-10-30-6 If another Topic requires or permits a reporting entity to measure an asset or a liability initially at fair value and the transaction price differs from fair value, the reporting entity shall recognize the resulting gain or loss in earnings unless that Topic specifies otherwise.

Subsequent Measurement

820-10-35-1 The fair value measurement framework, which applies at both initial and subsequent measurement if **fair value** is required or permitted by another Topic, is discussed primarily in this Section. Section 820-10-30 sets out additional guidance specific to applying the framework at initial measurement. This Section is organized as follows:

- a. Definition of fair value
- b. Valuation techniques
- c. **Inputs** to valuation techniques
- d. Fair value hierarchy.

> Definition of Fair Value

820-10-35-2 This Topic defines fair value as 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.

- a. Subparagraph superseded by Accounting Standards Update 2011-04.
- b. Subparagraph superseded by Accounting Standards Update 2011-04.
- c. Subparagraph superseded by Accounting Standards Update 2011-04.
- d. Subparagraph superseded by Accounting Standards Update 2011-04.
- e. Subparagraph superseded by Accounting Standards Update 2011-04.
- f. Subparagraph superseded by Accounting Standards Update 2011-04.

820-10-35-2A The remainder of this guidance is organized as follows:

- a. The asset or liability
- b. The transaction
- c. Market participants
- d. The price
- e. Application to nonfinancial assets
- f. Application to liabilities and instruments classified in a reporting entity's shareholders' equity
- g. Application to financial assets and financial liabilities with offsetting positions in **market risks** or counterparty credit risk.

> > The Asset or Liability

820-10-35-2B A fair value measurement is for a particular asset or liability. Therefore, when measuring fair value a reporting entity shall take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Such characteristics include, for example, the following:

- a. The condition and location of the asset
- b. Restrictions, if any, on the sale or use of the asset.

820-10-35-2C The effect on the measurement arising from a particular characteristic will differ depending on how that characteristic would be taken into account by market participants. Paragraph 820-10-55-51 illustrates a restriction's effect on fair value measurement.

820-10-35-2D The asset or liability measured at fair value might be either of the following:

- a. A standalone asset or liability (for example, a **financial instrument** or a nonfinancial asset)
- b. A group of assets, a group of liabilities, or a group of assets and liabilities (for example, a reporting unit or a business).

820-10-35-2E Whether the asset or liability is a standalone asset or liability, group of assets, a group of liabilities, or a group of assets and liabilities for recognition or disclosure purposes depends on its **unit of account**. The unit of account for the asset or liability shall be determined in accordance with the Topic that requires or permits the fair value measurement, except as provided in this Topic.

> > The Transaction

820-10-35-3 A fair value measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions.

820-10-35-4 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-5 A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a. In the **principal market** for the asset or liability
- b. In the absence of a principal market, in the **most advantageous market** for the asset or liability.

820-10-35-5A A reporting entity need not undertake an exhaustive search of all possible markets to identify the principal market or, in the absence of a principal market, the most advantageous market, but it shall take into account all information that is reasonably available. In the absence of evidence to the contrary, the market in which the reporting entity normally would enter into a

transaction to sell the asset or to transfer the liability is presumed to be the principal market or, in the absence of a principal market, the most advantageous market.

820-10-35-6 If there is a principal market for the asset or liability, the fair value measurement shall represent the price in that market (whether that price is directly observable or estimated using another valuation technique), even if the price in a different market is potentially more advantageous at the measurement date.

820-10-35-6A The reporting entity must have access to the principal (or most advantageous) market at the measurement date. Because different entities (and businesses within those entities) with different activities may have access to different markets, the principal (or most advantageous) market for the same asset or liability might be different for different entities (and businesses within those entities). Therefore, the principal (or most advantageous) market (and thus, market participants) shall be considered from the perspective of the reporting entity, thereby allowing for differences between and among entities with different activities.

820-10-35-6B Although a reporting entity must be able to access the market, the reporting entity does not need to be able to sell the particular asset or transfer the particular liability on the measurement date to be able to measure fair value on the basis of the price in that market.

820-10-35-6C Even when there is no observable market to provide pricing information about the sale of an asset or the transfer of a liability at the measurement date, a fair value measurement shall assume that a transaction takes place at that date, considered from the perspective of a market participant that holds the asset or owes the liability. That assumed transaction establishes a basis for estimating the price to sell the asset or to transfer the liability.

820-10-35-7 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-8 Paragraph superseded by Accounting Standards Update 2011-04.

>> Market Participants

820-10-35-9 A reporting entity shall measure the fair value of an asset or a liability using the assumptions that market participants would use in pricing the asset or liability, assuming that market participants act in their economic best interest. In developing those assumptions, a reporting entity need not identify specific market participants. Rather, the reporting entity shall identify characteristics that distinguish market participants generally, considering factors specific to all of the following:

- a. The asset or liability
- b. The principal (or most advantageous) market for the asset or liability

- c. Market participants with whom the reporting entity would enter into a transaction in that market.

> > The Price

820-10-35-9A Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (that is, an **exit price**) regardless of whether that price is directly observable or estimated using another valuation technique.

820-10-35-9B The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for **transaction costs**. Transaction costs shall be accounted for in accordance with other Topics. Transaction costs are not a characteristic of an asset or a liability; rather, they are specific to a transaction and will differ depending on how a reporting entity enters into a transaction for the asset or liability.

820-10-35-9C Transaction costs do not include **transportation costs**. If location is a characteristic of the asset (as might be the case, for example, for a commodity), the price in the principal (or most advantageous) market shall be adjusted for the costs, if any, that would be incurred to transport the asset from its current location to that market.

> > Application to Nonfinancial Assets

820-10-35-10 Paragraph superseded by Accounting Standards Update 2011-04.

> > > Highest and Best Use for Nonfinancial Assets

820-10-35-10A A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its **highest and best use** or by selling it to another market participant that would use the asset in its highest and best use.

820-10-35-10B The highest and best use of a nonfinancial asset takes into account the use of the asset that is physically possible, legally permissible, and financially feasible, as follows:

- a. A use that is physically possible takes into account the physical characteristics of the asset that market participants would take into account when pricing the asset (for example, the location or size of a property).
- b. A use that is legally permissible takes into account any legal restrictions on the use of the asset that market participants would take into account when pricing the asset (for example, the zoning regulations applicable to a property).
- c. A use that is financially feasible takes into account whether a use of the asset that is physically possible and legally permissible generates adequate income or cash flows (taking into account the costs of

converting the asset to that use) to produce an investment return that market participants would require from an investment in that asset put to that use.

820-10-35-10C Highest and best use is determined from the perspective of market participants, even if the reporting entity intends a different use. However, a reporting entity's current use of a nonfinancial asset is presumed to be its highest and best use unless market or other factors suggest that a different use by market participants would maximize the value of the asset.

820-10-35-10D To protect its competitive position, or for other reasons, a reporting entity may intend not to use an acquired nonfinancial asset actively, or it may intend not to use the asset according to its highest and best use. For example, that might be the case for an acquired intangible asset that the reporting entity plans to use defensively by preventing others from using it. Nevertheless, the reporting entity shall measure the fair value of a nonfinancial asset assuming its highest and best use by market participants.

> > > Valuation Premise for Nonfinancial Assets

820-10-35-10E The highest and best use of a nonfinancial asset establishes the valuation premise used to measure the fair value of the asset, as follows:

- a. The highest and best use of a nonfinancial asset might provide maximum value to market participants through its use in combination with other assets as a group (as installed or otherwise configured for use) or in combination with other assets and liabilities (for example, a business).
 1. If the highest and best use of the asset is to use the asset in combination with other assets or with other assets and liabilities, the fair value of the asset is the price that would be received in a current transaction to sell the asset assuming that the asset would be used with other assets or with other assets and liabilities and that those assets and liabilities (that is, its complementary assets and the associated liabilities) would be available to market participants.
 2. Liabilities associated with the asset and with the complementary assets include liabilities that fund working capital, but do not include liabilities used to fund assets other than those within the group of assets.
 3. Assumptions about the highest and best use of a nonfinancial asset shall be consistent for all of the assets (for which highest and best use is relevant) of the group of assets or the group of assets and liabilities within which the asset would be used.
- b. The highest and best use of a nonfinancial asset might provide maximum value to market participants on a standalone basis. If the highest and best use of the asset is to use it on a standalone basis, the fair value of the asset is the price that would be received in a current transaction to

sell the asset to market participants that would use the asset on a standalone basis.

820-10-35-11 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-11A The fair value measurement of a nonfinancial asset assumes that the asset is sold consistent with the unit of account specified in other Topics (which may be an individual asset). That is the case even when that fair value measurement assumes that the highest and best use of the asset is to use it in combination with other assets or with other assets and liabilities because a fair value measurement assumes that the market participant already holds the complementary assets and associated liabilities.

820-10-35-12 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-13 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-14 Paragraph 820-10-55-25 illustrates the application of the highest and best use and valuation premise concepts for nonfinancial assets.

820-10-35-15 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-15A Paragraph not used.

> > Application to Liabilities and Instruments Classified in a Reporting Entity's Shareholders' Equity

> > > General Principles

820-10-35-16 A fair value measurement assumes that a financial or nonfinancial liability or an instrument classified in a reporting entity's shareholders' equity (for example, equity interests issued as consideration in a business combination) is transferred to a market participant at the measurement date. The transfer of a liability or an instrument classified in a reporting entity's shareholders' equity assumes the following:

- a. Subparagraph superseded by Accounting Standards Update 2011-04.
- b. A liability would remain outstanding and the market participant transferee would be required to fulfill the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date.
- c. An instrument classified in a reporting entity's shareholders' equity would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

820-10-35-16A Even when there is no observable market to provide pricing information about the transfer of a liability or an instrument classified in a reporting entity's shareholders' equity (for example, because contractual or other legal restrictions prevent the transfer of such items), there might be an

observable market for such items if they are held by other parties as assets (for example, a corporate bond or a call option on a reporting entity's shares).

820-10-35-16AA In all cases, a reporting entity shall maximize the use of relevant **observable inputs** and minimize the use of **unobservable inputs** to meet the objective of a fair value measurement, which is to estimate the price at which an orderly transaction to transfer the liability or instrument classified in shareholders' equity would take place between market participants at the measurement date under current market conditions.

> > > Liabilities and Instruments Classified in a Reporting Entity's Shareholders' Equity Held by Other Parties as Assets

820-10-35-16B When a quoted price for the transfer of an identical or a similar liability or instrument classified in a reporting entity's shareholders' equity is not available and the identical item is held by another party as an asset, a reporting entity shall measure the fair value of the liability or equity instrument from the perspective of a market participant that holds the identical item as an asset at the measurement date.

- a. Subparagraph superseded by Accounting Standards Update 2011-04.
- b. Subparagraph superseded by Accounting Standards Update 2011-04.

820-10-35-16BB In such cases, a reporting entity shall measure the fair value of the liability or equity instrument as follows:

- a. Using the quoted price in an active market for the identical item held by another party as an asset, if that price is available
- b. If that price is not available, using other observable inputs, such as the quoted price in a market that is not active for the identical item held by another party as an asset
- c. If the observable prices in (a) and (b) are not available, using another valuation technique, such as:
 1. An income approach (for example, a present value technique that takes into account the future cash flows that a market participant would expect to receive from holding the liability or equity instrument as an asset; see paragraph 820-10-55-3F)
 2. A market approach (for example, using quoted prices for similar liabilities or instruments classified in shareholders' equity held by other parties as assets; see paragraph 820-10-55-3A).

820-10-35-16C Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-16D A reporting entity shall adjust the quoted price of a liability or an instrument classified in a reporting entity's shareholders' equity held by another party as an asset only if there are factors specific to the asset that are not applicable to the fair value measurement of the liability or equity instrument. A reporting entity shall ensure that the price of the asset does not reflect the effect

of a restriction preventing the sale of that asset. Some factors that may indicate that the quoted price of the asset should be adjusted include the following:

- a. The quoted price for the asset relates to a similar (but not identical) liability or equity instrument held by another party as an asset. For example, the liability or equity instrument may have a particular characteristic (for example, the credit quality of the issuer) that is different from that reflected in the fair value of the similar liability or equity instrument held as an asset.
- b. The unit of account for the asset is not the same as for the liability or equity instrument. For example, for liabilities, in some cases the price for an asset reflects a combined price for a package comprising both the amounts due from the issuer and a third-party credit enhancement. If the unit of account for the liability is not for the combined package, the objective is to measure the fair value of the issuer's liability, not the fair value of the combined package. Thus, in such cases, the reporting entity would adjust the observed price for the asset to exclude the effect of the third-party credit enhancement. See paragraph 820-10-35-18A for further guidance.

820-10-35-16E Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-16F Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-16G Paragraph superseded by Accounting Standards Update 2011-04.

> > > Liabilities and Instruments Classified in a Reporting Entity's Shareholders' Equity Not Held by Other Parties as Assets

820-10-35-16H When a quoted price for the transfer of an identical or a similar liability or instrument classified in a reporting entity's shareholders' equity is not available and the identical item is not held by another party as an asset, a reporting entity shall measure the fair value of the liability or equity instrument using a valuation technique from the perspective of a market participant that owes the liability or has issued the claim on equity.

820-10-35-16I For example, when applying a present value technique, a reporting entity might take into account either of the following:

- a. The future cash outflows that a market participant would expect to incur in fulfilling the obligation, including the compensation that a market participant would require for taking on the obligation (see paragraphs 820-10-35-16J through 35-16K).
- b. The amount that a market participant would receive to enter into or issue an identical liability or equity instrument, using the assumptions that market participants would use when pricing the identical item (for

example, having the same credit characteristics) in the principal (or most advantageous) market for issuing a liability or an equity instrument with the same contractual terms.

820-10-35-16J When using a present value technique to measure the fair value of a liability that is not held by another party as an asset (for example, an asset retirement obligation), a reporting entity shall, among other things, estimate the future cash outflows that market participants would expect to incur in fulfilling the obligation. Those future cash outflows shall include market participants' expectations about the costs of fulfilling the obligation and the compensation that a market participant would require for taking on the obligation. Such compensation includes the return that a market participant would require for the following:

- a. Undertaking the activity (that is, the value of fulfilling the obligation—for example, by using resources that could be used for other activities)
- b. Assuming the risk associated with the obligation (that is, a **risk premium** that reflects the risk that the actual cash outflows might differ from the expected cash outflows; see paragraph 820-10-35-16L).

820-10-35-16K For example, a nonfinancial liability does not contain a contractual rate of return and there is no observable market yield for that liability. In some cases, the components of the return that market participants would require will be indistinguishable from one another (for example, when using the price a third-party contractor would charge on a fixed-fee basis). In other cases, a reporting entity needs to estimate those components separately (for example, when using the price a third-party contractor would charge on a cost-plus basis because the contractor in that case would not bear the risk of future changes in costs).

820-10-35-16L A reporting entity can include a risk premium in the fair value measurement of a liability or an instrument classified in a reporting entity's shareholders' equity that is not held by another party as an asset in one of the following ways:

- a. By adjusting the cash flows (that is, as an increase in the amount of cash outflows)
- b. By adjusting the rate used to discount the future cash flows to their present values (that is, as a reduction in the discount rate).

A reporting entity shall ensure that it does not double count or omit adjustments for risk. For example, if the estimated cash flows are increased to take into account the compensation for assuming the risk associated with the obligation, the discount rate should not be adjusted to reflect that risk.

> > > Nonperformance Risk

820-10-35-17 The fair value of a liability reflects the effect of **nonperformance risk**. Nonperformance risk includes, but may not be limited to, a reporting entity's

own **credit risk**. Nonperformance risk is assumed to be the same before and after the transfer of the liability.

820-10-35-18 When measuring the fair value of a liability, a reporting entity shall take into account the effect of its credit risk (credit standing) and any other factors that might influence the likelihood that the obligation will or will not be fulfilled. That effect may differ depending on the liability, for example:

- a. Whether the liability is an obligation to deliver cash (a financial liability) or an obligation to deliver goods or services (a nonfinancial liability)
- b. The terms of credit enhancements related to the liability, if any.

Paragraph 820-10-55-56 illustrates the effect of credit risk on the fair value measurement of a liability.

820-10-35-18A The fair value of a liability reflects the effect of nonperformance risk on the basis of its unit of account. In accordance with Topic 825, the issuer of a **liability issued with an inseparable third-party credit enhancement** that is accounted for separately from the liability shall not include the effect of the credit enhancement (for example, a third-party guarantee of debt) in the fair value measurement of the liability. If the credit enhancement is accounted for separately from the liability, the issuer would take into account its own credit standing and not that of the third-party guarantor when measuring the fair value of the liability.

> > > Restriction Preventing the Transfer of a Liability or an Instrument Classified in a Reporting Entity's Shareholders' Equity

820-10-35-18B When measuring the fair value of a liability or an instrument classified in a reporting entity's shareholders' equity, a reporting entity shall not include a separate input or an adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the item. The effect of a restriction that prevents the transfer of a liability or an instrument classified in a reporting entity's shareholders' equity is either implicitly or explicitly included in the other inputs to the fair value measurement.

820-10-35-18C For example, at the transaction date, both the creditor and the obligor accepted the transaction price for the liability with full knowledge that the obligation includes a restriction that prevents its transfer. As a result of the restriction being included in the transaction price, a separate input or an adjustment to an existing input is not required at the transaction date to reflect the effect of the restriction on transfer. Similarly, a separate input or an adjustment to an existing input is not required at subsequent measurement dates to reflect the effect of the restriction on transfer.

> > Application to Financial Assets and Financial Liabilities with Offsetting Positions in Market Risks or Counterparty Credit Risk

820-10-35-18D A reporting entity that holds a group of **financial assets** and **financial liabilities** is exposed to market risks (that is, **interest rate risk**, **currency risk**, or **other price risk**) and to the credit risk of each of the counterparties. If the reporting entity manages that group of financial assets and financial liabilities on the basis of its net exposure to either market risks or credit risk, the reporting entity is permitted to apply an exception to this Topic for measuring fair value. That exception permits a reporting entity to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (that is, an asset) for a particular risk exposure or to transfer a net short position (that is, a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions. Accordingly, a reporting entity shall measure the fair value of the group of financial assets and financial liabilities consistently with how market participants would price the net risk exposure at the measurement date.

820-10-35-18E A reporting entity is permitted to use the exception in the preceding paragraph only if the reporting entity does all of the following:

- a. Manages the group of financial assets and financial liabilities on the basis of the reporting entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the reporting entity's documented risk management or investment strategy
- b. Provides information on that basis about the group of financial assets and financial liabilities to the reporting entity's **management**
- c. Is required or has elected to measure those financial assets and financial liabilities at fair value in the statement of financial position at the end of each reporting period.

820-10-35-18F The exception in paragraph 820-10-35-18D does not pertain to financial statement presentation. In some cases, the basis for the presentation of financial instruments in the statement of financial position differs from the basis for the measurement of financial instruments, for example, if a Topic does not require or permit financial instruments to be presented on a net basis. In such cases, a reporting entity may need to allocate the portfolio-level adjustments (see paragraphs 820-10-35-18I through 35-18L) to the individual assets or liabilities that make up the group of financial assets and financial liabilities managed on the basis of the reporting entity's net risk exposure. A reporting entity shall perform such allocations on a reasonable and consistent basis using a methodology appropriate in the circumstances.

820-10-35-18G A reporting entity shall make an accounting policy decision to use the exception in paragraph 820-10-35-18D. A reporting entity that uses the exception shall apply that accounting policy, including its policy for allocating bid-ask adjustments (see paragraphs 820-10-35-18I through 35-18K) and credit adjustments (see paragraph 820-10-35-18L), if applicable, consistently from period to period for a particular portfolio.

820-10-35-18H The exception in paragraph 820-10-35-18D applies only to financial assets and financial liabilities within the scope of Topic 815 or Topic 825.

> > Exposure to Market Risks

820-10-35-18I When using the exception in paragraph 820-10-35-18D to measure the fair value of a group of financial assets and financial liabilities managed on the basis of the reporting entity's net exposure to a particular market risk (or risks), the reporting entity shall apply the price within the bid-ask spread that is most representative of fair value in the circumstances to the reporting entity's net exposure to those market risks (see paragraphs 820-10-35-36C through 35-36D).

820-10-35-18J When using the exception in paragraph 820-10-35-18D, a reporting entity shall ensure that the market risk (or risks) to which the reporting entity is exposed within that group of financial assets and financial liabilities is substantially the same. For example, a reporting entity would not combine the interest rate risk associated with a financial asset with the commodity price risk associated with a financial liability, because doing so would not mitigate the reporting entity's exposure to interest rate risk or commodity price risk. When using the exception in paragraph 820-10-35-18D, any basis risk resulting from the market risk parameters not being identical shall be taken into account in the fair value measurement of the financial assets and financial liabilities within the group.

820-10-35-18K Similarly, the duration of the reporting entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities shall be substantially the same. For example, a reporting entity that uses a 12-month futures contract against the cash flows associated with 12 months' worth of interest rate risk exposure on a 5-year financial instrument within a group made up of only those financial assets and financial liabilities measures the fair value of the exposure to 12-month interest rate risk on a net basis and the remaining interest rate risk exposure (that is, years 2 through 5) on a gross basis.

> > Exposure to the Credit Risk of a Particular Counterparty

820-10-35-18L When using the exception in paragraph 820-10-35-18D to measure the fair value of a group of financial assets and financial liabilities entered into with a particular counterparty, the reporting entity shall include the

effect of the reporting entity's net exposure to the credit risk of that counterparty or the counterparty's net exposure to the credit risk of the reporting entity in the fair value measurement when market participants would take into account any existing arrangements that mitigate credit risk exposure in the event of default (for example, a master netting agreement with the counterparty or an agreement that requires the exchange of collateral on the basis of each party's net exposure to the credit risk of the other party). The fair value measurement shall reflect market participants' expectations about the likelihood that such an arrangement would be legally enforceable in the event of default.

820-10-35-19 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-20 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-21 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-22 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-23 Paragraph superseded by Accounting Standards Update 2011-04.

> Valuation Techniques

820-10-35-24 A reporting entity shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

820-10-35-24A The objective of using a valuation technique is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Three widely used valuation techniques are the **market approach**, **cost approach**, and **income approach**. The main aspects of those approaches are summarized in paragraphs 820-10-55-3A through 55-3G. An entity shall use valuation techniques consistent with one or more of those approaches to measure fair value.

820-10-35-24B In some cases, a single valuation technique will be appropriate (for example, when valuing an asset or a liability using quoted prices in an **active market** for identical assets or liabilities). In other cases, multiple valuation techniques will be appropriate (for example, that might be the case when valuing a reporting unit). If multiple valuation techniques are used to measure fair value, the results (that is, respective indications of fair value) shall be evaluated considering the reasonableness of the range of values indicated by those results. A fair value measurement is the point within that range that is most representative of fair value in the circumstances. Paragraph 820-10-55-35 illustrates the use of multiple valuation techniques.

820-10-35-24C If the transaction price is fair value at initial recognition and a valuation technique that uses unobservable inputs will be used to measure fair value in subsequent periods, the valuation technique shall be calibrated so that

at initial recognition the result of the valuation technique equals the transaction price. Calibration ensures that the valuation technique reflects current market conditions, and it helps a reporting entity to determine whether an adjustment to the valuation technique is necessary (for example, there might be a characteristic of the asset or liability that is not captured by the valuation technique). After initial recognition, when measuring fair value using a valuation technique or techniques that use unobservable inputs, a reporting entity shall ensure that those valuation techniques reflect observable market data (for example, the price for a similar asset or liability) at the measurement date.

820-10-35-25 Valuation techniques used to measure fair value shall be applied consistently. However, a change in a valuation technique or its application (for example, a change in its weighting when multiple valuation techniques are used or a change in an adjustment applied to a valuation technique) is appropriate if the change results in a measurement that is equally or more representative of fair value in the circumstances. That might be the case if, for example, any of the following events take place:

- a. New markets develop.
- b. New information becomes available.
- c. Information previously used is no longer available.
- d. Valuation techniques improve.
- e. Market conditions change.

