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FASB Issues ASU to Remove Concepts Statement References From Codification

Overview

On March 29, 2024, the FASB issued [ASU 2024-02](#),¹ which removes references to the Board's concepts statements from the *FASB Accounting Standards Codification* (the "Codification" or ASC). The ASU is part of the Board's standing project to make "Codification updates for technical corrections such as conforming amendments, clarifications to guidance, simplifications to wording or the structure of guidance, and other minor improvements."

Background

Concepts statements are nonauthoritative and do not establish generally accepted accounting principles (GAAP). As noted on the FASB's [Web site](#), they guide the Board in "developing sound accounting principles and provide the Board and its constituents with an understanding of the appropriate content and inherent limitations of financial reporting." Before establishing the Codification in 2009, the FASB used or referred to the concepts statements as part of its standard setting. However, the Board is now removing those references since "[r]eferences to the Concepts Statements in the Codification could imply that the Concepts Statements are authoritative. Additionally, in certain instances, the Codification references Concepts Statements that are superseded, and that could provide opportunities for diverse implications over time."

¹ FASB Accounting Standards Update (ASU) No. 2024-02, *Codification Improvements — Amendments to Remove References to the Concepts Statements*.

Main Provisions

The table below summarizes the amendments to the Codification made by ASU 2024-02.

Location of Amendment in ASC	Amended Glossary Term or ASC Paragraph(s)	Summary of Amendment
Master glossary	Expected losses and expected residual returns	Removes the references to Concepts Statement 7 ² from the definition of this term and adds a reference to ASC 810 ³ regarding certain computations
Master glossary	Financial instrument	Removes the references to Concepts Statement 6 ⁴ from the definition of this term and clarifies that some, but not all, contractual rights and obligations meet the criteria for recognition as assets or liabilities in financial statements
Master glossary	Obligation	Removes the reference to Concepts Statement 6 from the definition of this term and clarifies that the definition applies only to items within the scope of ASC 480
Master glossary	Readily convertible to cash	Removes the reference to Concepts Statement 5 ⁵ from the definition of this term
Master glossary	Transaction	Removes the reference to Concepts Statement 6 from the definition of this term
Master glossary	Transfer	Removes the reference to Concepts Statement 6 from the definition of this term
ASC 350-30, <i>Intangibles — Goodwill and Other: General Intangibles Other Than Goodwill</i>	ASC 350-30-25-4	Removes the reference to Concepts Statement 5 and clarifies that an intangible asset may qualify for recognition even if it does not qualify for recognition under the contractual-legal criterion or the separability criterion
ASC 410-20, <i>Asset Retirement and Environmental Obligations: Asset Retirement Obligations</i>	ASC 410-20-25-1 through 25-3A and ASC 410-20-55-26	Supersedes ASC 410-20-25-1 through 25-3A by eliminating both the preexisting guidance and the references to Concepts Statement 6; amends ASC 410-20-55-26 to refer to the recognition and measurement guidance in ASC 410-20 and ASC 410-30, respectively
ASC 420-10, <i>Exit or Disposal Cost Obligations: Overall</i>	ASC 420-10-25-2	Removes the reference to Concepts Statement 6 to provide clarification related to when a liability is incurred
ASC 805-20, <i>Business Combinations: Identifiable Assets and Liabilities, and Any Noncontrolling Interest</i>	ASC 805-20-25-2	Removes the reference to Concepts Statement 6 and notes that assets or liabilities must exist to be recognized in a business combination

² FASB Concepts Statement No. 7, *Using Cash Flow Information and Present Value in Accounting Measurements*.

³ For titles of ASC references, see Deloitte's "[Titles of Topics and Subtopics in the FASB Accounting Standards Codification](#)."

⁴ FASB Concepts Statement No. 6 (superseded), *Elements of Financial Statements — a replacement of FASB Concepts Statement No. 3 (Incorporating an Amendment of FASB Concepts Statement No. 2)*.

⁵ FASB Concepts Statement No. 5, *Recognition and Measurement in Financial Statements of Business Enterprises*.

(Table continued)

Location of Amendment in ASC	Amended Glossary Term or ASC Paragraph(s)	Summary of Amendment
ASC 815-20, <i>Derivatives and Hedging: Hedging — General</i>	ASC 815-20-25-79	Removes the reference to Concepts Statement 7
ASC 845-10, <i>Nonmonetary Transactions: Overall</i>	ASC 845-10-30-4	Removes the reference to Concepts Statement 7
ASC 860-10, <i>Transfers and Servicing: Overall</i>	ASC 860-10-55-15	Removes the reference to Concepts Statement 6
ASC 946-20, <i>Financial Services — Investment Companies: Investment Company Activities</i>	ASC 946-20-25-4	Removes the reference to Concepts Statement 6 and adds the criteria from that guidance
ASC 946-720, <i>Financial Services — Investment Companies: Other Expenses</i>	ASC 946-720-25-2	Removes the reference to Concepts Statement 6
ASC 954-405, <i>Health Care Entities: Liabilities</i>	ASC 954-405-25-5	Removes the reference to Concepts Statement 6

Effective Dates and Transition

While the amendments are not expected to result in significant changes for most entities, the FASB provided transition guidance since some entities could be affected. Public business entities affected by the ASU would apply its amendments for fiscal years beginning after December 15, 2024. All other entities would apply the guidance for fiscal years beginning after December 15, 2025. An entity that adopts the amendments in an interim period would have to adopt them as of the beginning of the fiscal year that includes that interim period. Early adoption is permitted for all entities in any period in which financial statements have not yet been issued or available for issuance.

An entity would choose whether to apply the amendments (1) prospectively to new transactions after the adoption date or (2) retrospectively to the beginning of the earliest comparative period presented.

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