Financial Accounting Standards Board

ORIGINAL PRONOUNCEMENTS

AS AMENDED

FASB Staff Position FAS157-2

Effective Date of FASB Statement No. 157

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Effective Date of FASB Statement No. 157

Date Posted: February 12, 2008

Effective Date: Upon initial adoption of Statement 157

Affects: Amends FAS 157, paragraph 36

Affected by: No other pronouncements

FASB Staff Position FAS157-2
Effective Date of FASB Statement No. 157

OBJECTIVE

1. This FASB Staff Position (FSP) delays the effective date of FASB Statement No. 157, *Fair Value Measurements,* for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The delay is intended to allow the Board and constituents additional time to consider the effect of various implementation issues that have arisen, or that may arise, from the application of Statement 157.

BACKGROUND

2. Statement 157 was issued on September 15, 2006, and, as issued, is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Early application was encouraged.

3. Statement 157 establishes a single definition of fair value and a framework for measuring fair value in generally accepted accounting principles (GAAP) that should result in increased consistency and comparability in fair value measurements. Statement 157 also expands disclosures about fair value measurements, improving the quality of information provided to users of financial statements. Many financial statement users have indicated that Statement 157 significantly improves the financial reporting of financial assets and financial liabilities and other items that are recognized or disclosed at fair value on a recurring basis.

4. However, some preparers and others observe that in many areas they are having difficulty resolving implementation issues related to fair value measurements of nonfinancial assets and nonfinancial liabilities (a) that are acquired in a business combination or (b) in the determination of impairment for nonfinancial assets and nonfinancial liabilities, because those fair value measurements often rely on unobservable inputs. Accordingly, a partial deferral of the effective date of Statement 157 will allow for more time to resolve these issues without eliminating many of the Statement's improvements to financial reporting.

All paragraphs in this FSP have equal authority.
Paragraphs in bold set out the main principles.

FASB STAFF POSITION

Scope

5. **This FSP applies to nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in an entity's financial statements on a recurring basis (at least annually).**

6. For purposes of applying this FSP, nonfinancial assets and nonfinancial liabilities would include all assets and liabilities other than those meeting the definition of a *financial asset* or *financial liability* as defined in paragraph 6 of FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities.*

7. This FSP does not apply to entities that have issued interim or annual financial statements that include the application of the measurement and disclosure provisions of Statement 157.

Amendment to Statement 157

8. **This FSP defers the effective date of Statement 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of this FSP.**

9. Examples of items to which the deferral would apply include, but are not limited to:

a. Nonfinancial assets and nonfinancial liabilities initially measured at fair value in a business combination or other new basis event, but not measured at fair value in subsequent periods (nonrecurring fair value measurements)

b. Reporting units measured at fair value in the first step of a goodwill impairment test as described in paragraph 19 of FASB Statement No. 142, *Goodwill and Other Intangible Assets* (measured at fair value on a recurring basis, but not necessarily recognized or disclosed in the financial statements at fair value)
c. Nonfinancial assets and nonfinancial liabilities measured at fair value in the second step of a goodwill impairment test as described in paragraphs 20 and 21 of Statement 142 (measured at fair value on a nonrecurring basis to determine the amount of goodwill impairment, and not necessarily recognized or disclosed in the financial statements at fair value)
d. Indefinite-lived intangible assets measured at fair value for impairment assessment under Statement 142 (measured at fair value on a recurring basis, but not necessarily recognized or disclosed in the financial statements at fair value)
e. Nonfinancial long-lived assets (asset groups) measured at fair value for an impairment assessment under FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (nonrecurring fair value measurements)
f. Asset retirement obligations initially measured at fair value under FASB Statement No. 143, *Accounting for Asset Retirement Obligations* (nonrecurring fair value measurements)
g. Nonfinancial liabilities for exit or disposal activities initially measured at fair value under FASB Statement No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* (nonrecurring fair value measurements).

10. Examples of items to which the deferral would **not** apply include, but are not limited to:

a. Items within the scope of paragraph 7 of Statement 159 that are recognized or disclosed at fair value on a recurring basis
b. Items within the scope of FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments,* whether recognized or not
c. Financial and nonfinancial derivatives within the scope of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*
d. Servicing assets and servicing liabilities within the scope of FASB Statement No. 156, *Accounting for Servicing of Financial Assets,* including situations in which an entity has elected the amortization method as the subsequent measurement attribute, because the fair value is required to be disclosed on a recurring basis
e. Loans measured for impairment using the practical expedient in FASB Statement No. 114, *Accounting by Creditors for Impairment of a Loan* (based on the fair value of collateral if the loan is collateral dependent), even if the underlying collateral is nonfinancial
f. Financial assets and financial liabilities initially measured at fair value in a business combination or other new basis event, regardless of whether measured at fair value during subsequent periods.

11. Statement 157 is amended as follows: [Added text is underlined and deleted text is ~~struck out~~.]

Paragraph 36:

Except as provided in subparagraphs 36(a) and 36(b) below, ~~T~~this Statement shall be effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Earlier application is encouraged, provided that the reporting entity has not yet issued financial statements for that fiscal year, including any financial statements for an interim period within that fiscal year.

a. Delayed application of this Statement is permitted for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), until fiscal years beginning after November 15, 2008, and interim periods within those fiscal years.
b. An entity that has issued interim or annual financial statements reflecting the application of the measurement and disclosure provisions of this Statement prior to the issuance of FSP FAS 157-2, *Effective Date of FASB Statement No. 157,* must continue to apply all of the provisions of this Statement.

Disclosure

12. Any entity that has not applied the provisions of Statement 157 in interim or annual financial statements shall disclose the following until that Statement is applied to all assets and liabilities within its scope:

a. The fact that the entity has only partially applied Statement 157
b. Each major category of assets and liabilities that are recognized or disclosed at fair value for which, in accordance with this FSP, the entity has not applied the provisions of Statement 157.

EFFECTIVE DATE AND TRANSITION

13. This FSP shall be effective upon issuance.

14. An entity is encouraged to early apply Statement 157 for nonrecurring measurements made for nonfinancial assets and nonfinancial liabilities, provided that the entity has not yet issued financial statements for that fiscal year, including any financial statements for an interim period within that year. However, if an entity early applies Statement 157 for nonrecurring fair value measurements made for nonfinancial assets and nonfinancial liabilities, it must do so consistently for all items that are within the scope of this FSP.

The provisions of this FSP need not be applied to immaterial items.

This FSP was adopted by the unanimous vote of the seven members of the Financial Accounting Standards Board:

Robert H. Herz, *Chairman*
George J. Batavick
G. Michael Crooch
Thomas J. Linsmeier
Leslie F. Seidman
Lawrence W. Smith
Donald M. Young