820-10-35-26 Revisions resulting from a change in the valuation technique or its application shall be accounted for as a change in accounting estimate. (See paragraph 250-10-45-17. However, paragraph 250-10-50-5 explains that the disclosures in Topic 250 for a change in accounting estimate are not required for revisions resulting from a change in a valuation technique or its application.)

820-10-35-27 The Examples in Section 820-10-55 illustrate the judgments that might apply when a reporting entity measures assets and liabilities at fair value in different valuation situations.

820-10-35-28 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-29 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-30 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-31 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-32 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-33 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-34 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-35 Paragraph superseded by Accounting Standards Update 2011-04.

> Inputs to Valuation Techniques

> > General Principles

820-10-35-36 Valuation techniques used to measure fair value shall maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

820-10-35-36A Examples of markets in which inputs might be observable for some assets and liabilities (for example, financial instruments) include **exchange markets, dealer markets, brokered markets, and principal-to-principal markets.**

820-10-35-36B A reporting entity shall select inputs that are consistent with the characteristics of the asset or liability that market participants would take into account in a transaction for the asset or liability (see paragraphs 820-10-35-2B through 35-2C). In some cases, those characteristics result in the application of an adjustment, such as a premium or discount (for example, a control premium or noncontrolling interest discount). However, a fair value measurement shall not incorporate a premium or discount that is inconsistent with the unit of account in the Topic that requires or permits the fair value measurement. Premiums or discounts that reflect size as a characteristic of the reporting entity's holding (specifically, a blockage factor that adjusts the quoted price of an asset or a liability because the market's normal daily trading volume is not sufficient to absorb the quantity held by the entity, as described in paragraph 820-10-35-44) rather than as a characteristic of the asset or liability (for example, a control premium when measuring the fair value of a controlling interest) are not permitted in a fair value measurement. In all cases, if there is a quoted price in an active market (that is, a Level 1 input) for an asset or a liability, a reporting entity shall use that quoted price without adjustment when measuring fair value, except as specified in paragraph 820-10-35-41C.

> > Inputs Based on Bid and Ask Prices

820-10-35-36C If an asset or a liability measured at fair value has a bid price and an ask price (for example, an input from a dealer market), the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy (that is, Level 1, 2, or 3). The use of bid prices for asset positions and ask prices for liability positions is permitted but is not required.

820-10-35-36D This Topic does not preclude the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread.

> Fair Value Hierarchy

820-10-35-37 To increase consistency and comparability in fair value measurements and related disclosures, this Topic establishes a fair value hierarchy that categorizes into three levels (see paragraphs 820-10-35-40 through 35-41, 820-10-35-41B through 35-41C, 820-10-35-44, 820-10-35-46 through 35-51, and 820-10-35-52 through 35-54A) the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (**Level 1 inputs**) and the lowest priority to unobservable inputs (**Level 3 inputs**).

820-10-35-37A In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability. Adjustments to arrive at measurements based on fair value, such as costs to sell when measuring fair value less costs to sell, shall not be taken into account when determining the level of the fair value hierarchy within which a fair value measurement is categorized.

820-10-35-38 The availability of relevant inputs and their relative subjectivity might affect the selection of appropriate valuation techniques (see paragraph 820-10-35-24). However, the fair value hierarchy prioritizes the inputs to valuation techniques, not the valuation techniques used to measure fair value. For example, a fair value measurement developed using a present value technique might be categorized within Level 2 or Level 3, depending on the inputs that are significant to the entire measurement and the level of the fair value hierarchy within which those inputs are categorized.

820-10-35-38A If an observable input requires an adjustment using an unobservable input and that adjustment results in a significantly higher or lower fair value measurement, the resulting measurement would be categorized within Level 3 of the fair value hierarchy. For example, if a market participant would take into account the effect of a restriction on the sale of an asset when estimating the price for the asset, a reporting entity would adjust the quoted price to reflect the effect of that restriction. If that quoted price is a Level 2 input and the adjustment is an unobservable input that is significant to the entire measurement, the measurement would be categorized within Level 3 of the fair value hierarchy.

820-10-35-39 Paragraph superseded by Accounting Standards Update 2011-04.

>> Level 1 Inputs

820-10-35-40 Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

820-10-35-41 A quoted price in an active market provides the most reliable evidence of fair value and shall be used without adjustment to measure fair value whenever available, except as specified in paragraph 820-10-35-41C.

820-10-35-41A Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-41B A Level 1 input will be available for many financial assets and financial liabilities, some of which might be exchanged in multiple active markets (for example, on different exchanges). Therefore, the emphasis within Level 1 is on determining both of the following:

- a. The principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability
- b. Whether the reporting entity can enter into a transaction for the asset or liability at the price in that market at the measurement date.

820-10-35-41C A reporting entity shall not make an adjustment to a Level 1 input except in the following circumstances:

- a. When a reporting entity holds a large number of similar (but not identical) assets or liabilities (for example, debt securities) that are measured at fair value and a quoted price in an active market is available but not readily accessible for each of those assets or liabilities individually (that is, given the large number of similar assets or liabilities held by the reporting entity, it would be difficult to obtain pricing information for each individual asset or liability at the measurement date). In that case, as a practical expedient, a reporting entity may measure fair value using an alternative pricing method that does not rely exclusively on quoted prices (for example, matrix pricing). However, the use of an alternative pricing method results in a fair value measurement categorized within a lower level of the fair value hierarchy.
- b. When a quoted price in an active market does not represent fair value at the measurement date. That might be the case if, for example, significant events (such as transactions in a principal-to-principal market, trades in a brokered market, or announcements) take place after the close of a market but before the measurement date. A reporting entity shall establish and consistently apply a policy for identifying those events that might affect fair value measurements. However, if the quoted price is adjusted for new information, the adjustment results in a fair value measurement categorized within a lower level of the fair value hierarchy.

- c. When measuring the fair value of a liability or an instrument classified in a reporting entity's shareholders' equity using the quoted price for the identical item traded as an asset in an active market and that price needs to be adjusted for factors specific to the item or the asset (see paragraph 820-10-35-16D). If no adjustment to the quoted price of the asset is required, the result is a fair value measurement categorized within Level 1 of the fair value hierarchy. However, any adjustment to the quoted price of the asset results in a fair value measurement categorized within a lower level of the fair value hierarchy.

820-10-35-42 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-43 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-44 If a reporting entity holds a position in a single asset or liability (including a position comprising a large number of identical assets or liabilities, such as a holding of financial instruments) and the asset or liability is traded in an active market, the fair value of the asset or liability shall be measured within Level 1 as the product of the quoted price for the individual asset or liability and the quantity held by the reporting entity. That is the case, even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

820-10-35-45 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-46 Paragraph 820-10-55-42 illustrates the use of Level 1 inputs to measure the fair value of a financial asset that trades in multiple active markets with different prices.

> > Level 2 Inputs

820-10-35-47 Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

820-10-35-48 If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following:

- a. Quoted prices for similar assets or liabilities in active markets
- b. Quoted prices for identical or similar assets or liabilities in markets that are not active
- c. Inputs other than quoted prices that are observable for the asset or liability, for example:
 1. Interest rates and yield curves observable at commonly quoted intervals
 2. Implied volatilities
 3. Subparagraph superseded by Accounting Standards Update 2011-04.

4. Subparagraph superseded by Accounting Standards Update 2011-04.
5. Credit spreads.
6. Subparagraph superseded by Accounting Standards Update 2011-04.

d. **Market-corroborated inputs.**

820-10-35-49 Paragraph 820-10-55-21 discusses Level 2 inputs for particular assets and liabilities.

820-10-35-50 Adjustments to Level 2 inputs will vary depending on factors specific to the asset or liability. Those factors include the following:

- a. The condition or location of the asset
- b. The extent to which inputs relate to items that are comparable to the asset or liability (including those factors described in paragraph 820-10-35-16D)
- c. The volume or level of activity in the markets within which the inputs are observed.

820-10-35-51 An adjustment to a Level 2 input that is significant to the entire measurement might result in a fair value measurement categorized within Level 3 of the fair value hierarchy if the adjustment uses significant unobservable inputs.

820-10-35-51A Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-51B Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-51C Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-51D Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-51E Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-51F Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-51G Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-51H Paragraph superseded by Accounting Standards Update 2011-04.

> > Level 3 Inputs

820-10-35-52 Level 3 inputs are unobservable inputs for the asset or liability.

820-10-35-53 Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs shall reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

820-10-35-54 Assumptions about risk include the risk inherent in a particular valuation technique used to measure fair value (such as a pricing model) and the risk inherent in the inputs to the valuation technique. A measurement that does not include an adjustment for risk would not represent a fair value measurement if market participants would include one when pricing the asset or liability. For example, it might be necessary to include a risk adjustment when there is significant measurement uncertainty (for example, when there has been a significant decrease in the volume or level of activity when compared with normal market activity for the asset or liability, or similar assets or liabilities, and the reporting entity has determined that the transaction price or quoted price does not represent fair value, as described in paragraphs 820-10-35-54C through 35-54J).

820-10-35-54A A reporting entity shall develop unobservable inputs using the best information available in the circumstances, which might include the reporting entity's own data. In developing unobservable inputs, a reporting entity may begin with its own data, but it shall adjust those data if reasonably available information indicates that other market participants would use different data or there is something particular to the reporting entity that is not available to other market participants (for example, an entity-specific synergy). A reporting entity need not undertake exhaustive efforts to obtain information about market participant assumptions. However, a reporting entity shall take into account all information about market participant assumptions that is reasonably available. Unobservable inputs developed in the manner described above are considered market participant assumptions and meet the objective of a fair value measurement.

> > Categorizing Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) within the Fair Value Hierarchy

820-10-35-54B Categorization within the fair value hierarchy of a fair value measurement of an investment within the scope of paragraphs 820-10-15-4 through 15-5 that is measured at **net asset value per share** (or its equivalent, for example member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed) requires judgment, considering the following:

- a. If a reporting entity has the ability to redeem its investment with the investee at net asset value per share (or its equivalent) at the

- measurement date, the fair value measurement of the investment shall be categorized within Level 2 of the fair value hierarchy.
- b. If a reporting entity will never have the ability to redeem its investment with the investee at net asset value per share (or its equivalent), the fair value measurement of the investment shall be categorized within Level 3 of the fair value hierarchy.
 - c. If a reporting entity cannot redeem its investment with the investee at net asset value per share (or its equivalent) at the measurement date but the investment may be redeemable with the investee at a future date (for example, investments subject to a lockup or gate or investments whose redemption period does not coincide with the measurement date), the reporting entity shall take into account the length of time until the investment will become redeemable in determining whether the fair value measurement of the investment shall be categorized within Level 2 or Level 3 of the fair value hierarchy. For example, if the reporting entity does not know when it will have the ability to redeem the investment or it does not have the ability to redeem the investment in the near term at net asset value per share (or its equivalent), the fair value measurement of the investment shall be categorized within Level 3 of the fair value hierarchy.

> Measuring Fair Value When the Volume or Level of Activity for an Asset or a Liability Has Significantly Decreased

820-10-35-54C The fair value of an asset or a liability might be affected when there has been a significant decrease in the volume or level of activity for that asset or liability in relation to normal market activity for the asset or liability (or similar assets or liabilities). To determine whether, on the basis of the evidence available, there has been a significant decrease in the volume or level of activity for the asset or liability, a reporting entity shall evaluate the significance and relevance of factors such as the following:

- a. There are few recent transactions.
- b. Price quotations are not developed using current information.
- c. Price quotations vary substantially either over time or among market makers (for example, some brokered markets).
- d. Indices that previously were highly correlated with the fair values of the asset or liability are demonstrably uncorrelated with recent indications of fair value for that asset or liability.
- e. There is a significant increase in implied liquidity risk premiums, yields, or performance indicators (such as delinquency rates or loss severities) for observed transactions or quoted prices when compared with the reporting entity's estimate of expected cash flows, taking into account all available market data about credit and other nonperformance risk for the asset or liability.
- f. There is a wide bid-ask spread or significant increase in the bid-ask spread.

- g. There is a significant decline in the activity of, or there is an absence of, a market for new issues (that is, a primary market) for the asset or liability or similar assets or liabilities.
- h. Little information is publicly available (for example, for transactions that take place in a principal-to-principal market).

820-10-35-54D If a reporting entity concludes that there has been a significant decrease in the volume or level of activity for the asset or liability in relation to normal market activity for the asset or liability (or similar assets or liabilities), further analysis of the transactions or quoted prices is needed. A decrease in the volume or level of activity on its own may not indicate that a transaction price or quoted price does not represent fair value or that a transaction in that market is not orderly. However, if a reporting entity determines that a transaction or quoted price does not represent fair value (for example, there may be transactions that are not orderly), an adjustment to the transactions or quoted prices will be necessary if the reporting entity uses those prices as a basis for measuring fair value and that adjustment may be significant to the fair value measurement in its entirety. Adjustments also may be necessary in other circumstances (for example, when a price for a similar asset requires significant adjustment to make it comparable to the asset being measured or when the price is stale).

820-10-35-54E This Topic does not prescribe a methodology for making significant adjustments to transactions or quoted prices. See paragraphs 820-10-35-24 through 35-27 and 820-10-55-3A through 55-3G for a discussion of the use of valuation techniques when measuring fair value. Regardless of the valuation technique used, a reporting entity shall include appropriate risk adjustments, including a **risk premium** reflecting the amount that market participants would demand as compensation for the uncertainty inherent in the cash flows of an asset or a liability (see paragraph 820-10-55-8). Otherwise, the measurement does not faithfully represent fair value. In some cases, determining the appropriate risk adjustment might be difficult. However, the degree of difficulty alone is not a sufficient basis on which to exclude a risk adjustment. The risk adjustment shall be reflective of an orderly transaction between market participants at the measurement date under current market conditions.

820-10-35-54F If there has been a significant decrease in the volume or level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate (for example, the use of a market approach and a present value technique). When weighting indications of fair value resulting from the use of multiple valuation techniques, a reporting entity shall consider the reasonableness of the range of fair value measurements. The objective is to determine the point within the range that is most representative of fair value under current market conditions. A wide range of fair value measurements may be an indication that further analysis is needed.

820-10-35-54G Even when there has been a significant decrease in the volume or level of activity for the asset or liability, the objective of a fair value

measurement remains the same. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distress sale) between market participants at the measurement date under current market conditions.

820-10-35-54H Estimating the price at which market participants would be willing to enter into a transaction at the measurement date under current market conditions if there has been a significant decrease in the volume or level of activity for the asset or liability depends on the facts and circumstances at the measurement date and requires judgment. A reporting entity's intention to hold the asset or to settle or otherwise fulfill the liability is not relevant when measuring fair value because fair value is a market-based measurement, not an entity-specific measurement.

> Identifying Transactions That Are Not Orderly

820-10-35-54I The determination of whether a transaction is orderly (or is not orderly) is more difficult if there has been a significant decrease in the volume or level of activity for the asset or liability in relation to normal market activity for the asset or liability (or similar assets or liabilities). In such circumstances, it is not appropriate to conclude that all transactions in that market are not orderly (that is, forced liquidations or distress sales). Circumstances that may indicate that a transaction is not orderly include the following:

- a. There was not adequate exposure to the market for a period before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities under current market conditions.
- b. There was a usual and customary marketing period, but the seller marketed the asset or liability to a single market participant.
- c. The seller is in or near bankruptcy or receivership (that is, the seller is distressed).
- d. The seller was required to sell to meet regulatory or legal requirements (that is, the seller was forced).
- e. The transaction price is an outlier when compared with other recent transactions for the same or a similar asset or liability.

A reporting entity shall evaluate the circumstances to determine whether, on the weight of the evidence available, the transaction is orderly.

820-10-35-54J A reporting entity shall consider all of the following when measuring fair value or estimating market risk premiums:

- a. If the evidence indicates the transaction is not orderly, a reporting entity shall place little, if any, weight (compared with other indications of fair value) on that transaction price.
- b. If the evidence indicates that a transaction is orderly, a reporting entity shall take into account that transaction price. The amount of weight

placed on that transaction price when compared with other indications of fair value will depend on the facts and circumstances, such as the following:

1. The volume of the transaction
 2. The comparability of the transaction to the asset or liability being measured
 3. The proximity of the transaction to the measurement date.
- c. If a reporting entity does not have sufficient information to conclude whether a transaction is orderly, it shall take into account the transaction price. However, that transaction price may not represent fair value (that is, the transaction price is not necessarily the sole or primary basis for measuring fair value or estimating market risk premiums). When a reporting entity does not have sufficient information to conclude whether particular transactions are orderly, the reporting entity shall place less weight on those transactions when compared with other transactions that are known to be orderly.

A reporting entity need not undertake exhaustive efforts to determine whether a transaction is orderly, but it shall not ignore information that is reasonably available. When a reporting entity is a party to a transaction, it is presumed to have sufficient information to conclude whether the transaction is orderly.

> Using Quoted Prices Provided by Third Parties

820-10-35-54K This Topic does not preclude the use of quoted prices provided by third parties, such as pricing services or brokers, if a reporting entity has determined that the quoted prices provided by those parties are developed in accordance with this Topic.

820-10-35-54L If there has been a significant decrease in the volume or level of activity for the asset or liability, a reporting entity shall evaluate whether the quoted prices provided by third parties are developed using current information that reflects orderly transactions or a valuation technique that reflects market participant assumptions (including assumptions about risk). In weighting a quoted price as an input to a fair value measurement, a reporting entity places less weight (when compared with other indications of fair value that reflect the results of transactions) on quotes that do not reflect the result of transactions.

820-10-35-54M Furthermore, the nature of a quote (for example, whether the quote is an indicative price or a binding offer) shall be taken into account when weighting the available evidence, with more weight given to quotes provided by third parties that represent binding offers.

820-10-35-55 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-55A Paragraph not used.

820-10-35-55B Paragraph not used.

820-10-35-56 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-57 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-35-58 Paragraph superseded by Accounting Standards Update 2011-04.

> Measuring the Fair Value of Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)

820-10-35-59 A reporting entity is permitted, as a practical expedient, to estimate the fair value of an investment within the scope of paragraphs 820-10-15-4 through 15-5 using the net asset value per share (or its equivalent, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed) of the investment, if the net asset value per share of the investment (or its equivalent) is calculated in a manner consistent with the measurement principles of Topic 946 as of the reporting entity's measurement date.

820-10-35-60 If the net asset value per share of the investment obtained from the investee is not as of the reporting entity's measurement date or is not calculated in a manner consistent with the measurement principles of Topic 946, the reporting entity shall consider whether an adjustment to the most recent net asset value per share is necessary. The objective of any adjustment is to estimate a net asset value per share for the investment that is calculated in a manner consistent with the measurement principles of Topic 946 as of the reporting entity's measurement date.

820-10-35-61 A reporting entity shall decide on an investment-by-investment basis whether to apply the practical expedient in paragraph 820-10-35-59 and shall apply that practical expedient consistently to the fair value measurement of the reporting entity's entire position in a particular investment, unless it is probable at the measurement date that the reporting entity will sell a portion of an investment at an amount different from net asset value per share (or its equivalent) as described in the following paragraph. In those situations, the reporting entity shall account for the portion of the investment that is being sold in accordance with this Topic (that is, the reporting entity shall not apply the guidance in paragraph 820-10-35-59).

820-10-35-62 A reporting entity is not permitted to estimate the fair value of an investment (or a portion of the investment) within the scope of paragraphs 820-10-15-4 through 15-5 using the net asset value per share of the investment (or its equivalent) as a practical expedient if, as of the reporting entity's measurement date, it is probable that the reporting entity will sell the investment for an amount different from the net asset value per share (or its equivalent). A sale is considered probable only if all of the following criteria have been met as of the reporting entity's measurement date:

- a. Management, having the authority to approve the action, commits to a plan to sell the investment.

- b. An active program to locate a buyer and other actions required to complete the plan to sell the investment have been initiated.
- c. The investment is available for immediate sale subject only to terms that are usual and customary for sales of such investments (for example, a requirement to obtain approval of the sale from the investee or a buyer's due diligence procedures).
- d. Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Disclosure

820-10-50-1 A reporting entity shall disclose information that helps users of its financial statements assess both of the following:

- a. For assets and liabilities that are measured at **fair value** on a recurring or nonrecurring basis in the statement of financial position after initial recognition, the valuation techniques and **inputs** used to develop those measurements
- b. For recurring fair value measurements using significant **unobservable inputs** (Level 3), the effect of the measurements on earnings (or changes in net assets) or other comprehensive income for the period.

820-10-50-1A To meet the objectives in the preceding paragraph, a reporting entity shall consider all of the following:

- a. The level of detail necessary to satisfy the disclosure requirements
- b. How much emphasis to place on each of the various requirements
- c. How much aggregation or disaggregation to undertake
- d. Whether users of financial statements need additional information to evaluate the quantitative information disclosed.

If the disclosures provided in accordance with this Topic and other Topics are insufficient to meet the objectives in the preceding paragraph, a reporting entity shall disclose additional information necessary to meet those objectives.

820-10-50-1B Paragraphs 820-10-55-99 through 55-107 illustrate disclosures about fair value measurements.

820-10-50-2 To meet the objectives in paragraph 820-10-50-1, a reporting entity shall disclose, at a minimum, the following information for each class of assets and liabilities (see paragraph 820-10-50-2B for information on determining appropriate classes of assets and liabilities) measured at fair value (including measurements based on fair value within the scope of this Topic) in the statement of financial position after initial recognition:

- a. For recurring and nonrecurring fair value measurements, the fair value measurement at the end of the reporting period, and for nonrecurring fair value measurements, the reasons for the measurement. Recurring

- fair value measurements of assets or liabilities are those that other Topics require or permit in the statement of financial position at the end of each reporting period. Nonrecurring fair value measurements of assets or liabilities are those that other Topics require or permit in the statement of financial position in particular circumstances (for example, when a reporting entity measures a long-lived asset or disposal group classified as held for sale at fair value less costs to sell in accordance with Topic 360 because the asset's fair value less costs to sell is lower than its carrying amount).
- b. For recurring and nonrecurring fair value measurements, the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2, or 3).
 - 1. Subparagraph superseded by Accounting Standards Update 2011-04.
 - 2. Subparagraph superseded by Accounting Standards Update 2011-04.
 - 3. Subparagraph superseded by Accounting Standards Update 2011-04.
 - bb. For assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis, the amounts of any transfers between Level 1 and Level 2 of the fair value hierarchy, the reasons for those transfers, and the reporting entity's policy for determining when transfers between levels are deemed to have occurred (see paragraph 820-10-50-2C). Transfers into each level shall be disclosed and discussed separately from transfers out of each level.
 - 1. Subparagraph superseded by Accounting Standards Update 2011-04.
 - 2. Subparagraph superseded by Accounting Standards Update 2011-04.
 - 3. Subparagraph superseded by Accounting Standards Update 2011-04.
 - bbb. For recurring and nonrecurring fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation technique(s) and the inputs used in the fair value measurement. If there has been a change in valuation technique (for example, changing from a **market approach** to an **income approach** or the use of an additional valuation technique), the reporting entity shall disclose that change and the reason(s) for making it. For fair value measurements categorized within Level 3 of the fair value hierarchy, a reporting entity shall provide quantitative information about the significant unobservable inputs used in the fair value measurement. A reporting entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the reporting entity when measuring fair value (for example, when a reporting entity uses prices from prior transactions or third-party pricing information without adjustment).

