

Heads Up

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The New Normal

FASB Issues ASU on Extraordinary Items

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Introduction

On January 9, 2015, the FASB issued [ASU 2015-01](#),¹ which eliminates from U.S. GAAP the concept of an extraordinary item.² The Board released the new guidance as part of its simplification initiative, which, as explained in the ASU, is intended to “identify, evaluate, and improve areas of [U.S. GAAP] for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to the users of financial statements.”

Key Provisions of the ASU

To be considered an extraordinary item under existing U.S. GAAP, an event or transaction must be unusual in nature *and* must occur infrequently. Stakeholders often questioned the decision-usefulness of labeling a transaction or event as extraordinary and indicated that it is difficult to ascertain whether an event or transaction satisfies both criteria. In light of this feedback and in a manner consistent with its simplification initiative, the FASB decided to eliminate the concept of an extraordinary item. As a result, an entity will no longer (1) segregate an extraordinary item from the results of ordinary operations; (2) separately present an extraordinary item on its income statement, net of tax, after income from continuing operations; and (3) disclose income taxes and earnings-per-share data applicable to an extraordinary item. However, the ASU does not affect the reporting and disclosure requirements³ for an event that is unusual in nature or that occurs infrequently.

Effective Date and Transition

For all entities, the ASU is effective for annual periods beginning after December 15, 2015, and interim periods within those annual periods. Entities may apply the guidance prospectively or retrospectively to all prior periods presented in the financial statements. If an entity chooses to apply the guidance prospectively, it must disclose whether amounts included in income from continuing operations after adoption of the ASU are related to events and transactions previously recognized and classified as extraordinary items before the date of adoption. Early adoption is permitted if the guidance is applied as of the beginning of the annual period of adoption.

¹ FASB Accounting Standards Update No. 2015-01, *Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*.

² The Codification Master Glossary defines extraordinary items as “events and transactions that are distinguished by their unusual nature and by the infrequency of their occurrence.”

³ ASC 225-20-45-16 and ASC 225-20-50-3. (For titles of *FASB Accounting Standards Codification* (ASC) references, see Deloitte’s “Titles of Topics and Subtopics in the *FASB Accounting Standards Codification*.”)

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