- However, when providing this disclosure, a reporting entity cannot ignore quantitative unobservable inputs that are significant to the fair value measurement and are reasonably available to the reporting entity.
- c. For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following:
 1. Total gains or losses for the period recognized in earnings (or changes in net assets), and the line item(s) in the statement of income (or activities) in which those gains or losses are recognized
 - 1a. Total gains or losses for the period recognized in other comprehensive income, and the line item(s) in other comprehensive income in which those gains or losses are recognized
 2. Purchases, sales, issues, and settlements (each of those types of changes disclosed separately)
 3. The amounts of any transfers into or out of Level 3 of the fair value hierarchy, the reasons for those transfers, and the reporting entity's policy for determining when transfers between levels are deemed to have occurred (see paragraph 820-10-50-2C). Transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3.
 - i. Subparagraph superseded by Accounting Standards Update 2011-04.
 - ii. Subparagraph superseded by Accounting Standards Update 2011-04.
 - iii. Subparagraph superseded by Accounting Standards Update 2011-04.
 - d. For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the amount of the total gains or losses for the period in (c)(1) included in earnings (or changes in net assets) that is attributable to the change in unrealized gains or losses relating to those assets and liabilities held at the end of the reporting period, and the line item(s) in the statement of income (or activities) in which those unrealized gains or losses are recognized.
 - e. Subparagraph superseded by Accounting Standards Update 2011-04.
 - f. For recurring and nonrecurring fair value measurements categorized within Level 3 of the fair value hierarchy, a description of the valuation processes used by the reporting entity (including, for example, how an entity decides its valuation policies and procedures and analyzes changes in fair value measurements from period to period). See paragraph 820-10-55-105 for further guidance.
 - g. For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or

lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, a reporting entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement. To comply with that disclosure requirement, the narrative description of the sensitivity to changes in unobservable inputs shall include, at a minimum, the unobservable inputs disclosed when complying with paragraph 820-10-50-2(bbb).

- h. For recurring and nonrecurring fair value measurements, if the **highest and best use** of a nonfinancial asset differs from its current use, a reporting entity shall disclose that fact and why the nonfinancial asset is being used in a manner that differs from its highest and best use.

820-10-50-2A Paragraph superseded by Accounting Standards Update 2011-04.

820-10-50-2B A reporting entity shall determine appropriate classes of assets and liabilities on the basis of the following:

- a. The nature, characteristics, and risks of the asset or liability
- b. The level of the fair value hierarchy within which the fair value measurement is categorized.

The number of classes may need to be greater for fair value measurements categorized within Level 3 of the fair value hierarchy because those measurements have a greater degree of uncertainty and subjectivity. Determining appropriate classes of assets and liabilities for which disclosures about fair value measurements should be provided requires judgment. A class of assets and liabilities will often require greater disaggregation than the line items presented in the statement of financial position. However, a reporting entity shall provide information sufficient to permit reconciliation to the line items presented in the statement of financial position. If another Topic specifies the class for an asset or a liability, a reporting entity may use that class in providing the disclosures required in this Topic if that class meets the requirements in this paragraph.

820-10-50-2C A reporting entity shall disclose and consistently follow its policy for determining when transfers between levels of the fair value hierarchy are deemed to have occurred in accordance with paragraph 820-10-50-2(bb) and (c)(3). The policy about the timing of recognizing transfers shall be the same for transfers into the levels as for transfers out of the levels. Examples of policies for determining the timing of transfers include the following:

- a. The date of the event or change in circumstances that caused the transfer
- b. The beginning of the reporting period
- c. The end of the reporting period.

820-10-50-2D If a reporting entity makes an accounting policy decision to use the exception in paragraph 820-10-35-18D, it shall disclose that fact.

820-10-50-2E For each class of assets and liabilities not measured at fair value in the statement of financial position but for which the fair value is disclosed, a reporting entity shall disclose the information required by paragraph 820-10-50-2(b), (bbb), and (h). However, a reporting entity is not required to provide the quantitative disclosures about significant unobservable inputs used in fair value measurements categorized within Level 3 of the fair value hierarchy required by paragraph 820-10-50-2(bbb). For such assets and liabilities, a reporting entity does not need to provide the other disclosures required by this Topic.

820-10-50-2F A **nonpublic entity** is not required to disclose the information required by paragraph 820-10-50-2(bb) and (g) and paragraph 820-10-50-2E unless required by another Topic.

820-10-50-3 For derivative assets and liabilities, the reporting entity shall present both of the following:

- a. The fair value disclosures required by paragraph 820-10-50-2(a) through (bb) on a gross basis (which is consistent with the requirement of paragraph 815-10-50-4B(a))
- b. The reconciliation disclosure required by paragraph 820-10-50-2(c) through (d) on either a gross or a net basis.

820-10-50-4 Paragraph superseded by Accounting Standards Update 2011-04.

> Liability Issued with an Inseparable Third-Party Credit Enhancement

820-10-50-4A For a liability measured at fair value and issued with an inseparable third-party credit enhancement, an issuer shall disclose the existence of that credit enhancement.

820-10-50-5 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-50-6 Paragraph superseded by Accounting Standards Update 2011-04.

> Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)

820-10-50-6A For investments that are within the scope of paragraphs 820-10-15-4 through 15-5 (regardless of whether the practical expedient in paragraph 820-10-35-59 has been applied) and measured at fair value on a recurring or nonrecurring basis during the period, a reporting entity shall disclose information that helps users of its financial statements to understand the nature and risks of the investments and whether the investments are probable of being sold at amounts different from **net asset value per share** (or its equivalent, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed). To meet that objective, to the

extent applicable, a reporting entity shall disclose, at a minimum, the following information for each class of investment:

- a. The fair value measurement (as determined by applying paragraphs 820-10-35-59 through 35-62) of the investments in the class at the reporting date and a description of the significant investment strategies of the investee(s) in the class.
- b. For each class of investment that includes investments that can never be redeemed with the investees, but the reporting entity receives distributions through the liquidation of the underlying assets of the investees, the reporting entity's estimate of the period of time over which the underlying assets are expected to be liquidated by the investees.
- c. The amount of the reporting entity's unfunded commitments related to investments in the class.
- d. A general description of the terms and conditions upon which the investor may redeem investments in the class (for example, quarterly redemption with 60 days' notice).
- e. The circumstances in which an otherwise redeemable investment in the class (or a portion thereof) might not be redeemable (for example, investments subject to a lockup or gate). Also, for those otherwise redeemable investments that are restricted from redemption as of the reporting entity's measurement date, the reporting entity shall disclose its estimate of when the restriction from redemption might lapse. If an estimate cannot be made, the reporting entity shall disclose that fact and how long the restriction has been in effect.
- f. Any other significant restriction on the ability to sell investments in the class at the measurement date.
- g. If a reporting entity determines that it is probable that it will sell an investment(s) for an amount different from net asset value per share (or its equivalent) as described in paragraph 820-10-35-62, the reporting entity shall disclose the total fair value of all investments that meet the criteria in paragraph 820-10-35-62 and any remaining actions required to complete the sale.
- h. If a group of investments would otherwise meet the criteria in paragraph 820-10-35-62 but the individual investments to be sold have not been identified (for example, if a reporting entity decides to sell 20 percent of its investments in private equity funds but the individual investments to be sold have not been identified), so the investments continue to qualify for the practical expedient in paragraph 820-10-35-59, the reporting entity shall disclose its plans to sell and any remaining actions required to complete the sale(s).

> Changes in Valuation Techniques or Their Application

820-10-50-7 As discussed in paragraph 250-10-50-5, the disclosures required by Topic 250 for a change in accounting estimate are not required for revisions resulting from a change in a valuation technique or its application.

> Tabular Format Required

820-10-50-8 A reporting entity shall present the quantitative disclosures required by this Topic in a tabular format.

820-10-50-8A Paragraph not used.

820-10-50-9 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-50-10 Plan assets of a defined benefit pension or other postretirement plan that are accounted for in accordance with Topic 715 are not subject to the disclosure requirements in paragraphs 820-10-50-1 through 50-9. Instead, the disclosures required in paragraphs 715-20-50-1(d)(iv) and 715-20-50-5(c)(iv) shall apply for fair value measurements of plan assets of a defined benefit pension or other postretirement plan.

Implementation Guidance and Illustrations

> Implementation Guidance

> > The Fair Value Measurement Approach

820-10-55-1 The objective of a **fair value** measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. A fair value measurement requires a reporting entity to determine all of the following:

- a. The particular asset or liability that is the subject of the measurement (consistent with its **unit of account**)
- b. For a nonfinancial asset, the valuation premise that is appropriate for the measurement (consistent with its **highest and best use**)
- c. The principal (or most advantageous) market for the asset or liability
- d. The valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop **inputs** that represent the assumptions that **market participants** would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorized.

820-10-55-2 The judgments applied in different valuation situations may be different. This Section describes the judgments that might apply when a reporting entity measures fair value in different valuation situations.

> > > Valuation Premise for Nonfinancial Assets

820-10-55-3 When measuring the fair value of a nonfinancial asset used in combination with other assets as a group (as installed or otherwise configured for use) or in combination with other assets and liabilities (for example, a business), the effect of the valuation premise depends on the circumstances. For example:

- a. The fair value of the asset might be the same whether the asset is used on a standalone basis or in combination with other assets or with other assets and liabilities. That might be the case if the asset is a business that market participants would continue to operate. In that case, the transaction would involve valuing the business in its entirety. The use of the assets as a group in an ongoing business would generate synergies that would be available to market participants (that is, market participant synergies that, therefore, should affect the fair value of the asset on either a standalone basis or in combination with other assets or with other assets and liabilities).
- b. An asset's use in combination with other assets or with other assets and liabilities might be incorporated into the fair value measurement through adjustments to the value of the asset used on a standalone basis. That might be the case if the asset is a machine and the fair value measurement is determined using an observed price for a similar machine (not installed or otherwise configured for use), adjusted for transportation and installation costs so that the fair value measurement reflects the current condition and location of the machine (installed and configured for use).
- c. An asset's use in combination with other assets or with other assets and liabilities might be incorporated into the fair value measurement through the market participant assumptions used to measure the fair value of the asset. For example, if the asset is work-in-process inventory that is unique and market participants would convert the inventory into finished goods, the fair value of the inventory would assume that market participants have acquired or would acquire any specialized machinery necessary to convert the inventory into finished goods.
- d. An asset's use in combination with other assets or with other assets and liabilities might be incorporated into the valuation technique used to measure the fair value of the asset. That might be the case when using the multiperiod excess earnings method to measure the fair value of an intangible asset because that valuation technique specifically takes into account the contribution of any complementary assets and the associated liabilities in the group in which such an intangible asset would be used.
- e. In more limited situations, when a reporting entity uses an asset within a group of assets, the reporting entity might measure the asset at an amount that approximates its fair value when allocating the fair value of the asset group to the individual assets of the group. That might be the case if the valuation involves real property and the fair value of

improved property (that is, an asset group) is allocated to its component assets (such as land and improvements).

> > > Valuation Techniques

> > > > Market Approach

820-10-55-3A The market approach uses prices and other relevant information generated by market transactions involving identical or comparable (that is, similar) assets, liabilities, or a group of assets and liabilities, such as a business.

820-10-55-3B For example, valuation techniques consistent with the market approach often use market multiples derived from a set of comparables. Multiples might be in ranges with a different multiple for each comparable. The selection of the appropriate multiple within the range requires judgment, considering qualitative and quantitative factors specific to the measurement.

820-10-55-3C Valuation techniques consistent with the market approach include matrix pricing. Matrix pricing is a mathematical technique used principally to value some types of financial instruments, such as debt securities, without relying exclusively on quoted prices for the specific securities, but rather relying on the securities' relationship to other benchmark quoted securities.

> > > > Cost Approach

820-10-55-3D The cost approach reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

820-10-55-3E From the perspective of a market participant seller, the price that would be received for the asset is based on the cost to a market participant buyer to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence. That is because a market participant buyer would not pay more for an asset than the amount for which it could replace the service capacity of that asset. Obsolescence encompasses physical deterioration, functional (technological) obsolescence, and economic (external) obsolescence and is broader than depreciation for financial reporting purposes (an allocation of historical cost) or tax purposes (using specified service lives). In many cases, the current replacement cost method is used to measure the fair value of tangible assets that are used in combination with other assets or with other assets and liabilities.

> > > > Income Approach

820-10-55-3F The income approach converts future amounts (for example, cash flows or income and expenses) to a single current (that is, discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

820-10-55-3G Those valuation techniques include, for example, the following:

- a. **Present value** techniques
- b. Option-pricing models, such as the Black-Scholes-Merton formula or a binomial model (that is, a lattice model), that incorporate present value techniques and reflect both the time value and the intrinsic value of an option
- c. The multiperiod excess earnings method, which is used to measure the fair value of some intangible assets.

>>> Present Value Techniques

820-10-55-4 Paragraphs 820-10-55-5 through 55-20 describe the use of present value techniques to measure fair value. Those paragraphs focus on a **discount rate adjustment technique** and an **expected cash flow** (expected present value) technique. Those paragraphs neither prescribe the use of a single specific present value technique nor limit the use of present value techniques to measure fair value to the techniques discussed. The present value technique used to measure fair value will depend on facts and circumstances specific to the asset or liability being measured (for example, whether prices for comparable assets or liabilities can be observed in the market) and the availability of sufficient data.

>>>> The Components of a Present Value Measurement

820-10-55-5 Present value (that is, an application of the **income approach**) is a tool used to link future amounts (for example, cash flows or values) to a present amount using a discount rate. A fair value measurement of an asset or a liability using a present value technique captures all of the following elements from the perspective of market participants at the measurement date:

- a. An estimate of future cash flows for the asset or liability being measured.
- b. Expectations about possible variations in the amount and timing of the cash flows representing the uncertainty inherent in the cash flows.
- c. The time value of money, represented by the rate on risk-free monetary assets that have maturity dates or durations that coincide with the period covered by the cash flows and pose neither uncertainty in timing nor risk of default to the holder (that is, a risk-free interest rate). For present value computations denominated in nominal U.S. dollars, the yield curve for U.S. Treasury securities determines the appropriate risk-free interest rate.
- d. The price for bearing the uncertainty inherent in the cash flows (that is, a **risk premium**).
- e. Other factors that market participants would take into account in the circumstances.
- f. For a liability, the **nonperformance risk** relating to that liability, including the reporting entity's (that is, the obligor's) own **credit risk**.

>>> General Principles

820-10-55-6 Present value techniques differ in how they capture the elements in the preceding paragraph. However, all of the following general principles govern the application of any present value technique used to measure fair value:

- a. Cash flows and discount rates should reflect assumptions that market participants would use when pricing the asset or liability.
- b. Cash flows and discount rates should take into account only the factors attributable to the asset or liability being measured.
- c. To avoid double counting or omitting the effects of risk factors, discount rates should reflect assumptions that are consistent with those inherent in the cash flows. For example, a discount rate that reflects the uncertainty in expectations about future defaults is appropriate if using contractual cash flows of a loan (that is, a discount rate adjustment technique). That same rate should not be used if using expected (that is, probability-weighted) cash flows (that is, an expected present value technique) because the expected cash flows already reflect assumptions about the uncertainty in future defaults; instead, a discount rate that is commensurate with the risk inherent in the expected cash flows should be used.
- d. Assumptions about cash flows and discount rates should be internally consistent. For example, nominal cash flows, which include the effect of inflation, should be discounted at a rate that includes the effect of inflation. The nominal risk-free interest rate includes the effect of inflation. Real cash flows, which exclude the effect of inflation, should be discounted at a rate that excludes the effect of inflation. Similarly, after-tax cash flows should be discounted using an after-tax discount rate. Pretax cash flows should be discounted at a rate consistent with those cash flows.
- e. Discount rates should be consistent with the underlying economic factors of the currency in which the cash flows are denominated.

>>> Risk and Uncertainty

820-10-55-7 A fair value measurement using present value techniques is made under conditions of uncertainty because the cash flows used are estimates rather than known amounts. In many cases, both the amount and timing of the cash flows are uncertain. Even contractually fixed amounts, such as the payments on a loan, are uncertain if there is risk of default.

820-10-55-8 Market participants generally seek compensation (that is, a risk premium) for bearing the uncertainty inherent in the cash flows of an asset or a liability. A fair value measurement should include a risk premium reflecting the amount that market participants would demand as compensation for the uncertainty inherent in the cash flows. Otherwise, the measurement would not faithfully represent fair value. In some cases, determining the appropriate risk

premium might be difficult. However, the degree of difficulty alone is not a sufficient reason to exclude a risk premium.

820-10-55-9 Present value techniques differ in how they adjust for risk and in the type of cash flows they use. For example:

- a. The discount rate adjustment technique (see paragraphs 820-10-55-10 through 55-12) uses a risk-adjusted discount rate and contractual, promised, or most likely cash flows.
- b. Method 1 of the expected present value technique (see paragraph 820-10-55-15) uses risk-adjusted expected cash flows and a risk-free rate.
- c. Method 2 of the expected present value technique (see paragraph 820-10-55-16) uses expected cash flows that are not risk adjusted and a discount rate adjusted to include the risk premium that market participants require. That rate is different from the rate used in the discount rate adjustment technique.

> > > Discount Rate Adjustment Technique

820-10-55-10 The discount rate adjustment technique uses a single set of cash flows from the range of possible estimated amounts, whether contractual or promised (as is the case for a bond) or most likely cash flows. In all cases, those cash flows are conditional upon the occurrence of specified events (for example, contractual or promised cash flows for a bond are conditional on the event of no default by the debtor). The discount rate used in the discount rate adjustment technique is derived from observed rates of return for comparable assets or liabilities that are traded in the market. Accordingly, the contractual, promised, or most likely cash flows are discounted at an observed or estimated market rate for such conditional cash flows (that is, a market rate of return).

820-10-55-11 The discount rate adjustment technique requires an analysis of market data for comparable assets or liabilities. Comparability is established by considering the nature of the cash flows (for example, whether the cash flows are contractual or noncontractual and are likely to respond similarly to changes in economic conditions), as well as other factors (for example, credit standing, collateral, duration, restrictive covenants, and liquidity). Alternatively, if a single comparable asset or liability does not fairly reflect the risk inherent in the cash flows of the asset or liability being measured, it may be possible to derive a discount rate using data for several comparable assets or liabilities in conjunction with the risk-free yield curve (that is, using a build-up approach). Paragraph 820-10-55-33 illustrates the build-up approach.

820-10-55-12 When the discount rate adjustment technique is applied to fixed receipts or payments, the adjustment for risk inherent in the cash flows of the asset or liability being measured is included in the discount rate. In some applications of the discount rate adjustment technique to cash flows that are not fixed receipts or payments, an adjustment to the cash flows may be necessary to

achieve comparability with the observed asset or liability from which the discount rate is derived.

> > > **Expected Present Value Technique**

820-10-55-13 The expected present value technique uses as a starting point a set of cash flows that represents the probability-weighted average of all possible future cash flows (that is, the expected cash flows). The resulting estimate is identical to expected value, which, in statistical terms, is the weighted average of a discrete random variable's possible values with the respective probabilities as the weights. Because all possible cash flows are probability-weighted, the resulting expected cash flow is not conditional upon the occurrence of any specified event (unlike the cash flows used in the discount rate adjustment technique).

820-10-55-14 In making an investment decision, risk-averse market participants would take into account the risk that the actual cash flows may differ from the expected cash flows. Portfolio theory distinguishes between two types of risk:

- a. **Unsystematic (diversifiable) risk**
- b. **Systematic (nondiversifiable) risk.**

820-10-55-15 Method 1 of the expected present value technique adjusts the expected cash flows of an asset for systematic (that is, market) risk by subtracting a cash risk premium (that is, risk-adjusted expected cash flows). Those risk-adjusted expected cash flows represent a certainty equivalent cash flow, which is discounted at a risk-free interest rate. A certainty equivalent cash flow refers to an expected cash flow (as defined), adjusted for risk so that a market participant is indifferent to trading a certain cash flow for an expected cash flow. For example, if a market participant was willing to trade an expected cash flow of \$1,200 for a certain cash flow of \$1,000, the \$1,000 is the certainty equivalent of the \$1,200 (that is, the \$200 would represent the cash risk premium). In that case, the market participant would be indifferent as to the asset held.

820-10-55-16 In contrast, Method 2 of the expected present value technique adjusts for systematic (that is, market) risk by applying a risk premium to the risk-free interest rate. Accordingly, the expected cash flows are discounted at a rate that corresponds to an expected rate associated with probability-weighted cash flows (that is, an expected rate of return). Models used for pricing risky assets, such as the capital asset pricing model, can be used to estimate the expected rate of return. Because the discount rate used in the discount rate adjustment technique is a rate of return relating to conditional cash flows, it is likely to be higher than the discount rate used in Method 2 of the expected present value technique, which is an expected rate of return relating to expected or probability-weighted cash flows.

820-10-55-17 To illustrate Methods 1 and 2, assume that an asset has expected cash flows of \$780 in 1 year determined on the basis of the possible cash flows and probabilities shown below. The applicable risk-free interest rate for cash flows with a 1-year horizon is 5 percent, and the systematic risk premium for an asset with the same risk profile is 3 percent.

<u>Possible Cash Flows</u>		<u>Probability</u>	<u>Probability-Weighted Cash Flows</u>	
\$	500	15%	\$	75
\$	800	60%	\$	480
\$	900	25%	\$	225
Expected cash flows			<u><u>\$ 780</u></u>	

820-10-55-18 In this simple illustration, the expected cash flows (\$780) represent the probability-weighted average of the 3 possible outcomes. In more realistic situations, there could be many possible outcomes. However, to apply the expected present value technique, it is not always necessary to take into account distributions of all possible cash flows using complex models and techniques. Rather, it might be possible to develop a limited number of discrete scenarios and probabilities that capture the array of possible cash flows. For example, a reporting entity might use realized cash flows for some relevant past period, adjusted for changes in circumstances occurring subsequently (for example, changes in external factors, including economic or market conditions, industry trends, and competition as well as changes in internal factors affecting the reporting entity more specifically), taking into account the assumptions of market participants.

820-10-55-19 In theory, the present value (that is, the fair value) of the asset's cash flows is the same whether determined using Method 1 or Method 2, as follows:

- a. Using Method 1, the expected cash flows are adjusted for systematic (that is, market) risk. In the absence of market data directly indicating the amount of the risk adjustment, such adjustment could be derived from an asset pricing model using the concept of certainty equivalents. For example, the risk adjustment (that is, the cash risk premium of \$22) could be determined using the systematic risk premium of 3 percent ($\$780 - [\$780 \times (1.05/1.08)]$), which results in risk-adjusted expected cash flows of \$758 ($\$780 - \22). The \$758 is the certainty equivalent of \$780 and is discounted at the risk-free interest rate (5 percent). The present value (that is, the fair value) of the asset is \$722 ($\$758/1.05$).

- b. Using Method 2, the expected cash flows are not adjusted for systematic (that is, market) risk. Rather, the adjustment for that risk is included in the discount rate. Thus, the expected cash flows are discounted at an expected rate of return of 8 percent (that is, the 5 percent risk-free interest rate plus the 3 percent systematic risk premium). The present value (that is, the fair value) of the asset is \$722 ($\$780/1.08$).

820-10-55-20 When using an expected present value technique to measure fair value, either Method 1 or Method 2 could be used. The selection of Method 1 or Method 2 will depend on facts and circumstances specific to the asset or liability being measured, the extent to which sufficient data are available, and the judgments applied.

> > > Fair Value Hierarchy

> > > > Level 2 Inputs

820-10-55-21 Examples of **Level 2 inputs** for particular assets and liabilities include the following:

- a. Receive-fixed, pay-variable interest rate swap based on the London Interbank Offered Rate (LIBOR) swap rate. A Level 2 input would be the LIBOR swap rate if that rate is observable at commonly quoted intervals for substantially the full term of the swap.
- b. Receive-fixed, pay-variable interest rate swap based on a yield curve denominated in a foreign currency. A Level 2 input would be the swap rate based on a yield curve denominated in a foreign currency that is observable at commonly quoted intervals for substantially the full term of the swap. That would be the case if the term of the swap is 10 years and that rate is observable at commonly quoted intervals for 9 years, provided that any reasonable extrapolation of the yield curve for Year 10 would not be significant to the fair value measurement of the swap in its entirety.
- c. Receive-fixed, pay-variable interest rate swap based on a specific bank's prime rate. A Level 2 input would be the bank's prime rate derived through extrapolation if the extrapolated values are corroborated by observable market data, for example, by correlation with an interest rate that is observable over substantially the full term of the swap.
- d. Three-year option on exchange-traded shares. A Level 2 input would be the implied volatility for the shares derived through extrapolation to Year 3 if both of the following conditions exist:
 - 1. Prices for one-year and two-year options on the shares are observable.
 - 2. The extrapolated implied volatility of a three-year option is corroborated by observable market data for substantially the full term of the option.

In that case, the implied volatility could be derived by extrapolating from the implied volatility of the one-year and two-year options on the shares and corroborated by the implied volatility for three-year options on comparable entities' shares, provided that correlation with the one-year and two-year implied volatilities is established.

- e. Licensing arrangement. For a licensing arrangement that is acquired in a **business combination** and was recently negotiated with an unrelated party by the acquired entity (the party to the licensing arrangement), a Level 2 input would be the royalty rate in the contract with the unrelated party at inception of the arrangement.
- f. Finished goods inventory at a retail outlet. For finished goods inventory that is acquired in a business combination, a Level 2 input would be either a price to customers in a retail market or a price to retailers in a wholesale market, adjusted for differences between the condition and location of the inventory item and the comparable (that is, similar) inventory items so that the fair value measurement reflects the price that would be received in a transaction to sell the inventory to another retailer that would complete the requisite selling efforts. Conceptually, the fair value measurement will be the same, whether adjustments are made to a retail price (downward) or to a wholesale price (upward). Generally, the price that requires the least amount of subjective adjustments should be used for the fair value measurement.
- g. Building held and used. A Level 2 input would be the price per square foot for the building (a valuation multiple) derived from observable market data, for example, multiples derived from prices in observed transactions involving comparable (that is, similar) buildings in similar locations.
- h. Reporting unit. A Level 2 input would be a valuation multiple (for example, a multiple of earnings or revenue or a similar performance measure) derived from observable market data, for example, multiples derived from prices in observed transactions involving comparable (that is, similar) businesses, taking into account operational, market, financial, and nonfinancial factors.

> > > Level 3 Inputs

820-10-55-22 Examples of **Level 3 inputs** for particular assets and liabilities include the following:

- a. Long-dated currency swap. A Level 3 input would be an interest rate in a specified currency that is not observable and cannot be corroborated by observable market data at commonly quoted intervals or otherwise for substantially the full term of the currency swap. The interest rates in a currency swap are the swap rates calculated from the respective countries' yield curves.
- b. Three-year option on exchange-traded shares. A Level 3 input would be historical volatility, that is, the volatility for the shares derived from the

shares' historical prices. Historical volatility typically does not represent current market participants' expectations about future volatility, even if it is the only information available to price an option.

- c. Interest rate swap. A Level 3 input would be an adjustment to a mid-market consensus (nonbinding) price for the swap developed using data that are not directly observable and cannot otherwise be corroborated by observable market data.
- d. Asset retirement obligation at initial recognition. A Level 3 input would be a current estimate using the reporting entity's own data about the future cash outflows to be paid to fulfill the obligation (including market participants' expectations about the costs of fulfilling the obligation and the compensation that a market participant would require for taking on the asset retirement obligation) if there is no reasonably available information that indicates that market participants would use different assumptions. That Level 3 input would be used in a present value technique together with other inputs, for example, a current risk-free interest rate or a credit-adjusted risk-free rate if the effect of the reporting entity's credit standing on the fair value of the liability is reflected in the discount rate rather than in the estimate of future cash outflows.
- e. Reporting unit. A Level 3 input would be a financial forecast (for example, of cash flows or earnings) developed using the reporting entity's own data if there is no reasonably available information that indicates that market participants would use different assumptions.

820-10-55-22A Paragraph superseded by Accounting Standards Update 2011-04.

820-10-55-22B Paragraph superseded by Accounting Standards Update 2011-04.

820-10-55-23 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-55-23A Paragraph not used.

820-10-55-23B Paragraph not used.

820-10-55-23C Paragraph superseded by Accounting Standards Update 2011-04.

820-10-55-23D Paragraph superseded by Accounting Standards Update 2011-04.

> Illustrations

820-10-55-24 The following Examples portray hypothetical situations illustrating the judgments that might apply when a reporting entity measures assets and liabilities at fair value in different valuation situations. Although some aspects of the examples may be present in actual fact patterns, all relevant facts and

circumstances of a particular fact pattern would need to be evaluated when applying this Topic.

> > Example 1: Highest and Best Use and Valuation Premise

820-10-55-25 Cases A through C illustrate the application of the highest-and-best-use and valuation premise concepts for nonfinancial assets.

- a. Subparagraph superseded by Accounting Standards Update 2011-04.
- b. Subparagraph superseded by Accounting Standards Update 2011-04.
- c. Subparagraph superseded by Accounting Standards Update 2011-04.

> > > Case A: Asset Group

820-10-55-26 A reporting entity acquires assets and assumes liabilities in a business combination. One of the groups of assets acquired comprises Assets A, B, and C. Asset C is billing software integral to the business developed by the acquired entity for its own use in conjunction with Assets A and B (that is, the related assets). The reporting entity measures the fair value of each of the assets individually, consistent with the specified unit of account for the assets. The reporting entity determines that the highest and best use of the assets is their current use and that each asset would provide maximum value to market participants principally through its use in combination with other assets or with other assets and liabilities (that is, its complementary assets and the associated liabilities). There is no evidence to suggest that the current use of the assets is not their highest and best use.

820-10-55-27 In this situation, the reporting entity would sell the assets in the market in which it initially acquired the assets (that is, the entry and exit markets from the perspective of the reporting entity are the same). Market participant buyers with whom the reporting entity would enter into a transaction in that market have characteristics that are generally representative of both strategic buyers (such as competitors) and financial buyers (such as private equity or venture capital firms that do not have complementary investments) and include those buyers that initially bid for the assets. Although market participant buyers might be broadly classified as strategic or financial buyers, in many cases there will be differences among the market participant buyers within each of those groups, reflecting, for example, different uses for an asset and different operating strategies.

820-10-55-28 As discussed below, differences between the indicated fair values of the individual assets relate principally to the use of the assets by those market participants within different asset groups:

- a. Strategic buyer asset group. The reporting entity determines that strategic buyers have related assets that would enhance the value of the group within which the assets would be used (that is, market participant synergies). Those assets include a substitute asset for Asset C (the billing software), which would be used for only a limited transition

period and could not be sold on its own at the end of that period. Because strategic buyers have substitute assets, Asset C would not be used for its full remaining economic life. The indicated fair values of Assets A, B, and C within the strategic buyer asset group (reflecting the synergies resulting from the use of the assets within that group) are \$360, \$260, and \$30, respectively. The indicated fair value of the assets as a group within the strategic buyer asset group is \$650.

- b. Financial buyer asset group. The reporting entity determines that financial buyers do not have related or substitute assets that would enhance the value of the group within which the assets would be used. Because financial buyers do not have substitute assets, Asset C (that is, the billing software) would be used for its full remaining economic life. The indicated fair values of Assets A, B, and C within the financial buyer asset group are \$300, \$200, and \$100, respectively. The indicated fair value of the assets as a group within the financial buyer asset group is \$600.

820-10-55-29 The fair values of Assets A, B, and C would be determined on the basis of the use of the assets as a group within the strategic buyer group (\$360, \$260, and \$30). Although the use of the assets within the strategic buyer group does not maximize the fair value of each of the assets individually, it maximizes the fair value of the assets as a group (\$650).

>>> Case B: Land

820-10-55-30 A reporting entity acquires land in a business combination. The land is currently developed for industrial use as a site for a factory. The current use of land is presumed to be its highest and best use unless market or other factors suggest a different use. Nearby sites have recently been developed for residential use as sites for high-rise apartment buildings. On the basis of that development and recent zoning and other changes to facilitate that development, the reporting entity determines that the land currently used as a site for a factory could be developed as a site for residential use (that is, for high-rise apartment buildings) because market participants would take into account the potential to develop the site for residential use when pricing the land.

820-10-55-31 The highest and best use of the land would be determined by comparing both of the following:

- a. The value of the land as currently developed for industrial use (that is, the land would be used in combination with other assets, such as the factory, or with other assets and liabilities)
- b. The value of the land as a vacant site for residential use, taking into account the costs of demolishing the factory and other costs (including the uncertainty about whether the reporting entity would be able to convert the asset to the alternative use) necessary to convert the land to a vacant site (that is, the land is to be used by market participants on a standalone basis).

The highest and best use of the land would be determined on the basis of the higher of those values. In situations involving real estate appraisal, the determination of highest and best use might take into account factors relating to the factory operations, including its assets and liabilities.

> > > Case C: In-Process Research and Development Project

820-10-55-32 A reporting entity acquires an in-process research and development project in a business combination. The reporting entity does not intend to complete the project. If completed, the project would compete with one of its own projects (to provide the next generation of the reporting entity's commercialized technology). Instead, the reporting entity intends to hold (that is, lock up) the project to prevent its competitors from obtaining access to the technology. In doing this, the project is expected to provide defensive value, principally by improving the prospects for the reporting entity's own competing technology. To measure the fair value of the project at initial recognition, the highest and best use of the project would be determined on the basis of its use by market participants. For example:

- a. The highest and best use of the in-process research and development project would be to continue development if market participants would continue to develop the project and that use would maximize the value of the group of assets or of assets and liabilities in which the project would be used (that is, the asset would be used in combination with other assets or with other assets and liabilities). That might be the case if market participants do not have similar technology, either in development or commercialized. The fair value of the project would be measured on the basis of the price that would be received in a current transaction to sell the project, assuming that the in-process research and development would be used with its complementary assets and the associated liabilities and that those assets and liabilities would be available to market participants.
- b. The highest and best use of the in-process research and development project would be to cease development if, for competitive reasons, market participants would lock up the project and that use would maximize the value of the group of assets or of assets and liabilities in which the project would be used. That might be the case if market participants have technology in a more advanced stage of development that would compete with the project if completed and the project would be expected to improve the prospects for their own competing technology if locked up. The fair value of the project would be measured on the basis of the price that would be received in a current transaction to sell the project, assuming that the in-process research and development would be used (that is, locked up) with its complementary assets and the associated liabilities and that those assets and liabilities would be available to market participants.

- c. The highest and best use of the in-process research and development project would be to cease development if market participants would discontinue its development. That might be the case if the project is not expected to provide a market rate of return if completed and would not otherwise provide defensive value if locked up. The fair value of the project would be measured on the basis of the price that would be received in a current transaction to sell the project on its own (which might be zero).

> > Example 2: Discount Rate Adjustment Technique—The Build-Up Approach

820-10-55-33 To illustrate a build-up approach (as discussed in paragraph 820-10-55-11), assume that Asset A is a contractual right to receive \$800 in 1 year (that is, there is no timing uncertainty). There is an established market for comparable assets, and information about those assets, including price information, is available. Of those comparable assets:

- a. Asset B is a contractual right to receive \$1,200 in 1 year and has a market price of \$1,083. Thus, the implied annual rate of return (that is, a 1-year market rate of return) is 10.8 percent $[(\$1,200/\$1,083) - 1]$.
- b. Asset C is a contractual right to receive \$700 in 2 years and has a market price of \$566. Thus, the implied annual rate of return (that is, a 2-year market rate of return) is 11.2 percent $[(\$700/\$566)^{0.5} - 1]$.
- c. All three assets are comparable with respect to risk (that is, dispersion of possible payoffs and credit).

820-10-55-34 On the basis of the timing of the contractual payments to be received for Asset A relative to the timing for Asset B and Asset C (that is, one year for Asset B versus two years for Asset C), Asset B is deemed more comparable to Asset A. Using the contractual payment to be received for Asset A (\$800) and the 1-year market rate derived from Asset B (10.8 percent), the fair value of Asset A is \$722 $(\$800/1.108)$. Alternatively, in the absence of available market information for Asset B, the one-year market rate could be derived from Asset C using the build-up approach. In that case, the 2-year market rate indicated by Asset C (11.2 percent) would be adjusted to a 1-year market rate using the term structure of the risk-free yield curve. Additional information and analysis might be required to determine whether the risk premiums for one-year and two-year assets are the same. If it is determined that the risk premiums for one-year and two-year assets are not the same, the two-year market rate of return would be further adjusted for that effect.

> > Example 3: Use of Multiple Valuation Techniques

820-10-55-35 This Topic notes that a single valuation technique will be appropriate in some cases. In other cases, multiple valuation techniques will be appropriate. Cases A and B illustrate the use of multiple valuation techniques.

- a. Subparagraph superseded by Accounting Standards Update 2011-04.
- b. Subparagraph superseded by Accounting Standards Update 2011-04.

> > Case A: Machine Held and Used

820-10-55-36 A reporting entity acquires a machine in a business combination. The machine will be held and used in its operations. The machine was originally purchased by the acquired entity from an outside vendor and, before the business combination, was customized by the acquired entity for use in its operations. However, the customization of the machine was not extensive. The acquiring entity determines that the asset would provide maximum value to market participants through its use in combination with other assets or with other assets and liabilities (as installed or otherwise configured for use). There is no evidence to suggest that the current use of the machine is not its highest and best use. Therefore, the highest and best use of the machine is its current use in combination with other assets or with other assets and liabilities.

820-10-55-37 The reporting entity determines that sufficient data are available to apply the **cost approach** and, because the customization of the machine was not extensive, the **market approach**. The **income approach** is not used because the machine does not have a separately identifiable income stream from which to develop reliable estimates of future cash flows. Furthermore, information about short-term and intermediate-term lease rates for similar used machinery that otherwise could be used to project an income stream (that is, lease payments over remaining service lives) is not available. The market and cost approaches are applied as follows:

- a. The market approach is applied using quoted prices for similar machines adjusted for differences between the machine (as customized) and the similar machines. The measurement reflects the price that would be received for the machine in its current condition (used) and location (installed and configured for use). The fair value indicated by that approach ranges from \$40,000 to \$48,000.
- b. The cost approach is applied by estimating the amount that would be required currently to construct a substitute (customized) machine of comparable utility. The estimate takes into account the condition of the machine and the environment in which it operates, including physical wear and tear (that is, physical deterioration), improvements in technology (that is, functional obsolescence), conditions external to the condition of the machine such as a decline in the market demand for similar machines (that is, economic obsolescence), and installation costs. The fair value indicated by that approach ranges from \$40,000 to \$52,000.

820-10-55-38 The reporting entity determines that the higher end of the range indicated by the market approach is most representative of fair value and, therefore, ascribes more weight to the results of the market approach. That determination is made on the basis of the relative subjectivity of the inputs, taking

into account the degree of comparability between the machine and the similar machines. In particular:

- a. The inputs used in the market approach (quoted prices for similar machines) require fewer and less subjective adjustments than the inputs used in the cost approach.
- b. The range indicated by the market approach overlaps with, but is narrower than, the range indicated by the cost approach.
- c. There are no known unexplained differences (between the machine and the similar machines) within that range.

Accordingly, the reporting entity determines that the fair value of the machine is \$48,000.

820-10-55-38A If customization of the machine was extensive or if there were not sufficient data available to apply the market approach (for example, because market data reflect transactions for machines used on a standalone basis, such as, a scrap value for specialized assets, rather than machines used in combination with other assets or with other assets and liabilities), the reporting entity would apply the cost approach. When an asset is used in combination with other assets or with other assets and liabilities, the cost approach assumes the sale of the machine to a market participant buyer with the complementary assets and the associated liabilities. The price received for the sale of the machine (that is, an exit price) would not be more than either of the following:

- a. The cost that a market participant buyer would incur to acquire or construct a substitute machine of comparable utility
- b. The economic benefit that a market participant buyer would derive from the use of the machine.

> > Case B: Software Asset

820-10-55-39 A reporting entity acquires a group of assets. The asset group includes an income-producing software asset internally developed for licensing to customers and its complementary assets (including a related database with which the software asset is used) and the associated liabilities. To allocate the cost of the group to the individual assets acquired, the reporting entity measures the fair value of the software asset. The reporting entity determines that the software asset would provide maximum value to market participants through its use in combination with other assets or with other assets and liabilities (that is, its complementary assets and the associated liabilities). There is no evidence to suggest that the current use of the software asset is not its highest and best use. Therefore, the highest and best use of the software asset is its current use. (In this case, the licensing of the software asset, in and of itself, does not indicate that the fair value of the asset would be maximized through its use by market participants on a standalone basis.)

820-10-55-40 The reporting entity determines that, in addition to the income approach, sufficient data might be available to apply the cost approach but not

the market approach. Information about market transactions for comparable software assets is not available. The income and cost approaches are applied as follows:

- a. The income approach is applied using a present value technique. The cash flows used in that technique reflect the income stream expected to result from the software asset (license fees from customers) over its economic life. The fair value indicated by that approach is \$15 million.
- b. The cost approach is applied by estimating the amount that currently would be required to construct a substitute software asset of comparable utility (that is, taking into account functional and economic obsolescence). The fair value indicated by that approach is \$10 million.

820-10-55-41 Through its application of the cost approach, the reporting entity determines that market participants would not be able to construct a substitute software asset of comparable utility. Some characteristics of the software asset are unique, having been developed using proprietary information, and cannot be readily replicated. The reporting entity determines that the fair value of the software asset is \$15 million, as indicated by the income approach.

> > **Example 4: Level 1 Principal (or Most Advantageous) Market**

820-10-55-42 Example 4 illustrates the use of **Level 1 inputs** to measure the fair value of an asset that trades in different **active markets** at different prices.

820-10-55-43 An asset is sold in two different active markets at different prices. A reporting entity enters into transactions in both markets and can access the price in those markets for the asset at the measurement date. In Market A, the price that would be received is \$26, **transaction costs** in that market are \$3, and the costs to transport the asset to that market are \$2 (that is, the net amount that would be received is \$21). In Market B, the price that would be received is \$25, transaction costs in that market are \$1, and the costs to transport the asset to that market are \$2 (that is, the net amount that would be received in Market B is \$22).

820-10-55-44 If Market A is the **principal market** for the asset (that is, the market with the greatest volume and level of activity for the asset), the fair value of the asset would be measured using the price that would be received in that market, after taking into account **transportation costs** (\$24).

820-10-55-45 If neither market is the principal market for the asset, the fair value of the asset would be measured using the price in the **most advantageous market**. The most advantageous market is the market that maximizes the amount that would be received to sell the asset after taking into account transaction costs and transportation costs (that is, the net amount that would be received in the respective markets).

820-10-55-45A Because the reporting entity would maximize the net amount that would be received for the asset in Market B (\$22), the fair value of the asset

would be measured using the price in that market (\$25), less transportation costs (\$2), resulting in a fair value measurement of \$23. Although transaction costs are taken into account when determining which market is the most advantageous market, the price used to measure the fair value of the asset is not adjusted for those costs (although it is adjusted for transportation costs).

> > Example 5: Transaction Prices and Fair Value at Initial Recognition— Interest Rate Swap at Initial Recognition

820-10-55-46 This Topic (see paragraphs 820-10-30-3 through 30-3A) clarifies that in many cases the transaction price, that is, the price paid (received) for a particular asset (liability), will represent the fair value of that asset (liability) at initial recognition, but not presumptively. This Example illustrates when the price in a transaction involving a derivative instrument might (and might not) equal the fair value of the instrument at initial recognition.

820-10-55-47 Entity A (a retail counterparty) enters into an interest rate swap in a retail market with Entity B (a dealer) for no initial consideration (that is, the transaction price is zero). Entity A can access only the retail market. Entity B can access both the retail market (that is, with retail counterparties) and the **dealer market** (that is, with dealer counterparties).

820-10-55-48 From the perspective of Entity A, the retail market in which it initially entered into the swap is the principal market for the swap. If Entity A were to transfer its rights and obligations under the swap, it would do so with a dealer counterparty in that retail market. In that case, the transaction price (zero) would represent the fair value of the swap to Entity A at initial recognition, that is, the price that Entity A would receive to sell or pay to transfer the swap in a transaction with a dealer counterparty in the retail market (that is, an **exit price**). That price would not be adjusted for any incremental (transaction) costs that would be charged by that dealer counterparty.

820-10-55-49 From the perspective of Entity B, the dealer market (not the retail market) is the principal market for the swap. If Entity B were to transfer its rights and obligations under the swap, it would do so with a dealer in that market. Because the market in which Entity B initially entered into the swap is different from the principal market for the swap, the transaction price (zero) would not necessarily represent the fair value of the swap to Entity B at initial recognition.

820-10-55-50 Paragraph superseded by Accounting Standards Update 2011-04.

> > Example 6: Restricted Assets

820-10-55-51 The effect on a fair value measurement arising from a restriction on the sale or use of an asset by a reporting entity will differ depending on whether the restriction would be taken into account by market participants when pricing the asset. Cases A and B illustrate the effect of restrictions when measuring the fair value of an asset.

- a. Subparagraph superseded by Accounting Standards Update 2011-04.
- b. Subparagraph superseded by Accounting Standards Update 2011-04.

> > > Case A: Restriction on the Sale of an Equity Instrument

820-10-55-52 A reporting entity holds an equity instrument (a **financial asset**) for which sale is legally or contractually restricted for a specified period. (For example, such a restriction could limit sale to qualifying investors, as may be the case in accordance with Rule 144 or similar rules of the Securities and Exchange Commission [SEC].) The restriction is a characteristic of the instrument and, therefore, would be transferred to market participants. In that case, the fair value of the instrument would be measured on the basis of the quoted price for an otherwise identical unrestricted equity instrument of the same issuer that trades in a public market, adjusted to reflect the effect of the restriction. The adjustment would reflect the amount market participants would demand because of the risk relating to the inability to access a public market for the instrument for the specified period. The adjustment will vary depending on all of the following:

- a. The nature and duration of the restriction
- b. The extent to which buyers are limited by the restriction (for example, there might be a large number of qualifying investors)
- c. Qualitative and quantitative factors specific to both the instrument and the issuer.

820-10-55-53 As discussed in paragraph 820-10-15-5, this Topic applies for equity securities with restrictions that expire within one year that are measured at fair value in accordance with Subtopics 320-10 and 958-320.

> > > Case B: Restrictions on the Use of an Asset

820-10-55-54 A donor contributes land in an otherwise developed residential area to a not-for-profit neighborhood association. The land is currently used as a playground. The donor specifies that the land must continue to be used by the association as a playground in perpetuity. Upon review of relevant documentation (for example, legal and other), the association determines that the fiduciary responsibility to meet the donor's restriction would not be transferred to market participants if the association sold the asset, that is, the donor restriction on the use of the land is specific to the association. Furthermore, the association is not restricted from selling the land. Without the restriction on the use of the land by the association, the land could be used as a site for residential development. In addition, the land is subject to an easement (that is, a legal right that enables a utility to run power lines across the land). Following is an analysis of the effect on the fair value measurement of the land arising from the restriction and the easement:

- a. Donor restriction on use of land. Because in this situation the donor restriction on the use of the land is specific to the association, the restriction would not be transferred to market participants. Therefore, the

fair value of the land would be the higher of its fair value used as a playground (that is, the fair value of the asset would be maximized through its use by market participants in combination with other assets or with other assets and liabilities) and its fair value as a site for residential development (that is, the fair value of the asset would be maximized through its use by market participants on a standalone basis), regardless of the restriction on the use of the land by the association.

- b. Easement for utility lines. Because the easement for utility lines is specific to (that is, a characteristic of) the land, it would be transferred to market participants with the land. Therefore, the fair value measurement of the land would take into account the effect of the easement, regardless of whether the highest and best use is as a playground or as a site for residential development.

820-10-55-55 The donor restriction, which is legally binding on the association, would be indicated through classification of the associated net assets (permanently restricted) and disclosure of the nature of the restriction in accordance with paragraphs 958-210-45-8 through 45-9, 958-210-50-1, and 958-210-50-3.

>> Example 7: Measuring Liabilities

820-10-55-55A A fair value measurement of a liability assumes that the liability, whether it is a financial liability or a nonfinancial liability, is transferred to a market participant at the measurement date (that is, the liability would remain outstanding and the market participant transferee would be required to fulfill the obligation; it would not be settled with the counterparty or otherwise extinguished on the measurement date).

820-10-55-56 The fair value of a liability reflects the effect of nonperformance risk. Nonperformance risk relating to a liability includes, but may not be limited to, the reporting entity's own credit risk. A reporting entity takes into account the effect of its credit risk (credit standing) on the fair value of the liability in all periods in which the liability is measured at fair value because those that hold the reporting entity's obligations as assets would take into account the effect of the reporting entity's credit standing when estimating the prices they would be willing to pay. Cases A–E illustrate the measurement of liabilities and the effect of nonperformance risk (including a reporting entity's own credit risk) on a fair value measurement.

- a. Subparagraph superseded by Accounting Standards Update 2011-04.
- b. Subparagraph superseded by Accounting Standards Update 2011-04.

>>> Case A: Liabilities and Credit Risk—General

820-10-55-57 This Case has the following assumptions:

- a. Entity X and Entity Y each enter into a contractual obligation to pay cash (\$500) to Entity Z in 5 years.

- b. Entity X has a AA credit rating and can borrow at 6 percent, and Entity Y has a BBB credit rating and can borrow at 12 percent.
- c. Subparagraph superseded by Accounting Standards Update 2011-04.
- d. Subparagraph superseded by Accounting Standards Update 2011-04.

820-10-55-57A Entity X will receive about \$374 in exchange for its promise (the present value of \$500 in 5 years at 6 percent). Entity Y will receive about \$284 in exchange for its promise (the present value of \$500 in 5 years at 12 percent). The fair value of the liability to each entity (that is, the proceeds) incorporates that reporting entity's credit standing.

> > > Case B: Structured Note

820-10-55-58 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-55-59 On January 1, 20X7, Entity A, an investment bank with a AA credit rating, issues a five-year fixed rate note to Entity B. The contractual principal amount to be paid by Entity A at maturity is linked to the Standard and Poor's S&P 500 index. No credit enhancements are issued in conjunction with or otherwise related to the contract (that is, no collateral is posted and there is no third-party guarantee). Entity A elects to account for the entire note at fair value in accordance with paragraph 815-15-25-4. The fair value of the note (that is, the obligation of Entity A) during 20X7 is measured using an expected present value technique. Changes in fair value are as follows:

- a. Fair value at January 1, 20X7. The expected cash flows used in the expected present value technique are discounted at the risk-free rate using the treasury yield curve at January 1, 20X7, plus the current market observable AA corporate bond spread to treasuries, if nonperformance risk is not already reflected in the cash flows, adjusted (either up or down) for Entity A's specific credit risk (that is, resulting in a credit-adjusted risk-free rate). Therefore, the fair value of Entity A's obligation at initial recognition takes into account nonperformance risk, including that reporting entity's credit risk, which presumably is reflected in the proceeds.
- b. Fair value at March 31, 20X7. During March 20X7, the credit spread for AA corporate bonds widens, with no changes to the specific credit risk of Entity A. The expected cash flows used in the expected present value technique are discounted at the risk-free rate using the treasury yield curve at March 31, 20X7, plus the current market observable AA corporate bond spread to treasuries if nonperformance risk is not already reflected in the cash flows, adjusted for Entity A's specific credit risk (that is, resulting in a credit-adjusted risk-free rate). Entity A's specific credit risk is unchanged from initial recognition. Therefore, the fair value of Entity A's obligation changes as a result of changes in credit spreads generally. Changes in credit spreads reflect current market participant assumptions about changes in nonperformance risk generally, changes in liquidity risk, and the compensation required for assuming those risks.

- c. Fair value at June 30, 20X7. As of June 30, 20X7, there have been no changes to the AA corporate bond spreads. However, on the basis of structured note issues corroborated with other qualitative information, Entity A determines that its own specific creditworthiness has strengthened within the AA credit spread. The expected cash flows used in the expected present value technique are discounted at the risk-free rate using the treasury yield curve at June 30, 20X7, plus the current market observable AA corporate bond spread to treasuries (unchanged from March 31, 20X7), if nonperformance risk is not already reflected in the cash flows, adjusted for Entity A's specific credit risk (that is, resulting in a credit-adjusted risk-free rate). Therefore, the fair value of the obligation of Entity A changes as a result of the change in its own specific credit risk within the AA corporate bond spread.

820-10-55-59A Paragraph superseded by Accounting Standards Update 2011-04.

820-10-55-59B Paragraph superseded by Accounting Standards Update 2011-04.

820-10-55-59C Paragraph superseded by Accounting Standards Update 2011-04.

820-10-55-59D Paragraph superseded by Accounting Standards Update 2011-04.

820-10-55-59E Paragraph superseded by Accounting Standards Update 2011-04.

820-10-55-59F Paragraph superseded by Accounting Standards Update 2011-04.

820-10-55-59G Paragraph superseded by Accounting Standards Update 2011-04.

820-10-55-59H Paragraph superseded by Accounting Standards Update 2011-04.

820-10-55-59I Paragraph superseded by Accounting Standards Update 2011-04.

820-10-55-59J Paragraph not used.

820-10-55-59K Paragraph not used.

820-10-55-59L Paragraph not used.

820-10-55-59M Paragraph not used.

820-10-55-60 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-55-61 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-55-62 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-55-63 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-55-64 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-55-64A Paragraph superseded by Accounting Standards Update 2011-04.

820-10-55-65 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-55-66 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-55-67 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-55-68 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-55-69 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-55-70 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-55-71 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-55-72 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-55-73 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-55-74 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-55-75 Paragraph superseded by Accounting Standards Update 2011-04.

820-10-55-76 Paragraph superseded by Accounting Standards Update 2011-04.

> > > Case C: Asset Retirement Obligation

820-10-55-77 On January 1, 20X1, Entity A assumes an asset retirement obligation in a business combination. The reporting entity is legally required to dismantle and remove an offshore oil platform at the end of its useful life, which is estimated to be 10 years.

820-10-55-78 On the basis of paragraph 410-20-30-1, Entity A uses the expected present value technique to measure the fair value of the asset retirement obligation.

820-10-55-79 If Entity A was contractually allowed to transfer its asset retirement obligation to a market participant, Entity A concludes that a market participant would use all of the following inputs, probability-weighted as appropriate, when estimating the price it would expect to receive:

- a. Labor costs
- b. Allocation of overhead costs
- c. The compensation that a market participant would require for undertaking the activity and for assuming the risk associated with the

obligation to dismantle and remove the asset. Such compensation includes both of the following:

1. Profit on labor and overhead costs
 2. The risk that the actual cash outflows might differ from those expected, excluding inflation.
- d. Effect of inflation on estimated costs and profits
- e. Time value of money, represented by the risk-free rate
- f. Nonperformance risk relating to the risk that Entity A will not fulfill the obligation, including Entity A's own credit risk.

820-10-55-80 The significant assumptions used by Entity A to measure fair value are as follows:

- a. Labor costs are developed on the basis of current marketplace wages, adjusted for expectations of future wage increases, required to hire contractors to dismantle and remove offshore oil platforms. Entity A assigns probability assessments to a range of cash flow estimates as follows.

<u>Cash Flow Estimate</u>	<u>Probability Assessment</u>	<u>Expected Cash Flows</u>
\$ 100,000	25%	\$ 25,000
\$ 125,000	50%	62,500
\$ 175,000	25%	43,750
		<u>\$ 131,250</u>

The probability assessments are developed on the basis of Entity A's experience with fulfilling obligations of this type and its knowledge of the market.

- b. Entity A estimates allocated overhead and equipment operating costs using the rate it applies to labor costs (80 percent of expected labor costs). This is consistent with the cost structure of market participants.
- c. Entity A estimates the compensation that a market participant would require for undertaking the activity and for assuming the risk associated with the obligation to dismantle and remove the asset as follows:
1. A third-party contractor typically adds a markup on labor and allocated internal costs to provide a profit margin on the job. The profit margin used (20 percent) represents Entity A's understanding of the operating profit that contractors in the industry generally earn to dismantle and remove offshore oil platforms. Entity A concludes that this rate is consistent with the rate that a market participant would require as compensation for undertaking the activity.

2. A contractor would typically require compensation for the risk that the actual cash outflows might differ from those expected because of the uncertainty inherent in locking in today's price for a project that will not occur for 10 years. Entity A estimates the amount of that premium to be 5 percent of the expected cash flows, including the effect of inflation.
 - d. Entity A assumes a rate of inflation of 4 percent over the 10-year period on the basis of available market data.
 - e. The risk-free rate of interest for a 10-year maturity on January 1, 20X1, is 5 percent. Entity A adjusts that rate by 3.5 percent to reflect its risk of nonperformance (that is, the risk that it will not fulfill the obligation), including its credit risk. Therefore, the discount rate used to compute the present value of the cash flows is 8.5 percent.

820-10-55-81 Entity A concludes that its assumptions would be used by market participants. In addition, Entity A does not adjust its fair value measurement for the existence of a restriction preventing it from transferring the liability. As illustrated in the following table, Entity A measures the fair value of its liability for the asset retirement obligation as \$194,879.

	Expected Cash Flows 1/1/X1
Expected labor costs	\$ 131,250
Allocated overhead and equipment costs (.80 x \$131,250)	\$ 105,000
Contractor's profit markup [.20 x (\$131,250 + \$105,000)]	\$ 47,250
Expected cash flows before inflation adjustment	<u>\$ 283,500</u>
Inflation factor (4% for 10 years)	1.4802
Expected cash flows adjusted for inflation	\$ 419,637
Market risk premium (.05 x \$419,637)	\$ 20,982
Expected cash flows adjusted for market risk	<u>\$ 440,619</u>
Expected present value using discount rate of 8.5% for 10 years	<u><u>\$ 194,879</u></u>

> > > Case D: Debt Obligation—Quoted Price

820-10-55-82 On January 1, 20X1, Entity B issues at par a \$2 million BBB-rated exchange-traded 5-year fixed-rate debt instrument with an annual 10 percent coupon. Entity B has elected to account for this instrument using the fair value option.

820-10-55-83 On December 31, 20X1, the instrument is trading as an asset in an active market at \$929 per \$1,000 of par value after payment of accrued interest. Entity B uses the quoted price of the asset in an active market as its initial input into the fair value measurement of its liability ($\$929 \times [\$2 \text{ million} \div \$1,000] = \$1,858,000$).

820-10-55-84 In determining whether the quoted price of the asset in an active market represents the fair value of the liability, Entity B evaluates whether the quoted price of the asset includes the effect of factors not applicable to the fair value measurement of a liability, for example, whether the quoted price of the asset includes the effect of a third-party credit enhancement that would be separately accounted for from the perspective of the issuer. Entity B determines that no adjustments are required to the quoted price of the asset. Accordingly, Entity B concludes that the fair value of its debt instrument at December 31, 20X1, is \$1,858,000. Entity B categorizes and discloses the fair value measurement of its debt instrument within Level 1 of the fair value hierarchy.

> > > Case E: Debt Obligation—Present Value Technique

820-10-55-85 On January 1, 20X1, Entity C issues at par in a private placement a \$2 million BBB-rated 5-year fixed-rate debt instrument with an annual 10 percent coupon. Entity C has elected to account for this instrument using the fair value option.

820-10-55-86 At December 31, 20X1, Entity C still carries a BBB credit rating. Market conditions, including available interest rates, credit spreads for a BBB-quality credit rating and liquidity, remain unchanged from the date the debt instrument was issued. However, Entity C's credit spread has deteriorated by 50 basis points because of a change in its risk of nonperformance. After taking into account all market conditions, Entity C concludes that if it was to issue the instrument at the measurement date, the instrument would bear a rate of interest of 10.5 percent or Entity C would receive less than par in proceeds from the issue of the instrument.

820-10-55-87 For the purpose of this example, the fair value of Entity C's liability is calculated using a present value technique. Entity C concludes that a market participant would use all of the following inputs (consistent with paragraph 820-10-55-5) when estimating the price the market participant would expect to receive to assume Entity C's obligation:

- a. The terms of the debt instrument, including all of the following:
 1. Coupon rate of 10 percent
 2. Principal amount of \$2 million
 3. Term of 4 years.
- b. The market rate of interest of 10.5 percent (which includes a change of 50 basis points in the risk of nonperformance from the date of issue).

820-10-55-88 On the basis of its present value technique, Entity C concludes that the fair value of its liability at December 31, 20X1, is \$1,968,641.

820-10-55-89 Entity C does not include any additional input into its present value technique for risk or profit that a market participant might require for compensation for assuming the liability. Because Entity C's obligation is a financial liability, Entity C concludes that the interest rate already captures the

risk or profit that a market participant would require as compensation for assuming the liability. Furthermore, Entity C does not adjust its present value technique for the existence of a restriction preventing it from transferring the liability.

> > Example 8: Measuring Fair Value When the Volume or Level of Activity for an Asset or a Liability Has Significantly Decreased

820-10-55-90 This Example illustrates the use of judgment when measuring the fair value of a financial asset when there has been a significant decrease in the volume or level of activity for the asset when compared with normal market activity for the asset (or similar assets). (See paragraphs 820-10-35-54C through 35-54H.) This Example has all of the following assumptions:

- a. Entity A invests in a junior AAA-rated tranche of a residential mortgage-backed security on January 1, 20X8 (the issue date of the security).
- b. The junior tranche is the third most senior of a total of seven tranches.
- c. The underlying collateral for the residential mortgage-backed security is unguaranteed nonconforming residential mortgage loans that were issued in the second half of 20X6.
- d. At March 31, 20X9 (the measurement date), the junior tranche is now A-rated. This tranche of the residential mortgage-backed security was previously traded through a **brokered market**. However, trading volume in that market was infrequent, with only a few transactions taking place per month from January 1, 20X8, to June 30, 20X8, and little, if any, trading activity during the nine months before March 31, 20X9.

820-10-55-91 Entity A takes into account the factors in paragraph 820-10-35-54C to determine whether there has been a significant decrease in the volume or level of activity for the junior tranche of the residential mortgage-backed security in which it has invested. After evaluating the significance and relevance of the factors, Entity A concludes that the volume and level of activity of the junior tranche of the residential mortgage-backed security have significantly decreased. Entity A supported its judgment primarily on the basis that there was little, if any, trading activity for an extended period before the measurement date.

820-10-55-92 Because there is little, if any, trading activity to support a valuation technique using a market approach, Entity A decides to use an income approach using the discount rate adjustment technique described beginning in paragraph 820-10-55-10 to measure the fair value of the residential mortgage-backed security at the measurement date. (See also paragraphs 820-10-35-36 through 35-36A.) Entity A uses the contractual cash flows from the residential mortgage-backed security. The discount rate adjustment technique described beginning in paragraph 820-10-55-10 would not be appropriate when determining whether there has been an other-than-temporary impairment and/or a change in yield in accordance with paragraph 325-40-35-4 when that technique uses contractual cash flows rather than most likely cash flows.

820-10-55-93 Entity A then estimates a discount rate (that is, a market rate of return) to discount those contractual cash flows. The market rate of return is estimated using both of the following:

- a. The risk-free rate of interest
- b. Estimated adjustments for differences between the available market data and the junior tranche of the residential mortgage-backed security in which Entity A has invested. Those adjustments reflect available market data about expected nonperformance and other risks (for example, default risk, collateral value risk, and liquidity risk) that market participants would take into account when pricing the asset in an orderly transaction at the measurement date under current market conditions.

820-10-55-94 Entity A took into account the following information when estimating the adjustments in the preceding paragraph:

- a. The credit spread for the junior tranche of the residential mortgage-backed security at the issue date as implied by the original transaction price
- b. The change in credit spread implied by any observed transactions from the issue date to the measurement date for comparable residential mortgage-backed securities or on the basis of relevant indices
- c. The characteristics of the junior tranche of the residential mortgage-backed security compared with comparable residential mortgage-backed securities or indices, including all of the following:
 1. The quality of the underlying assets, that is, information about all of the following:
 - i. Delinquency rates
 - ii. Foreclosure rates
 - iii. Loss experience
 - iv. Prepayment rates.
 2. The seniority or subordination of the residential mortgage-backed security tranche held
 3. Other relevant factors.
- d. Relevant reports issued by analysts and rating agencies
- e. Quoted prices from third parties such as brokers or pricing services.

820-10-55-95 Entity A estimates that one indication of the market rate of return that market participants would use when pricing the junior tranche of the residential mortgage-backed security is 12 percent (1,200 basis points). This market rate of return was estimated as follows:

- a. Begin with 300 basis points for the relevant risk-free rate of interest at March 31, 20X9.
- b. Add 250 basis points for the credit spread over the risk-free rate when the junior tranche was issued in January 20X8.
- c. Add 700 basis points for the estimated change in the credit spread over the risk-free rate of the junior tranche between January 1, 20X8, and

March 31, 20X9. This estimate was developed on the basis of the change in the most comparable index available for that time period.

- d. Subtract 50 basis points (net) to adjust for differences between the index used to estimate the change in credit spreads and the junior tranche. The referenced index consists of subprime mortgage loans, whereas Entity A's residential mortgage-backed security consists of similar mortgage loans with a more favorable credit profile (making it more attractive to market participants). However, the index does not reflect an appropriate liquidity risk premium for the junior tranche under current market conditions. Thus, the 50 basis point adjustment is the net of two adjustments.
 1. The first adjustment is a 350 basis point subtraction, which was estimated by comparing the implied yield from the most recent transactions for the residential mortgage-backed security in June 20X8 with the implied yield in the index price on those same dates. There was no information available that indicated that the relationship between Entity A's security and the index has changed.
 2. The second adjustment is a 300 basis point addition, which is Entity A's best estimate of the additional liquidity risk inherent in its security (a cash position) when compared with the index (a synthetic position). This estimate was derived after taking into account liquidity risk premiums implied in recent cash transactions for a range of similar securities.

820-10-55-96 As an additional indication of the market rate of return, Entity A takes into account 2 recent indicative quotes (that is, nonbinding quotes) provided by reputable brokers for the junior tranche of the residential mortgage-backed security that imply yields of 15 to 17 percent. Entity A is unable to evaluate the valuation technique(s) or inputs used to develop the quotes. However, Entity A is able to confirm that the quotes do not reflect the results of transactions.

820-10-55-97 Because Entity A has multiple indications of the market rate of return that market participants would take into account when measuring fair value, it evaluates and weights the respective indications of the rate of return, considering the reasonableness of the range indicated by the results.

820-10-55-98 Entity A concludes that 13 percent is the point within the range of indications that is most representative of fair value under current market conditions. Entity A places more weight on the 12 percent indication (that is, its own estimate of the market rate of return) for the following reasons:

- a. Entity A concluded that its own estimate appropriately incorporated the risks (for example, default risk, collateral value risk, and liquidity risk) that market participants would use when pricing the asset in an orderly transaction under current market conditions.

- b. The broker quotes were nonbinding and did not reflect the results of transactions, and Entity A was unable to evaluate the valuation technique(s) or inputs used to develop the quotes.

> > Example 9: Fair Value Disclosures

820-10-55-99 The disclosures required by paragraphs 820-10-50-1A, 820-10-50-2(a) through (b) and (bbb) through (g), 820-10-50-6A, and 820-10-50-8 are illustrated by the following Cases:

- a. Assets measured at fair value (Case A)
- b. Reconciliation of fair value measurements categorized within Level 3 of the fair value hierarchy (Case B)
- c. Information about fair value measurements categorized within Level 3 of the fair value hierarchy (Case C)
- d. Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) (Case D).

> > > Case A: Disclosure—Assets Measured at Fair Value

820-10-55-100 For assets and liabilities measured at fair value at the reporting date, this Topic requires quantitative disclosures about the fair value measurements for each class of assets and liabilities at the end of the reporting period. A reporting entity might disclose the following for assets to comply with paragraph 820-10-50-2(a) through (b).

(\$ in millions)

Fair Value Measurements at the End of the Reporting Period Using

Description	Fair Value Measurements at the End of the Reporting Period Using				Total Gains (Losses)
	12/31/X9	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Recurring fair value measurements					
Trading securities ^(a)					
Equity securities—real estate industry	\$ 93	\$ 70	\$ 23		
Equity securities—oil and gas industry	45	45			
Equity securities—other	15	15			
Total trading securities	<u>\$ 153</u>	<u>\$ 130</u>	<u>\$ 23</u>		
Available-for-sale debt securities					
Residential mortgage-backed securities	\$ 149		\$ 24	\$ 125	
Commercial mortgage-backed securities	50			50	
Collateralized debt obligations	35			35	
U.S. Treasury securities	85	\$ 85			
Corporate bonds	93	9	84		
Total available-for-sale debt securities	<u>\$ 412</u>	<u>\$ 94</u>	<u>\$ 108</u>	<u>\$ 210</u>	
Available-for-sale equity securities ^(a)					
Financial services industry	\$ 150	\$ 150			
Healthcare industry	110	110			
Other	15	15			
Total available-for-sale equity securities	<u>\$ 275</u>	<u>\$ 275</u>			
Total available-for-sale securities	<u>\$ 687</u>	<u>\$ 369</u>	<u>\$ 108</u>	<u>\$ 210</u>	
Hedge fund investments					
Equity long/short	\$ 55		\$ 55		
Global opportunities	35		35		
High-yield debt securities	90			\$ 90	
Total hedge fund investments	<u>\$ 180</u>		<u>\$ 90</u>	<u>\$ 90</u>	
Other investments					
Private equity fund investments ^(b)	\$ 25			\$ 25	
Direct venture capital: healthcare ^(a)	53			53	
Direct venture capital: energy ^(b)	32			32	
Total other investments	<u>110</u>			<u>110</u>	
Derivatives					
Interest rate contracts	57		\$ 57		
Foreign exchange contracts	43		43		
Credit contracts	38			38	
Commodity futures contracts	78	\$ 78			
Commodity forward contracts	20		20		
Total derivatives	<u>\$ 236</u>	<u>\$ 78</u>	<u>\$ 120</u>	<u>\$ 38</u>	
Total recurring fair value measurements	<u>\$ 1,366</u>	<u>\$ 577</u>	<u>\$ 341</u>	<u>\$ 448</u>	
Nonrecurring fair value measurements					
Long-lived assets held and used ^(c)	\$ 75		\$ 75		\$ (25)
Goodwill ^(d)	30			\$ 30	(35)
Long-lived assets held for sale ^(e)	26		26		(15)
Total nonrecurring fair value measurements	<u>\$ 131</u>		<u>\$ 101</u>	<u>\$ 30</u>	<u>\$ (75)</u>

- (a) On the basis of its analysis of the nature, characteristics, and risks of the securities, the reporting entity has determined that presenting them by industry is appropriate.
- (b) On the basis of its analysis of the nature, characteristics, and risks of the investments, the reporting entity has determined that presenting them as a single class is appropriate.
- (c) In accordance with Subtopic 360-10, long-lived assets held and used with a carrying amount of \$100 million were written down to their fair value of \$75 million, resulting in an impairment charge of \$25 million, which was included in earnings for the period.
- (d) In accordance with Subtopic 350-20, goodwill with a carrying amount of \$65 million was written down to its implied fair value of \$30 million, resulting in an impairment charge of \$35 million, which was included in earnings for the period.
- (e) In accordance with Subtopic 360-10, long-lived assets held for sale with a carrying amount of \$35 million were written down to their fair value of \$26 million, less costs to sell of \$6 million (or \$20 million), resulting in a loss of \$15 million, which was included in earnings for the period.
- (Note: For liabilities, a similar table should be presented.)

**> > > Case B: Disclosure—Reconciliation of Fair Value Measurements
Categorized within Level 3 of the Fair Value Hierarchy**

820-10-55-101 For recurring fair value measurements categorized within Level 3 of the fair value hierarchy this Topic requires a reconciliation from the opening balances to the closing balances for each class of assets and liabilities, except for derivative assets and liabilities, which may be presented net. A reporting entity might disclose the following for assets to comply with paragraph 820-10-50-2(c) through (d).

(\$ in millions)

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Available-for-Sale Debt Securities		Hedge Fund Investments		Other Investments			Derivatives		Total
	Residential Mortgage-Backed Securities	Commercial Mortgage-Backed Securities	Collateralized Debt Obligations	High-Yield Debt Securities	Private Equity Fund	Direct Venture Capital: Healthcare	Direct Venture Capital: Energy	Credit Contracts		
Opening balance	\$ 105	\$ 39	\$ 25	\$ 145	\$ 20	\$ 49	\$ 28	\$ 30	\$ 441	
Transfers into Level 3	60 ^(a)								60	
Transfers out of Level 3	(5) ^(b)								(5)	
Total gains or losses for the period										
Included in earnings (or changes in net assets)	(8)			7	5	3	1		5	
Included in other comprehensive income	(15)	(5)	(7)						(32)	
Purchases, issues, sales, and settlements		16	17			5	3		18	
Purchases										
Issues										
Sales	(12)			(62)		(4)			(78)	
Settlements								(10)	(10)	
Closing balance	\$ 125	\$ 50	\$ 35	\$ 90	\$ 25	\$ 53	\$ 32	\$ 38	\$ 448	
Change in unrealized gains or losses for the period, included in earnings (or changes in net assets) for assets held at the end of the reporting period				\$	\$	\$	\$	\$	\$	
				(5)	5	3	1	1	2	
									6	

(a) Transferred from Level 2 to Level 3 because of a lack of observable market data, resulting from a decrease in market activity for the securities.

(b) The reporting entity's policy is to recognize transfers into and transfers out of Level 3 as of the date of the event or change in circumstances that caused the transfer.

(c) Transferred from Level 3 to Level 2 because observable market data became available for the securities.

(Note: For liabilities, a similar table should be presented.)

820-10-55-102 Gains and losses included in earnings (or changes in net assets) for the period (above) are presented in trading revenues and in other revenues as follows.

	<u>Trading Revenues</u>	<u>Other Revenues</u>
Total gains or losses for the period included in earnings (or changes in net assets)	<u>\$ 5</u>	<u>\$ 8</u>
Change in unrealized gains or losses for the period included in earnings (or changes in net assets) for assets held at the end of the reporting period	<u>\$ 2</u>	<u>\$ 4</u>

(Note: For liabilities, a similar table should be presented.)

> > > Case C: Disclosure—Information about Fair Value Measurements Categorized within Level 3 of the Fair Value Hierarchy

> > > Valuation Techniques and Inputs

820-10-55-103 For fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy, this Topic requires a reporting entity to disclose a description of the valuation technique(s) and the inputs used in the fair value measurement. For fair value measurements categorized within Level 3 of the fair value hierarchy, information about the significant unobservable inputs used must be quantitative. A reporting entity might disclose the following for assets to comply with the requirement to disclose the significant unobservable inputs used in the fair value measurement in accordance with paragraph 820-10-50-2(bbb).

Quantitative Information about Level 3 Fair Value Measurements

	Fair Value at 12/31/19	Valuation Technique(s)	Unobservable Input	Range (Weighted Average)
Residential mortgage-backed securities	125	Discounted cash flow	Constant prepayment rate Probability of default Loss severity	3.5% – 5.5% (4.5%) 5% – 50% (10%) 40% – 100% (60%)
Commercial mortgage-backed securities	50	Discounted cash flow	Constant prepayment rate Probability of default Loss severity	3.0% – 5.0% (4.1%) 2% – 25% (5%) 10% – 50% (20%)
Collateralized debt obligations	35	Consensus pricing	Offered quotes	20 – 45
Direct venture capital investments: healthcare	53	Discounted cash flow	Comparability adjustments (%) Weighted average cost of capital Long-term revenue growth rate Long-term pretax operating margin Discount for lack of marketability (a) Control premium (a)	-10% – +15% (4.5%) 7% – 18% (13.1%) 2% – 5% (4.2%) 3% – 20% (10.3%) 5% – 20% (17%) 10% – 30% (20%)
		Market comparable companies	EBITDA multiple (b) Revenue multiple (b) Discount for lack of marketability (a) Control premium (a)	10 – 13 (11.3) 1.5 – 2.0 (1.7) 5% – 20% (17%) 10% – 30% (20%)
Direct venture capital investments: energy	32	Discounted cash flow	Weighted average cost of capital Long-term revenue growth rate Long-term pretax operating margin Discount for lack of marketability (a) Control premium (a)	8% – 12% (11.1%) 3% – 5.5% (4.2%) 7.5% – 13% (9.2%) 5% – 20% (10%) 10% – 20% (12%)
		Market comparable companies	EBITDA multiple (b) Revenue multiple (b) Discount for lack of marketability (a) Control premium (a)	6.8 – 12 (9.5) 1.0 – 3.0 (2.0) 5% – 20% (10%) 10% – 20% (12%)
Credit contracts	38	Option model	Annualized volatility of credit (c) Counterparty credit risk (d) Own credit risk (d)	10% – 20% 0.5% – 3.5% 0.3% – 2.0%

- (a) Represents amounts used when the reporting entity has determined that market participants would take into account these premiums and discounts when pricing the investments.
 (b) Represents amounts used when the reporting entity has determined that market participants would use such multiples when pricing the investments.
 (c) Represents the range of the volatility curves used in the valuation analysis that the reporting entity has determined market participants would use when pricing the contracts.
 (d) Represents the range of the credit default swap spread curves used in the valuation analysis that the reporting entity has determined market participants would use when pricing the contracts.

(Note: For liabilities, a similar table should be presented.)

820-10-55-104 In addition, a reporting entity should provide additional information that will help users of its financial statements to evaluate the quantitative information disclosed. A reporting entity might disclose some or all of the following to comply with paragraph 820-10-50-1A:

- a. The nature of the item being measured at fair value, including the characteristics of the item being measured that are taken into account in the determination of relevant inputs. For example, for residential mortgage-backed securities, a reporting entity might disclose the following:
 1. The types of underlying loans (for example, prime loans or subprime loans)
 2. Collateral
 3. Guarantees or other credit enhancements
 4. Seniority level of the tranches of securities
 5. The year of issue
 6. The weighted-average coupon rate of the underlying loans and the securities
 7. The weighted-average maturity of the underlying loans and the securities
 8. The geographical concentration of the underlying loans
 9. Information about the credit ratings of the securities.
- b. How third-party information such as broker quotes, pricing services, net asset values, and relevant market data was taken into account when measuring fair value.

> > > Valuation Processes

820-10-55-105 For fair value measurements categorized within Level 3 of the fair value hierarchy, this Topic requires a reporting entity to disclose a description of the valuation processes used by the reporting entity. A reporting entity might disclose the following to comply with paragraph 820-10-50-2(f):

- a. For the group within the reporting entity that decides the reporting entity's valuation policies and procedures:
 1. Its description
 2. To whom that group reports
 3. The internal reporting procedures in place (for example, whether and, if so, how pricing, risk management, or audit committees discuss and assess the fair value measurements).
- b. The frequency and methods for calibration, back testing, and other testing procedures of pricing models.
- c. The process for analyzing changes in fair value measurements from period to period.
- d. How the reporting entity determined that third-party information, such as broker quotes or pricing services, used in the fair value measurement was developed in accordance with this Topic.

- e. The methods used to develop and substantiate the unobservable inputs used in a fair value measurement.

> > > Information about Sensitivity to Changes in Significant Unobservable Inputs

820-10-55-106 For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, this Topic requires a reporting entity to provide a narrative description of the sensitivity of the fair value measurement to changes in significant unobservable inputs and a description of any interrelationships between those unobservable inputs. A reporting entity might disclose the following about its residential mortgage-backed securities to comply with paragraph 820-10-50-2(g).

The significant unobservable inputs used in the fair value measurement of the reporting entity's residential mortgage-backed securities are prepayment rates, probability of default, and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

> > > Case D: Disclosure—Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)

820-10-55-107 For investments that are within the scope of paragraphs 820-10-15-4 through 15-5 measured at fair value during the period, in addition to the disclosures required in paragraphs 820-10-50-1 through 50-2, this Topic requires a reporting entity to disclose information that helps users to understand the nature, characteristics, and risks of the investments by class and whether the investments are probable of being sold at amounts different from net asset value per share (or its equivalent, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed) (see paragraph 820-10-50-6A). That information may be presented as follows. (The classes presented below are provided as examples only and are not intended to be treated as a template. The classes disclosed should be tailored to the nature, characteristics, and risks of the reporting entity's investments.)

	Fair Value (in millions)	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity long/short hedge funds ^(a)	\$ 55		quarterly	30–60 days
Event driven hedge funds ^(b)	45		quarterly, annually	30–60 days
Global opportunities hedge funds ^(c)	35		quarterly	30–45 days
Multi-strategy hedge funds ^(d)	40		quarterly	30–60 days
Real estate funds ^(e)	47	\$ 20		
Private equity funds—international ^(f)	43	15		
Total	<u>\$ 265</u>	<u>\$ 35</u>		

- a. This class includes investments in hedge funds that invest both long and short primarily in U.S. common stocks. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. Investments representing approximately 22 percent of the value of the investments in this class cannot be redeemed because the investments include restrictions that do not allow for redemption in the first 12 to 18 months after acquisition. The remaining restriction period for these investments ranged from three to seven months at December 31, 20X3.
- b. This class includes investments in hedge funds that invest in approximately 60 percent equities and 40 percent bonds to profit from economic, political, and government driven events. A majority of the investments are targeted at economic policy decisions. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.
- c. This class includes investments in hedge funds that hold approximately 80 percent of the funds' investments in non-U.S. common stocks in the healthcare, energy, information technology, utilities, and telecommunications sectors and approximately 20 percent of the funds' investments in diversified currencies. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. For one investment, valued at \$8.75 million, a gate has been imposed by the hedge fund manager and no redemptions are currently permitted. This redemption restriction has been in place for six months and the time at which the redemption restriction might lapse cannot be estimated.

- d. This class invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The hedge funds' composite portfolio for this class includes investments in approximately 50 percent U.S. common stocks, 30 percent global real estate projects, and 20 percent arbitrage investments. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. Investments representing approximately 15 percent of the value of the investments in this class cannot be redeemed because the investments include restrictions that do not allow for redemption in the first year after acquisition. The remaining restriction period for these investments ranged from four to six months at December 31, 20X3.
- e. This class includes several real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this class have been estimated using the net asset value of the Company's ownership interest in partners' capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the fund will be liquidated over the next 7 to 10 years. Twenty percent of the total investment in this class is planned to be sold. However, the individual investments that will be sold have not yet been determined. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been estimated using the net asset value of the Company's ownership interest in partners' capital. Once it has been determined which investments will be sold and whether those investments will be sold individually or in a group, the investments will be sold in an auction process. The investee fund's management must approve of the buyer before the sale of the investments can be completed.
- f. This class includes several private equity funds that invest primarily in foreign technology companies. These investments can never be redeemed with the funds. Instead, the nature of the investments in this class is that distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is estimated that the underlying assets of the fund would be liquidated over 5 to 8 years. However, as of December 31, 20X3, it is probable that all of the investments in this class will be sold at an amount different from the net asset value of the Company's ownership interest in partners' capital. Therefore, the fair values of the investments in this class have been estimated using recent observable transaction information for similar investments and non-binding bids received from potential buyers of the investments. As of December 31, 20X3, a buyer (or buyers) for these investments has not yet been identified. Once a buyer has been identified, the investee fund's management must approve of the buyer before the sale of the investments can be completed.

Relationships

> Financial Instruments

820-10-60-1 For guidance on **fair value** disclosures about financial instruments, see Section 825-10-50.

Transition and Open Effective Date Information

820-10-65-1 Paragraph superseded on 05/20/2010 after the end of the transition period stated in FASB Staff Position FAS 157-2, *Effective Date of FASB Statement No. 157*.

820-10-65-2 Paragraph not used.

820-10-65-3 Paragraph superseded on 07/01/2010 after the end of the transition period stated in EITF Issue No. 08-5, "Issuer's Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement."

820-10-65-4 Paragraph superseded on 04/13/2010 after the end of the transition period stated in FASB Staff Position FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*.

820-10-65-5 Paragraph superseded on 04/13/2010 after the end of the transition period stated in Accounting Standards Update 2009-05.

820-10-65-6 Paragraph superseded on 07/01/2010 after the end of the transition period stated in Accounting Standards Update No. 2009-12, *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*.

> Transition Related to Accounting Standards Update No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*

820-10-65-7 The following represents the transition and effective date information related to Accounting Standards Update No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*:

- a. The pending content that links to this paragraph shall be effective for interim and annual reporting periods beginning after December 15, 2009, except for the separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements (see paragraph 820-10-50-2(c)(2)), which shall be effective for fiscal years

beginning after December 15, 2010, and for interim periods within those fiscal years.

- b. In the period of initial adoption, the reporting entity shall not be required to provide the disclosures otherwise required by the pending content that links to this paragraph for any previous periods presented for comparative purposes.
- c. In periods after initial adoption, comparative disclosures of the pending content that links to this paragraph shall be required only for periods ending after initial adoption.
- d. Early adoption of the pending content that links to this paragraph is permitted.

> Transition Related to Accounting Standards Update No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*

820-10-65-8 The following represents the transition and effective date information related to Accounting Standards Update No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*:

- a. The pending content that links to this paragraph shall be applied prospectively and is effective as follows:
 - 1. For public entities, for interim and annual periods beginning after December 15, 2011
 - 2. For nonpublic entities, for annual periods beginning after December 15, 2011.
- b. Early application is not permitted for public entities. Early application is permitted for nonpublic entities, but only for interim periods beginning after December 15, 2011.
- c. Revisions resulting from a change in valuation technique or its application shall be accounted for as a change in accounting estimate (see the guidance beginning in paragraph 250-10-45-17).
- d. In the period of adoption, a reporting entity shall disclose a change, if any, in valuation technique and related inputs resulting from the application of the pending content that links to this paragraph and quantify the total effect, if practicable.

Amendments to the XBRL Taxonomy

The following elements or modifications to existing elements are proposed additions to the XBRL U.S. GAAP Financial Reporting Taxonomy. They reflect the amendments to the disclosure and presentation requirements of the Accounting Standards Codification and would be used in association (tagged) with the appropriate reported values in the SEC filer XBRL exhibit. Elements that currently exist in the 2011 Taxonomy are marked with an asterisk* and have been **bolded**. If an existing element was modified, it has been marked to reflect any changes.

Standard Label†	Definition	Codification Reference
Fair Value Inputs, Quantitative Information [Abstract]		
Fair Value Inputs, Assets, Quantitative Information [Table Text Block]	Tabular disclosure of quantitative information about the inputs used in the fair value measurement of assets. This disclosure may include, but is not limited to, the fair value of the asset, valuation technique used to measure fair value, the inputs used to measure fair value, the ranges of the inputs, and the weighted averages of the inputs.	820-10-50-2(bbb)
Fair Value Inputs, Assets, Quantitative Information [Table]	Schedule of quantitative information about the inputs used in the fair value measurement of assets. This disclosure may include, but is not limited to, the fair value of the asset, valuation technique used to measure fair value, the inputs used to measure fair value, the ranges of the inputs, and the weighted	820-10-50-2(bbb)

†The Standard Label and the Element Name are the same (except that the Element Name does not include spaces). If they are different, the Element Name is shown in *italics* after the Standard Label.

Standard Label[†]	Definition	Codification Reference
	averages of the inputs.	
Fair Value by Asset Class [Axis]*	Fair value information by class of asset.	820-10-50-2(c) 820-10-50-3
Range [Axis]*	Information by type of estimate, including, but not limited to, upper and lower bound amounts, maximum and minimum amounts, and point estimates.	
Weighted Average [Member]	Represents the weighted average of an estimate.	
Fair Value Inputs, Assets, Quantitative Information [Line Items]	Line items represent financial concepts included in a table. These concepts are used to disclose reportable information associated with domain members defined in one or many axes to the table.	
Assets, Fair Value Disclosure*	This element represents the aggregate of the assets reported on the balance sheet at period end measured at fair value by the entity. This element is intended to be used in connection with the fair value disclosures required in the footnote disclosures to the financial statements.	
Fair Value Inputs, Valuation Techniques [Abstract]		
Fair Value Inputs, Market Approach Valuation Technique	Description of the market approach valuation technique.	820-10-50-2(bbb)
Fair Value Inputs, Income Approach Valuation Technique	Description of the income approach valuation technique.	820-10-50-2(bbb)

Standard Label[†]	Definition	Codification Reference
Fair Value Inputs, Cost Approach Valuation Technique	Description of the cost approach valuation technique.	820-10-50-2(bbb)
Fair Value Inputs [Abstract]		
Fair Value Inputs, Prepayment Rate	The prepayment rate used as an input to measure fair value.	820-10-50-2(bbb)
Fair Value Inputs, Probability of Default	The probability of default used as an input to measure fair value.	820-10-50-2(bbb)
Fair Value Inputs, Loss Severity	The loss severity used as an input to measure fair value.	820-10-50-2(bbb)
Fair Value Inputs, Offered Quotes	The offered quote used as an input to measure fair value.	820-10-50-2(bbb)
Fair Value Inputs, Comparability Adjustments	The comparability adjustment rate used as an input to measure fair value.	820-10-50-2(bbb)
Fair Value Inputs, Weighted Average Cost of Capital	The weighted average cost of capital used as an input to measure fair value.	820-10-50-2(bbb)
Fair Value Inputs, Long-term Revenue Growth Rate	The long-term revenue growth rate used as an input to measure fair value.	820-10-50-2(bbb)
Fair Value Inputs, Long-term Pre-tax Operating Margin, Percent	The long-term pre-tax operating margin used as an input to measure fair value.	820-10-50-2(bbb)
Fair Value Inputs, Discount for Lack of Marketability	The discount rate for lack of marketability used as an input to measure fair value.	820-10-50-2(bbb)
Fair Value Inputs, Control Premium	The control premium percentage used as an input to measure fair value.	820-10-50-2(bbb)

Standard Label[†]	Definition	Codification Reference
Fair Value Inputs, Earnings before Interest, Taxes, Depreciation, and Amortization Multiple	The earnings before interest, taxes, depreciation, and amortization multiple used as an input to measure fair value.	820-10-50-2(bbb)
Fair Value Inputs, Revenue Multiple	The revenue multiple used as an input to measure fair value.	820-10-50-2(bbb)
Fair Value Inputs, Price Earnings Ratio Multiple	The price earnings ratio used as an input to measure fair value.	820-10-50-2(bbb)
Fair Value Inputs, Volatility of Credit	The volatility of credit used as an input to measure fair value.	820-10-50-2(bbb)
Fair Value Inputs, Counterparty Credit Risk	The counterparty credit risk used as an input to measure fair value.	820-10-50-2(bbb)
Fair Value Inputs, Entity Credit Risk	The entity's credit risk used as an input to measure fair value.	820-10-50-2(bbb)
Fair Value Inputs, Long-term Net of Tax Operating Income Margin, Percent	The long-term operating income margin net of tax used as an input to measure fair value.	820-10-50-2(bbb)
Fair Value Inputs, Cap Rate	The cap rate used as an input to measure fair value.	820-10-50-2(bbb)
Fair Value Inputs, Price Per Square Meter	The price per square meter used as an input to measure fair value.	820-10-50-2(bbb)

Standard Label [†]	Definition	Codification Reference
Fair Value Inputs, Liabilities, Quantitative Information [Table Text Block]	Tabular disclosure of quantitative information about the inputs used in the fair value measurement of liabilities. This disclosure may include, but is not limited to, the fair value of the liability, valuation technique used to measure fair value, the inputs used to measure fair value, the ranges of the inputs, and the weighted averages of the inputs.	820-10-50-2(bbb)
Fair Value Inputs, Liabilities, Quantitative Information [Table]	Schedule of quantitative information about the inputs used in the fair value measurement of liabilities. This disclosure may include, but is not limited to, the fair value of the liability, valuation technique used to measure fair value, the inputs used to measure fair value, the ranges of the inputs, and the weighted averages of the inputs.	820-10-50-2(bbb)
Fair Value by Liability Class [Axis]*	Fair value information by class of liability.	820-10-50-2(c) 820-10-50-3
Range [Axis]	Information by type of estimate, including, but not limited to, upper and lower bound amounts, maximum and minimum amounts, and point estimates.	
Fair Value Inputs, Liabilities, Quantitative Information [Line Items]	Line items represent financial concepts included in a table. These concepts are used to disclose reportable information associated with domain members defined in one or many axes to the table.	
Liabilities, Fair Value Disclosure*	This element represents the aggregate of the liabilities reported on the balance sheet at period end	

Standard Label [†]	Definition	Codification Reference
	measured at fair value by the entity. This element is intended to be used in connection with the fair value disclosures required in the footnote disclosures to the financial statements.	
Liabilities, Fair Value Disclosure	This element represents the aggregate of the liabilities reported on the balance sheet at period end measured at fair value by the entity. This element is intended to be used in connection with the fair value disclosures required in the footnote disclosures to the financial statements.	
Fair Value Inputs, Instruments Classified in Shareholders' Equity, Quantitative Information [Table Text Block]	Tabular disclosure of quantitative information about the inputs used in the fair value measurement of [financial] instruments classified in shareholders' equity. This disclosure may include, but is not limited to, the fair value of the [financial] instrument classified in shareholders' equity, valuation technique used to measure fair value, the inputs used to measure fair value, the ranges of the inputs, and the weighted averages of the inputs.	820-10-50-2(bbb)
Fair Value Inputs, Instruments Classified in Shareholders' Equity, Quantitative Information [Table]	Schedule of quantitative information about the inputs used in the fair value measurement of [financial] instruments classified in shareholders' equity. This disclosure may include, but is not limited to, the fair value of the [financial] instrument classified in shareholders' equity, valuation technique used to measure fair value, the inputs used to measure fair value, the ranges of the inputs,	820-10-50-2(bbb)

Standard Label [†]	Definition	Codification Reference
	and the weighted averages of the inputs.	
Fair Value by Shareholders' Equity Class [Axis]	Fair value information by class of [financial] instrument classified in shareholders' equity.	820-10-50-2
Fair Value by Shareholders' Equity Class [Domain]	Classes of [financial] instruments classified in shareholders' equity.	820-10-50-2
Contingent Consideration Classified as Equity [Member]	Represents contingent consideration in a business combination that is classified in shareholders' equity.	
Warrants Not Settable in Cash [Member]	Represents warrants not settable in cash that is classified in shareholders' equity.	
Equity Issued in Business Combination [Member]	Represents equity issued by an entity in a business combination that is classified in shareholders' equity.	
Range [Axis]	Information by type of estimate, including, but not limited to, upper and lower bound amounts, maximum and minimum amounts, and point estimates.	
Fair Value Inputs, Equity, Quantitative Information [Line Items]	Line items represent financial concepts included in a table. These concepts are used to disclose reportable information associated with domain members defined in one or many axes to the table.	

Standard Label [†]	Definition	Codification Reference
Shareholders' Equity, Fair Value Disclosure	This element represents the aggregate of the [financial] instruments classified in shareholders' equity, reported on the balance sheet at period end measured at fair value by the entity. This element is intended to be used in connection with the fair value disclosures required in the footnote disclosures to the financial statements.	820-10-50-2(a)
Fair Value Measurements, Assets and Liabilities Measured on Recurring and Nonrecurring Basis, Valuation Techniques [Table Text Block]*	Tabular disclosure of the inputs and valuation techniques used to measure fair value, and a discussion of changes in valuation techniques and related inputs, if any, applied during the period to each separate class of assets, and liabilities, and [financial] instruments classified in shareholders' equity that are measured on a recurring and/or nonrecurring basis.	820-10-50-2(e) 820-10-50-5(d) <u>820-10-50-2(bbb)</u>
Fair Value Measurements, Assets and Liabilities Measured on Recurring and Nonrecurring Basis, Valuation Techniques [Table]*	Schedule of the combined disclosure of the inputs and valuation techniques used to measure fair value, and a discussion of changes in valuation techniques and related inputs, if any, applied during the period to each separate class of assets, and liabilities, and [financial] instruments classified in shareholders' equity that are measured on a recurring and/or nonrecurring basis.	820-10-50-2(e) 820-10-50-5(d) <u>820-10-50-2(bbb)</u>
Fair Value by Asset Class [Axis]*	Fair value information by class of asset.	820-10-50-2(c) 820-10-50-3

Standard Label [†]	Definition	Codification Reference
Fair Value, Assets Measured on Recurring Basis, Unobservable Input Reconciliation, by Asset Class [Domain]*	Represents classes of assets measured and disclosed at fair value.	820-10-50-2(c) 820-10-50-3
Fair Value by Liability Class [Axis]*	Fair value information by class of liability.	820-10-50-2(c) 820-10-50-3
Fair Value, Liabilities, Measured on Recurring Basis, Unobservable Input Reconciliation, by Liability Class [Domain]*	Represents classes of liabilities measured and disclosed at fair value.	820-10-50-2(c) 820-10-50-3
Fair Value by Shareholders' Equity Class [Axis]	Fair value information by class of [financial] instrument classified in shareholders' equity.	820-10-50-2
Fair Value Measurements, Assets and Liabilities Measured on Recurring and Nonrecurring Basis, Valuation Techniques [Line Items]*	<u>Line items represent financial concepts included in a table. These concepts are used to disclose reportable information associated with domain members defined in one or many axes to the table.</u>	
Fair Value Measurements, Valuation Techniques	Description of the inputs and valuation technique(s) used to measure fair value.	820-10-50-2(bbb)
Fair Value	Description of the changes in	820-10-50-

Standard Label [†]	Definition	Codification Reference
Measurements, Changes in Valuation Techniques	valuation technique(s) and related inputs used to measure fair value.	2(bbb)
Fair Value, Instruments Classified in Shareholders' Equity Measured on Recurring Basis, Unobservable Input Reconciliation [Table Text Block]	Tabular disclosure of the fair value measurement of [financial] instruments classified in shareholders' equity using significant unobservable inputs (Level 3), a reconciliation of the beginning and ending balances, separately presenting changes during the period attributable to the following: (1) total gains or losses for the period (realized and unrealized), segregating those gains or losses included in earnings (or changes in net assets), and gains or losses recognized in other comprehensive income and a description of where those gains or losses included in earnings (or changes in net assets) are reported in the statement of income (or activities); (2) purchases, sales, issues, and settlements (each type disclosed separately); and (3) transfers in and transfers out of Level 3 (for example, transfers due to changes in the observability of significant inputs) by class of equity.	820-10-50-2(c) 820-10-50-3
Fair Value, Instruments Classified in Shareholders' Equity Measured on Recurring Basis, Unobservable Input Reconciliation [Table]	Summarization of information required and determined to be provided for purposes of reconciling beginning and ending balances of fair value measurements of [financial] instruments classified in shareholders' equity using significant unobservable inputs (Level 3). Such reconciliation, separately presenting changes during the period, at a minimum,	820-10-50-2(c) 820-10-50-3

Standard Label [†]	Definition	Codification Reference
	may include: (1) total gains or losses for the period (realized and unrealized), segregating those gains or losses included in earnings (or changes in net assets) and gains or losses recognized in other comprehensive income, and a description of where those gains or losses included in earnings (or changes in net assets) are reported in the statement of income (or activities); (2) purchases, sales, issues, and settlements (each type disclosed separately); and (3) transfers in and transfers out of Level 3 (for example, transfers due to changes in the observability of significant inputs) by class of equity.	
Fair Value by Shareholders' Equity Class [Axis]	Fair value information by class of [financial] instrument classified in shareholders' equity.	820-10-50-2
Fair Value, Instruments Classified in Shareholders' Equity Measured on Recurring Basis, Unobservable Input Reconciliation [Line Items]	Line items represent financial concepts included in a table. These concepts are used to disclose reportable information associated with domain members defined in one or many axes to the table.	
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Instruments Classified in Shareholders' Equity, Gain (Loss) Included in Earnings,	This element represents a description of where the gains or losses for the period, arising from [financial] instruments classified in shareholders' equity measured at fair value on a recurring basis using unobservable inputs (Level 3), are recognized in earnings.	820-10-50-2(c)(1)

Standard Label[†]	Definition	Codification Reference
Description		
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Instruments Classified in Shareholders' Equity, Gain (Loss) Included in Other Comprehensive Income (Loss), Description	Description of where the gains or losses for the period arising from [financial] instruments classified in shareholders' equity measured at fair value on a recurring basis using unobservable inputs (Level 3), are included in other comprehensive income.	820-10-50-2(c)(1a)
Fair Value, Instruments Classified in Shareholders' Equity Measured on Recurring Basis, Gain (Loss) Included in Earnings [Abstract]		
Fair Value, Instruments Classified in Shareholders' Equity Measured on Recurring Basis, Gain (Loss) Included in Trading Revenue	This item represents the amount of the total realized and unrealized gains or losses for the period which are included in the statement of income (or changes in net assets) in trading revenues; the fair value of which [financial] instruments classified in shareholders' equity was or is measured on a recurring basis using significant unobservable inputs (Level 3).	820-10-50-2(c)(1)
Fair Value, Instruments Classified in Shareholders' Equity Measured on Recurring Basis, Change in	This item represents the amount of the total change in unrealized (holding) gains or losses for the period which are included in the statement of income (or changes in net assets) in trading revenues. Such unrealized (holding) gains or	820-10-50-2(d)

Standard Label [†]	Definition	Codification Reference
Unrealized Gain (Loss) Included in Trading Revenue	losses relate to those [financial] instruments classified in shareholders' equity still held at the reporting date for which fair value is measured on a recurring basis using significant unobservable inputs (Level 3).	
Fair Value, Instruments Classified in Shareholders' Equity Measured on Recurring Basis, Gain (Loss) Included in Investment Income	This item represents the amount of the total realized and unrealized gains or losses for the period which are included in the statement of income (or changes in net assets) in investment income; the fair value of which [financial] instruments classified in shareholders' equity was or is measured on a recurring basis using significant unobservable inputs (Level 3).	820-10-50-2(c)(1)
Fair Value, Instruments Classified in Shareholders' Equity Measured on Recurring Basis, Change in Unrealized Gain (Loss) Included in Investment Income	This item represents the amount of the total change in unrealized (holding) gains or losses for the period which are included in the statement of income (or changes in net assets) in investment income. Such unrealized (holding) gains or losses relate to those [financial] instruments classified in shareholders' equity still held at the reporting date for which fair value is measured on a recurring basis using significant unobservable inputs (Level 3).	820-10-50-2(d)
Fair Value, Instruments Classified in Shareholders' Equity Measured on Recurring Basis, Gain (Loss) Included in Other Income	This item represents the amount of the total realized and unrealized gains or losses for the period which are included in the statement of income (or changes in net assets) in other income; the fair value of which [financial] instruments classified in shareholders' equity was or is measured on a recurring basis using	820-10-50-2(c)(1)

Standard Label [†]	Definition	Codification Reference
	significant unobservable inputs (Level 3).	
Fair Value, Instruments Classified in Shareholders' Equity Measured on Recurring Basis, Change in Unrealized Gain (Loss) Included in Other Income	This item represents the amount of the total change in unrealized (holding) gains or losses for the period which are included in the statement of income (or changes in net assets) in other income. Such unrealized (holding) gains or losses relate to those [financial] instruments classified in shareholders' equity still held at the reporting date for which fair value is measured on a recurring basis using significant unobservable inputs (Level 3).	820-10-50-2(d)
Fair Value, Instruments Classified in Shareholders' Equity Measured on Recurring Basis, Unobservable Input Reconciliation, Calculation [Roll Forward]		
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Value of Instruments Classified in Shareholders' Equity	This element represents an [financial] instrument classified in shareholders' equity measured at fair value using significant unobservable inputs (Level 3) which is required for reconciliation purposes of beginning and ending balances.	820-10-50-2(c)
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Instruments	This element represents total gains or losses for the period recognized in earnings, arising from [financial] instruments classified in shareholders' equity measured at fair value on a recurring basis using	820-10-50-2(c)(1)

Standard Label [†]	Definition	Codification Reference
Classified in Shareholders' Equity, Gain (Loss) Included in Earnings	unobservable inputs (Level 3).	
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Instruments Classified in Shareholders' Equity, Gain (Loss) Included in Other Comprehensive Income (Loss)	This element represents total gains or losses for the period recognized in other comprehensive income, arising from [financial] instruments classified in shareholders' equity measured at fair value on a recurring basis using unobservable inputs (Level 3).	820-10-50-2(c)(1a)
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Instruments Classified in Shareholders' Equity, Purchases, Sales, Issues, Settlements [Abstract]		
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Instruments Classified in Shareholders' Equity, Purchases	Purchases that have taken place during the period in relation to [financial] instruments classified in shareholders' equity measured at fair value and categorized within Level 3 of the fair value hierarchy.	820-10-50-2(c)(2)
Fair Value, Measurement with Unobservable Inputs Reconciliation,	Sales that have taken place during the period in relation to [financial] instruments classified in shareholders' equity measured at	820-10-50-2(c)(2)

Standard Label[†]	Definition	Codification Reference
Recurring Basis, Instruments Classified in Shareholders' Equity, Sales	fair value and categorized within Level 3 of the fair value hierarchy.	
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Instruments Classified in Shareholders' Equity, Issues	Issues that have taken place during the period in relation to [financial] instruments classified in shareholders' equity measured at fair value and categorized within Level 3 of the fair value hierarchy.	820-10-50-2(c)(2)
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Instruments Classified in Shareholders' Equity, Settlements	Settlements that have taken place during the period in relation to [financial] instruments classified in shareholders' equity measured at fair value and categorized within Level 3 of the fair value hierarchy.	820-10-50-2(c)(2)
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Instruments Classified in Shareholders' Equity, Purchases, Sales, Issues, Settlements	This element represents purchases, sales, issues, and settlements (net) which have taken place during the period in relation to [financial] instruments classified in shareholders' equity measured at fair value on a recurring basis using unobservable inputs (Level 3).	
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Instruments Classified in		

Standard Label [†]	Definition	Codification Reference
Shareholders' Equity, Transfers, Net [Abstract]		
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Instruments Classified in Shareholders' Equity, Transfers Into Level 3	Transfers into [financial] instruments classified in shareholders' equity measured at fair value and categorized within Level 3 of the fair value hierarchy that have taken place during the period.	820-10-50-2(c)(3)
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Instruments Classified in Shareholders' Equity, Transfers out of Level 3	Transfers out of [financial] instruments classified in shareholders' equity measured at fair value and categorized within Level 3 of the fair value hierarchy that have taken place during the period.	820-10-50-2(c)(3)
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Instruments Classified in Shareholders' Equity, Transfers, Net	This element represents [net] transfers in to and out of [financial] instruments classified in shareholders' equity measured at fair value on a recurring basis using unobservable inputs (Level 3) which have taken place during the period.	820-10-50-2(c)(3)
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Instruments Classified in Shareholders'	The increase (decrease) of [financial] instruments classified in shareholders' equity measured at fair value on a recurring basis using unobservable inputs (Level 3) which have taken place during the period. Such increase (decrease) may be comprised of changes in fair value	820-10-50-2(c)

Standard Label [†]	Definition	Codification Reference
Equity, Period Increase (Decrease)	(gains or losses) whether realized or unrealized that have been included in earnings, changed net asset value, or other comprehensive income (a separate component of shareholders' equity); purchases, sales, issues, or settlements of assets; and net transfers in to or out of this category within the fair value hierarchy.	
Fair Value Measurement, Policy [Policy Text Block]	Disclosure of accounting policy for fair value measurements. This disclosure may include how an entity that manages a group of financial assets and liabilities on the basis of its net exposure measures the fair value of those assets and liabilities.	235-10-50-3
Fair Value Measurements, Valuation Processes, Description	Description of the valuation processes in place for fair value measurements categorized within Level 3 of the fair value hierarchy.	820-10-50-2(f)
Fair Value Measurements, Sensitivity Analysis, Description	Description of the sensitivity of the fair value measurements to changes in unobservable inputs and the interrelationships between those inputs as well as how those interrelationships might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurements.	820-10-50-2(g)
Fair Value Measurements, Highest and Best Use, Description	Description of reasons that a nonfinancial asset is being used in a manner that differs from its highest and best use.	820-10-50-2(h)
Accounting Standards Update 2011-04 [Member]	Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in	

Standard Label [†]	Definition	Codification Reference
	U.S. GAAP and IFRSs.	
Equity, Fair Value Disclosure [Abstract]		
Contingent Consideration Classified as Equity, Fair Value Disclosure	<p>This element represents the portion of the balance sheet assertion valued at fair value by the entity whether such amount is presented as a separate caption or as a parenthetical disclosure. Additionally, this element may be used in connection with the fair value disclosures required in the footnote disclosures to the financial statements. The element may be used in both the balance sheet and disclosure in the same submission. This item represents contingent consideration classified as equity.</p>	820-10-50-2(a)
Warrants Not Settable in Cash, Fair Value Disclosure	<p>This element represents the portion of the balance sheet assertion valued at fair value by the entity whether such amount is presented as a separate caption or as a parenthetical disclosure. Additionally, this element may be used in connection with the fair value disclosures required in the footnote disclosures to the financial statements. The element may be used in both the balance sheet and disclosure in the same submission. This item represents warrants not settable in cash classified as equity.</p>	820-10-50-2(a)
Equity Issued in Business Combination, Fair Value Disclosure	<p>This element represents the portion of the balance sheet assertion valued at fair value by the entity whether such amount is presented as a separate caption or as a parenthetical disclosure. Additionally, this element may be used in connection with the fair</p>	820-10-50-2(aa)

Standard Label [†]	Definition	Codification Reference
	value disclosures required in the footnote disclosures to the financial statements. The element may be used in both the balance sheet and disclosure in the same submission. This item represents equity issued in a business combination classified as equity.	
Equity, Fair Value Disclosure	This element represents the portion of the balance sheet assertion valued at fair value by the entity whether such amount is presented as a separate caption or as a parenthetical disclosure. Additionally, this element may be used in connection with the fair value disclosures required in the footnote disclosures to the financial statements. The element may be used in both the balance sheet and disclosure in the same submission. This item represents [financial] instruments classified in shareholders' equity.	820-10-50-2
Fair Value, Measurement Inputs, Disclosure [Table-Text Block]*	Tabular The entire disclosure of the fair value measurement of assets and liabilities, which includes [financial] instruments measured at fair value that are classified in shareholders' stockholders' equity. Such assets and liabilities may be measured on a recurring or nonrecurring basis. The disclosures which may be required or desired include: (1) for assets and liabilities measured on a recurring basis, disclosure may include: (a) the fair value measurements at the reporting date; (b) the level within the fair value hierarchy in which the fair value measurements in their entirety fall, segregating fair value	820-10-50-1 820-10-50-2 820-10-50-3 820-10-50-5

Standard Label [†]	Definition	Codification Reference
	<p>measurements using quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3); (c) for fair value measurements using significant unobservable inputs (Level 3), a reconciliation of the beginning and ending balances, separately presenting changes during the period attributable to the following: (i) total gains or losses for the period (realized and unrealized), segregating those gains or losses included in earnings (or changes in net assets), and a description of where those gains or losses included in earnings (or changes in net assets) are reported in the statement of income (or activities); (ii) purchases, sales, issuances, and settlements (net); (iii) transfers in and transfers out of Level 3 (for example, transfers due to changes in the observability of significant inputs); (d) the amount of the total gains or losses for the period in subparagraph (c) (i) above included in earnings (or changes in net assets) that are attributable to the change in unrealized gains or losses relating to those assets and liabilities still held at the reporting date and a description of where those unrealized gains or losses are reported in the statement of income (or activities); (e) the valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques, if any, during the period and (2) for assets and liabilities that are measured at</p>	

Standard Label [†]	Definition	Codification Reference
	<p>fair value on a nonrecurring basis (for example, impaired assets) disclosure may include, in addition to (a) above: (a) the reasons for the fair value measurements recorded; (b) the same as (b) above; (c) for fair value measurements using significant unobservable inputs (Level 3), a description of the inputs and the information used to develop the inputs; and (d) the valuation technique(s) used to measure fair value and a discussion of changes, if any, in the valuation technique(s) used to measure similar assets and/or liabilities in prior periods. Where the quoted price in an active market for the identical liability is not available, the Level 1 input is the quoted price of an identical liability when traded as an asset.</p>	
<p>Fair Value Measurements, Assets and Liabilities Measured on Recurring and Nonrecurring Basis [Table Text Block]*</p>	<p>This element represents the <u>Tabular</u> disclosure related to assets and liabilities by class, including [financial] instruments measured at fair value that are classified in <u>shareholders' stockholders' equity</u>, if any, that are measured at fair value on a recurring and/or nonrecurring basis in periods after initial recognition (for example, impaired assets). The disclosures that may be required or desired include: (a) the fair value measurements recorded during the period and the reasons for the measurements and (b) the level within the fair value hierarchy in which the fair value measurements are <u>categorized in their entirety (Level 1, 2, 3) as well as transfers between Levels 1 and 2. fall, segregating fair value measurements using quoted prices</u></p>	<p>820-10-50-1 820-10-50-2(a,<u>aa</u>,<u>b</u>,<u>bb</u>) 820-10-50-2C</p>

Standard Label [†]	Definition	Codification Reference
	<p>in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3). Where the quoted price in an active market for the identical liability is not available, the Level 1 input is the quoted price of an identical liability when traded as an asset.</p>	
<p>Fair Value Measurements, Assets and Liabilities Measured on Recurring and Nonrecurring Basis [Table]*</p>	<p>Schedule of the disclosure related to assets and liabilities by class, including [financial] instruments measured at fair value that are classified in <u>shareholders'</u> <u>stockholders'</u> equity, if any, that are measured at fair value on a recurring and/or nonrecurring basis in periods after initial recognition (for example, impaired assets). The disclosures that may be required or desired include: (a) the fair value measurements recorded during the period and the reasons for the measurements and (b) the level within the fair value hierarchy in which the fair value measurements <u>are categorized</u> in their entirety <u>(Level 1, 2,3) and transfers between Levels 1 and 2.</u> fall, segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3). Where the quoted price in an active market for the identical liability is not available, the Level 1 input is the quoted price of an identical liability when traded as an asset.</p>	<p>820-10-50-1 820-10-50-2(a,aa,b,bb) 820-10-50-2C 820-10-50-5(a,b)</p>
<p>Fair Value,</p>	<p>Provides the general categories</p>	<p>820-10-50-1</p>

Standard Label [†]	Definition	Codification Reference
Measurement Frequency [Domain]*	used to describe the frequency with which financial assets and liabilities (as defined) are measured at fair value (on a recurring or nonrecurring basis).	820-10-50-2 820-10-50-5
Fair Value, Hierarchy [Axis]*	Fair value information by level within the fair value hierarchy.	820-10-50-2(b) 820-10-50-5(b)
Estimate of Fair Value, Fair Value Disclosure [Member]*	This element represents the fair value of financial instruments (as defined), including financial assets and financial liabilities (collectively, as defined) for which it is practicable to estimate such value.	820-10-50-2(a,aa) 820-10-50-10(a) 820-10-50-5(a)
Fair Value, Inputs, Level 1 [Member]*	This item represents the amount of assets or liabilities, including [financial] instruments that are classified in stockholders' <u>shareholders'</u> equity, which are measured at fair value on either a recurring or nonrecurring basis and fall <u>are categorized</u> within Level 1 of the fair value measurements hierarchy. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Where the quoted price in an active market for the identical liability is not available, the Level 1 input is the quoted price of an identical liability when traded as an asset.	820-10-50-2(b)(4) 820-10-50-5(b)(4) Level 1 Inputs
Fair Value, Inputs, Level 2 [Member]*	This item represents the amount of assets or liabilities, including [financial] instruments that are classified in	820-10-50-2(b)(2) 820-10-35-48

Standard Label [†]	Definition	Codification Reference
	<p>stockholders' <u>shareholders'</u> equity, which are measured at fair value on either a recurring or nonrecurring basis and fall <u>are categorized</u> within Level 2 of the fair value measurements hierarchy. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers (for example, some brokered markets), or in which little information is released publicly (for example, a principal-to-principal market); (c) inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates); or (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).</p>	<p>820-10-50-5(b)(2) Level 2 Inputs</p>
Fair Value, Inputs, Level 3 [Member]*	<p>This item represents the amount of assets or liabilities, including [financial] instruments that are classified in stockholders' <u>shareholders'</u> equity, which are measured at fair value on either a recurring or nonrecurring</p>	<p>820-10-50-2(b)(3) 820-10-50-5(b)(3) 820-10-35-53</p>

Standard Label [†]	Definition	Codification Reference
	basis and fall are categorized within Level 3 of the fair value measurements hierarchy. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available; such as, when there is little, if any, market activity for the asset or liability at the measurement date.	
Receivables, Fair Value Disclosure, Methodology*	This item represents management's methodology (for example, procedures or techniques) for estimating the fair value as of the balance sheet date of the financial instrument (as defined), including financial assets and financial liabilities (collectively, as defined).	825-10-50-10(b) 820-10-50-2(bbb) 820-10-50-2(e)
Accounts Receivable, Fair Value Disclosure, Methodology*	This item represents management's methodology (for example, procedures or techniques) for estimating the fair value as of the balance sheet date of the financial instrument (as defined), including financial assets and financial liabilities (collectively, as defined).	825-10-50-10(b) 820-10-50-2(bbb) 820-10-50-14
Trading Securities, Fair Value Disclosure, Methodology*	This item represents management's methodology (for example, procedures or techniques) for estimating the fair value as of the balance sheet date of the financial instrument (as defined), including financial assets and financial liabilities (collectively, as defined).	825-10-50-10(b) 820-10-50-2(bbb) 820-10-50-2(e)
Available-for-sale Securities, Fair Value Disclosure, Methodology*	This item represents management's methodology (for example, procedures or techniques) for estimating the fair value as of the balance sheet date of the financial instrument (as defined), including	825-10-50-10(b) 820-10-50-2(bbb) 820-10-50-

Standard Label [†]	Definition	Codification Reference
	financial assets and financial liabilities (collectively, as defined).	2(e)
Held-to-Maturity Securities, Fair Value Disclosure, Methodology*	This item represents management's methodology (for example, procedures or techniques) for estimating the fair value as of the balance sheet date of the financial instrument (as defined), including financial assets and financial liabilities (collectively, as defined).	825-10-50-10(b) 820-10-50-2(bbb) 820-10-50-2(e)
Other Assets, Fair Value Disclosure, Methodology*	This item represents management's methodology (for example, procedures or techniques) for estimating the fair value as of the balance sheet date of the financial instrument (as defined), including financial assets and financial liabilities (collectively, as defined).	825-10-50-10(b) 820-10-50-2(bbb) 820-10-50-2(e)
Foreign Currency Contract, Asset, Fair Value Disclosure, Methodology*	This item represents management's methodology (for example, procedures or techniques) for estimating the fair value as of the balance sheet date of the financial instrument (as defined), including financial assets and financial liabilities (collectively, as defined).	825-10-50-10(b) 820-10-50-2(bbb) 820-10-50-2(e)
Loans Payable, Fair Value Disclosure, Methodology*	This item represents management's methodology (for example, procedures or techniques) for estimating the fair value as of the balance sheet date of the financial instrument (as defined), including financial assets and financial liabilities (collectively, as defined).	825-10-50-10(b) 820-10-50-2(bbb) 820-10-50-2(e)
Lines of Credit, Fair Value Disclosure, Methodology*	This item represents management's methodology (for example, procedures or techniques) for estimating the fair value as of the balance sheet date of the financial instrument (as defined), including	825-10-50-10(b) 820-10-50-2(bbb) 820-10-50-

Standard Label [†]	Definition	Codification Reference
	financial assets and financial liabilities (collectively, as defined).	2(e)
Liabilities Related to Investment Contracts, Fair Value Disclosure, Methodology*	This item represents management's methodology (for example, procedures or techniques) for estimating the fair value as of the balance sheet date of the financial instrument (as defined), including financial assets and financial liabilities (collectively, as defined).	825-10-50-10(b) 820-10-50-2(bbb) 820-10-50-2(e)
Convertible Debt, Fair Value Disclosure, Methodology*	This item represents management's methodology (for example, procedures or techniques) for estimating the fair value as of the balance sheet date of the financial instrument (as defined), including financial assets and financial liabilities (collectively, as defined).	825-10-50-10(b) 820-10-50-2(bbb) 820-10-50-2(e)
Business Combination, Contingent Consideration Arrangements, Change in Range of Outcomes, Contingent Consideration, Liability, Valuation Technique*	This item represents management's methodology (for example, procedures or techniques) for estimating the range of outcomes for a liability assumed in a business combination arising from an item of contingent consideration for which a change in the range of outcomes has been recognized during the reporting period.	805-30-50-4(a)(3) 820-10-50-2(bbb) 820-10-50-2(e)
Business Combination, Contingent Consideration Arrangements, Change in Range of Outcomes, Contingent Consideration, Liability, Significant Inputs*	This item represents the significant inputs, including any assumptions, used by management to estimate the range of outcomes for a contingent liability assumed in a business combination for which a change in the range of outcomes has been recognized during the reporting period.	805-30-50-4(a)(3) 820-10-50-2(bbb) 820-10-50-2(b)(2)

Standard Label [†]	Definition	Codification Reference
Alternative Investments, Fair Value Disclosure, Methodology*	This item represents management's methodology (for example, procedures or techniques) for estimating the fair value as of the balance sheet date of the financial instrument (as defined), including financial assets and financial liabilities (collectively, as defined).	<u>825-10-50-10(b)</u> <u>820-10-50-2(bbb)</u> 820-10-50-2(e) 820-10-50-5(d)
Alternative Investments, Fair Value Disclosure, Inputs*	This item represents the significant assumptions (inputs) used by management to estimate the fair value as of the balance sheet date of the financial instrument (as defined), including financial assets and financial liabilities (collectively, as defined).	820-10-50-2(e) 820-10-50-5(c,d) <u>820-10-50-2(bbb)</u>
Fair Value Disclosures [Text Block]*	The entire disclosure for the fair value of financial instruments (as defined), including financial assets and financial liabilities (collectively, as defined), and the measurements of those instruments as well as disclosures related to the fair value of nonfinancial assets and liabilities. Such disclosures about the financial instruments, assets, and liabilities would include: (1) the fair value of the required items together with their carrying amounts (as appropriate); (2) for items for which it is not practicable to estimate fair value, disclosure would include: (a) information pertinent to estimating fair value (including, carrying amount, effective interest rate, and maturity) and (b) the reasons why it is not practicable to estimate fair value; (3) significant concentrations of credit risk including: (a) information about the activity,	820-10-50-2 820-10-50-5 825-10-50-21 825-10-50-58

Standard Label [†]	Definition	Codification Reference
	<p>region, or economic characteristics identifying a concentration, (b) the maximum amount of loss the entity is exposed to based on the gross fair value of the related item, (c) policy for requiring collateral or other security and information as to accessing such collateral or security, and (d) the nature and brief description of such collateral or security; (4) quantitative information about market risks and how such risks are managed; (5) for items measured on both a recurring and nonrecurring basis, information regarding the inputs used to develop the fair value measurement; (6) for items presented in the financial statement for which fair value measurement is elected: (a) information necessary to understand the reasons for the election, (b) discussion of the effect of fair value changes on earnings, (c) a description of [similar groups] items for which the election is made and the relation thereof to the balance sheet, the aggregate carrying value of items included in the balance sheet that are not eligible for the election; and (7) all other required (as defined) and desired information.</p>	
<p>Fair Value Measurements, Assets and Liabilities Measured on Nonrecurring Basis [Table Text Block]*</p>	<p>Tabular disclosure of assets and liabilities by class, including [financial] instruments measured at fair value that are classified in shareholders' stockholders' equity, if any, that are measured at fair value on a nonrecurring basis in periods after initial recognition (for example, impaired assets). The disclosures that may be required or desired</p>	<p><u>820-10-50-2</u> 820-10-50-5(a),(b)</p>

Standard Label [†]	Definition	Codification Reference
	<p>include: (a) the fair value measurements recorded during the period and the reasons for the measurements and (b) the level within the fair value hierarchy in which the fair value measurements <u>are categorized</u> in their entirety <u>(Levels 1, 2, 3) fall, segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3).</u> Where the quoted price in an active market for the identical liability is not available, the Level 1 input is the quoted price of an identical liability when traded as an asset.</p>	
Fair Value, Measurements, Nonrecurring [Member]*	<p>This item represents a description of the frequency with which certain items are measured at fair value. Items measured at fair value on a nonrecurring basis generally include those items for which measurement inputs are not readily available and which are measured at fair value infrequently (for example, impaired assets).</p>	<p><u>820-10-50-1</u> <u>820-10-50-2</u> 820-10-50-5</p>
Alternative Investments, Fair Value Disclosure*	<p>This element represents the total fair market value of investments in certain entities that calculate net asset value per share (including by unit, membership interest, or other equity (ownership interest) unit measure) (alternative investments). This element is intended to be used in connection with the fair value disclosures required in the footnote disclosures to the financial statements, but may also be used in both the balance sheet and</p>	<p>820-10-50-2(a) 820-10-50-6A(a) 820-10-50-5(a)</p>

Standard Label [†]	Definition	Codification Reference
	disclosure in the same submission. This item represents alternative investments as of the balance sheet date which may include investments in certain hedge funds, venture capital funds, private equity funds, real estate partnerships or funds, and any other investment in which investee management calculates net asset value per share as the primary metric for investment value.	
Fair Value by Measurement Basis [Axis]*	Fair value information by measurement basis.	820-10-50-2(a,aa) 820-10-50-6A(a) 820-10-50-5(a)
Fair Value, Investments, Entities that Calculate Net Asset Value Per Share, Reasons for Measurements*	The reasons for measuring at fair value those certain investments for which net asset value per share is calculated (including by unit, membership interest, or other equity (ownership interest) unit measure) (alternative investments) which are measured at fair value on a nonrecurring basis (for example, impaired assets).	820-10-50-5(a)
Fair Value, Assets Measured on Recurring and Nonrecurring Basis, Valuation Techniques [Abstract]*		
Fair Value, Cash and Cash Equivalents, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)

Standard Label [†]	Definition	Codification Reference
Fair Value, Receivables, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, for receivables during the period.	820-10-50-2(e)
Fair Value, Accounts Receivable, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)
Fair Value, Premiums Receivable, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)
Fair Value, Notes Receivable, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)
Fair Value, Loans Receivable, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)
Fair Value, Investments, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)
Fair Value, Equity Method Investments,	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion	820-10-50-2(e)

Standard Label [†]	Definition	Codification Reference
Valuation Techniques*	of changes in valuation techniques and related inputs, if any, during the period.	
Fair Value, Cost Method Investments, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)
Fair Value, Trading Account Assets, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)
Fair Value, Derivative Assets, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)
Fair Value, Cash Surrender Value, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)
Fair Value, Retained Interest, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e) 820-10-50-1B(d),(e)
Fair Value, Servicing Rights, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)

Standard Label [†]	Definition	Codification Reference
Fair Value, Investment in Federal Home Loan Bank Stock, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)
Fair Value, Federal Funds Sold and Securities Borrowed or Purchased under Agreements to Resell, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)
Fair Value, Inventory, Noncurrent, Valuation Techniques*	This element represents the inputs and valuation techniques used to measure fair value and a discussion of changes, if any, in the valuation techniques and related inputs used to measure similar assets in prior periods.	820-10-50-5(d)
Fair Value, Property, Plant, and Equipment, Valuation Techniques*	This element represents the inputs and valuation techniques used to measure fair value and a discussion of changes, if any, in the valuation techniques and related inputs used to measure similar assets in prior periods.	820-10-50-5(d)
Fair Value, Capital Leased Assets, Noncurrent, Valuation Techniques*	This element represents the inputs and valuation techniques used to measure fair value and a discussion of changes, if any, in the valuation techniques and related inputs used to measure similar assets in prior periods.	820-10-50-5(d)
Fair Value, Investments in Affiliates, Subsidiaries,	This element represents the inputs and valuation techniques used to measure fair value and a discussion of changes, if any, in the valuation	820-10-50-5(d)

Standard Label [†]	Definition	Codification Reference
Associates, and Joint Ventures, Valuation Techniques*	techniques and related inputs used to measure similar assets in prior periods.	
Fair Value, Held-to-maturity Securities, Valuation Techniques*	This element represents the inputs and valuation techniques used to measure fair value and a discussion of changes, if any, in the valuation techniques and related inputs used to measure similar assets in prior 820-10-50-5(d) periods.	820-10-50-5(d)
Fair Value, Investment in Physical Commodities, Valuation Techniques*	This element represents the inputs and valuation techniques used to measure fair value and a discussion of changes, if any, in the valuation techniques and related inputs used to measure similar assets in prior periods (non-recurring basis).	820-10-50-5(d)
Fair Value, Goodwill, Valuation Techniques*	This element represents the inputs and valuation techniques used to measure fair value and a discussion of changes, if any, in the valuation techniques and related inputs used to measure similar assets in prior periods.	820-10-50-5(d)
Fair Value, Indefinite-lived Intangible Assets (Excluding Goodwill), Valuation Techniques*	This element represents the inputs and valuation techniques used to measure fair value and a discussion of changes, if any, in the valuation techniques and related inputs used to measure similar assets in prior periods.	820-10-50-5(d)
Fair Value, Finite-lived Intangible Assets, Valuation Techniques*	This element represents the inputs and valuation techniques used to measure fair value and a discussion of changes, if any, in the valuation techniques and related inputs used to measure similar assets in prior periods.	820-10-50-5(d)

Standard Label [†]	Definition	Codification Reference
Fair Value, Investments in Power and Distribution Projects, Valuation Techniques*	This element represents the inputs and valuation techniques used to measure fair value and a discussion of changes, if any, in the valuation techniques and related inputs used to measure similar assets in prior periods.	820-10-50-5(d)
Fair Value, Assets Held-for-sale, Long Lived, Valuation Techniques*	This element represents the inputs and valuation techniques used to measure fair value and a discussion of changes, if any, in the valuation techniques and related inputs used to measure similar assets in prior periods.	820-10-50-5(d)
Fair Value, Regulatory Assets, Noncurrent, Valuation Techniques*	This element represents the inputs and valuation techniques used to measure fair value and a discussion of changes, if any, in the valuation techniques and related inputs used to measure similar assets in prior periods.	820-10-50-5(d)
Fair Value, Gas Purchase Contract, Valuation Techniques*	This element represents the inputs and valuation techniques used to measure fair value and a discussion of changes, if any, in the valuation techniques and related inputs used to measure similar assets in prior periods.	820-10-50-5(d)
Fair Value, Liabilities Measured on Recurring and Nonrecurring Basis, Valuation Techniques [Abstract]*		
Fair Value, Accounts Payable, Valuation	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion	820-10-50-2(e)

Standard Label [†]	Definition	Codification Reference
Techniques*	of changes in valuation techniques and related inputs, if any, during the period.	
Fair Value, Accrued Liabilities, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)
Fair Value, Debt Instrument, Valuation Techniques*	This element represents the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)
Fair Value, Notes Payable, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value of notes payable and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)
Fair Value, Loans Payable, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value of loans payable and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)
Fair Value, Lines of Credit, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value of lines of credit and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)
Fair Value, Convertible Debt, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value of convertible debt and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)

Standard Label [†]	Definition	Codification Reference
Fair Value, Obligations, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)
Fair Value, Subordinated Debt Obligations, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)
Fair Value, Deposits, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)
Fair Value, Trading Liabilities, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)
Fair Value, Federal Funds Purchased and Securities Sold under Agreements to Repurchase, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)
Fair Value, Federal Funds Purchased, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)
Fair Value,	This element represents, the inputs	820-10-50-

Standard Label[†]	Definition	Codification Reference
Securities Loaned or Sold under Agreements to Repurchase, Valuation Techniques*	and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	2(e)
Fair Value, Federal Home Loan Bank Borrowings, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)
Fair Value, Investment Contracts, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)
Fair Value, Derivative Financial Instruments, Liabilities, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)
Fair Value, Foreign Currency Contracts, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)
Fair Value, Commitments, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)
Fair Value, Guarantees,	This element represents, the inputs and valuation technique(s) used to	820-10-50-2(e)

Standard Label [†]	Definition	Codification Reference
Valuation Techniques*	measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	
Fair Value, Mandatorily Redeemable Preferred Stock, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)
Fair Value, Securities Sold, Not yet Purchased, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)
Fair Value, Servicing Liability, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)
Fair Value, Other Liabilities, Valuation Techniques*	This element represents, the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period.	820-10-50-2(e)
Fair Value, Assets Measured on Recurring Basis, Unobservable Input Reconciliation [Table Text Block]*	Tabular disclosure of the fair value measurement of assets using significant unobservable inputs (Level 3), a reconciliation of the beginning and ending balances, separately presenting changes during the period attributable to the following: (1) total gains or losses for the period (realized and unrealized), segregating those gains or losses included in earnings (or changes in net assets) and gains or	820-10-50-2(c) 820-10-50-3

Standard Label [†]	Definition	Codification Reference
	<p>losses recognized in other comprehensive income, and a description of where those gains or losses included in earnings (or changes in net assets) are reported in the statement of income (or activities); (2) purchases, sales, issuesissuances, and settlements (each type disclosed separately); and (3) transfers in and transfers out of Level 3 (for example, transfers due to changes in the observability of significant inputs), by class of asset.</p>	
<p>Fair Value, Assets Measured on Recurring Basis, Unobservable Input Reconciliation [Table]*</p>	<p>Summarization of information required and determined to be provided for purposes of reconciling beginning and ending balances of fair value measurements of assets using significant unobservable inputs (Level 3). Such reconciliation, separately presenting changes during the period, at a minimum, may include: (1) total gains or losses for the period (realized and unrealized), segregating those gains or losses included in earnings (or changes in net assets) and gains or losses recognized in other comprehensive income, and a description of where those gains or losses included in earnings (or changes in net assets) are reported in the statement of income (or activities); (2) purchases, sales, issuesissuances, and settlements (each type disclosed separately); and (3) transfers in and transfers out of Level 3 (for example, transfers due to changes in the observability of significant inputs), by class of asset.</p>	<p>820-10-50-2(c) 820-10-50-3</p>

Standard Label [†]	Definition	Codification Reference
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Asset, Gain (Loss) Included in Earnings, Description*	This element represents a description of where the gains or losses for the period (realized and unrealized) , arising from assets measured at fair value on a recurring basis using unobservable inputs (Level 3), are <u>recognized in earnings</u> included in earnings or the statement of financial position.	820-10-50-2(c)(1)
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Asset, Gain (Loss) Included in Other Comprehensive Income (Loss), Description*	Description of where the gains or losses for the period arising from assets measured at fair value on a recurring basis using unobservable inputs (Level 3), are included in other comprehensive income.	820-10-50-2(c)(1a)
Fair Value, Assets Measured on Recurring Basis, Gain (Loss) Included in Earnings, Description*	This item represents a description of where unrealized (holding) gains or losses are reported in the statement of income (or activities) relating to those assets still hold at the reporting date for which fair value is measured on a recurring basis using significant unobservable inputs (Level 3). (Level 3).	820-10-50-2(d)
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Asset, Gain (Loss) Included in Earnings*	This element represents total gains or losses for the period <u>recognized in earnings</u> (realized and unrealized) , arising from assets measured at fair value on a recurring basis using unobservable inputs (Level 3), which are included in earnings or resulted in a change in net asset value.	820-10-50-2(c)(1)
Fair Value,	This element represents total gains	820-10-50-

Standard Label [†]	Definition	Codification Reference
Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Asset, Gain (Loss) Included in Other Comprehensive Income (Loss)*	or losses for the period <u>recognized in other comprehensive income</u> (realized and unrealized), arising from assets measured at fair value on a recurring basis using unobservable inputs (Level 3); which are included in other comprehensive income (a separate component of shareholders' equity).	2(c)(1a)(e)(4)
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Asset, Purchases, Sales, <u>Issues Issuances</u>, Settlements*	This element represents purchases, sales, issues issuances, and settlements (net) which have taken place during the period in relation to assets measured at fair value on a recurring basis using unobservable inputs (Level 3).	
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Asset, Transfers, Net*	This element represents [net] transfers in to and out of assets measured at fair value on a recurring basis using unobservable inputs (Level 3) which have taken place during the period.	820-10-50-2(e)(3)
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Asset, Period Increase (Decrease)*	The increase (decrease) of assets measured at fair value on a recurring basis using unobservable inputs (Level 3) which have taken place during the period. Such increase (decrease) may be comprised of changes in fair value (gains or losses) whether realized or unrealized that have been included in earnings, changed net asset value, or other comprehensive income (a separate component of shareholders' equity); purchases, sales, issues issuances, or	820-10-50-2(c)

Standard Label [†]	Definition	Codification Reference
	settlements of assets; and net transfers in to or out of this category within the fair value hierarchy.	
Fair Value, Liabilities Measured on Recurring Basis, Unobservable Input Reconciliation [Table Text Block]*	<p>Tabular disclosure of the fair value measurement of liabilities using significant unobservable inputs (Level 3), a reconciliation of the beginning and ending balances, separately presenting changes during the period attributable to the following: (1) total gains or losses for the period (realized and unrealized), segregating those gains or losses included in earnings (or changes in net assets), and gains or losses recognized in other comprehensive income and a description of where those gains or losses included in earnings (or changes in net assets) are reported in the statement of income (or activities); (2) purchases, sales, issuesissuances, and settlements (each type disclosed separately); and (3) transfers in and transfers out of Level 3 (for example, transfers due to changes in the observability of significant inputs) by class of liability.</p>	<p>820-10-50-2(c) 820-10-50-3</p>
Fair Value, Liabilities Measured on Recurring Basis, Unobservable Input Reconciliation [Table]*	<p>Summarization of information required and determined to be provided for purposes of reconciling beginning and ending balances of fair value measurements of liabilities using significant unobservable inputs (Level 3). Such reconciliation, separately presenting changes during the period, at a minimum, may include: (1) total gains or losses for the period (realized and unrealized), segregating those gains or losses included in earnings (or</p>	<p>820-10-50-2(c) 820-10-50-3</p>

Standard Label [†]	Definition	Codification Reference
	changes in net assets) and gains or losses recognized in other comprehensive income, and a description of where those gains or losses included in earnings (or changes in net assets) are reported in the statement of income (or activities); (2) purchases, sales, issues <u>issuances</u> , and settlements (each type disclosed separately); and (3) transfers in and transfers out of Level 3 (for example, transfers due to changes in the observability of significant inputs) by class of liability.	
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Liability, Gain (Loss) Included in Earnings, Description*	This element represents a description of where the gains or losses for the period (realized and unrealized) , arising from liabilities measured at fair value on a recurring basis using unobservable inputs (Level 3), are included in earnings or the statement of financial position.	820-10-50-2(c)
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Liability, Gain (Loss) Included in Other Comprehensive Income (Loss), Description*	Description of where the gains or losses for the period arising from <u>liabilities</u> measured at fair value on a recurring basis using unobservable inputs (Level 3), are included in other comprehensive income.	820-10-50-2(c)(1a) (e)(1)
Fair Value, Liabilities Measured on Recurring Basis,	This item represents a description of where unrealized (holding) gains or losses are reported in the statement of income (or activities) relating to	820-10-50-2(d)

Standard Label [†]	Definition	Codification Reference
Gain (Loss) Included in Earnings, Description*	these liabilities still held at the reporting date for which fair value is measured on a recurring basis using significant unobservable inputs (Level 3).	
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Liability, Gain (Loss) Included in Earnings*	This element represents total gains or losses for the period <u>recognized in earnings</u> (realized and unrealized), arising from liabilities measured at fair value on a recurring basis using unobservable inputs (Level 3), which are included in earnings or resulted in a change in net asset value.	820-10-50-2(c)(1)
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Liability, Gain (Loss) Included in Other Comprehensive Income (Loss)*	This element represents total gains or losses for the period <u>recognized in earnings</u> (realized and unrealized), arising from liabilities measured at fair value on a recurring basis using unobservable inputs (Level 3), which are included in other comprehensive income (a separate component of shareholders' equity).	820-10-50-2(c)(1a)(e)(1)
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Liability, Purchases, Sales, Issues/Issuances, Settlements*	This element represents purchases, sales, issues/issuances , and settlements (net) which have taken place during the period in relation to liabilities measured at fair value on a recurring basis using unobservable inputs (Level 3).	

Standard Label [†]	Definition	Codification Reference
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Liability, Transfers, Net [Abstract]		
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Liability, Transfers, Net*	This element represents [net] transfers in to and out of liabilities measured at fair value on a recurring basis using unobservable inputs (Level 3) which have taken place during the period.	820-10-50-2(e)(3)
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Liability, Period Increase (Decrease)*	The increase (decrease) of liabilities measured at fair value on a recurring basis using unobservable inputs (Level 3) which have taken place during the period. Such increase (decrease) may be comprised of changes in fair value (gains or losses) whether realized or unrealized that have been included in earnings, changed net asset value, or other comprehensive income (a separate component of shareholders' equity); purchases, sales, issuances, or settlements of assets; and net transfers in to or out of this category within the fair value hierarchy.	<u>820-10-50-2(c)</u>

Standard Label [†]	Definition	Codification Reference
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Asset and Liability, Gain (Loss) Included in Other Comprehensive Income (Loss)*	This element represents total gains (losses) for the period <u>recognized in earnings</u> (realized and unrealized) , arising from assets and liabilities measured at fair value on a recurring basis using unobservable inputs (Level 3), which are included in other comprehensive income (a separate component of shareholders' equity).	820-10-50-2(c)(1a) (e)(1)
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Asset and Liability, Gain (Loss) Included in Other Comprehensive Income (Loss), Description*	Description of where the gains (losses) for the period arising from assets and liabilities measured at fair value on a recurring basis using unobservable inputs (Level 3) are included in other comprehensive income.	820-10-50-2(c)(1a) (e)(1)
Defined Benefit Plan, Fair Value of Plan Assets by Measurement [Axis]*	Fair value of plan assets by the level within the fair value hierarchy in which the fair value measurements in their entirety fall, segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (Level 1), Significant other observable inputs (Level 2), and significant unobservable inputs (Level 3).	715-20-50-1(d)(iv) 715-20-50-5(e)(iv)
Fair Value Plan Asset Measurement [Domain]*	The level within the fair value hierarchy in which the fair value measurements in their entirety fall, segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (Level 1), Significant other observable inputs (Level 2),	715-20-50-1(d)(iv) 715-20-50-5(e)(iv)

Standard Label [†]	Definition	Codification Reference
	and significant unobservable inputs (Level 3). Where the quoted price in an active market for the identical liability is not available, the Level 4 input is the quoted price of an identical liability when traded as an asset.	
Fair Value, Level 1 to Level 2 Transfers, Description*	Represents a discussion of the transfers of assets, or liabilities, and <u>[financial]</u> instruments classified in <u>shareholders' equity</u> measured on a recurring basis out of Level 1 of the fair value hierarchy into Level 2.	820-10-50-2(bb)
Fair Value, Level 1 to Level 2 Transfers, Amount*	The amount of the transfers of assets, or liabilities, and <u>[financial]</u> instruments classified in <u>shareholders' equity</u> measured on a recurring basis out of Level 1 of the fair value hierarchy into Level 2.	820-10-50-2(bb)
Fair Value, Level 2 to Level 1 Transfers, Description*	Represents a discussion of the transfers of assets, or liabilities, and <u>[financial]</u> instruments classified in <u>shareholders' equity</u> measured on a recurring basis out of Level 2 of the fair value hierarchy into Level 1.	820-10-50-2(bb)
Fair Value, Level 2 to Level 1 Transfers, Amount*	The amount of the transfers of assets, or liabilities, and <u>[financial]</u> instruments classified in <u>shareholders' equity</u> measured on a recurring basis out of Level 2 of the fair value hierarchy into Level 1.	820-10-50-2(bb)