

FASB Makes Tentative Transition and Disclosure Decisions Related to the Improvement of Accounting for Share-Based Payment Arrangements With Nonemployees

At today's meeting, the Board addressed potential transition methods related to the tentative decisions made at its [May 4, 2016, meeting](#) and discussed which disclosures should be required as part of its project on improving the accounting for share-based payment arrangements with nonemployees.

Transition Methods

With respect to the following improvements, the Board tentatively decided to require a modified retrospective transition approach, with a cumulative-effect adjustment to retained earnings, for outstanding nonemployee awards at the time of adoption:

- Expanding the scope of ASC 718¹ to include all share-based payment arrangements related to acquiring both goods and services with nonemployees.
- Requiring the use of expected terms as inputs to the measurement of nonemployee awards.
- Aligning postvesting classification (equity vs. liability) for employee and nonemployee awards.
- Allowing nonpublic companies to elect, as an accounting policy, to measure all nonemployee liability-classified awards at intrinsic value or fair value.

In allowing nonpublic companies to use calculated values related to expected volatilities as inputs to the measurement of nonemployee awards, the Board tentatively decided that a prospective approach should be used for all awards that are measured at fair value after the date of adoption.

Disclosures

With the exception of disclosures specifying the income statement effects of the change in principle in the year of adoption (or interim periods therein), the Board tentatively decided that an entity should apply the disclosure requirements in ASC 250² related to a change in accounting principle.

Finally, the Board tentatively decided that the disclosure requirements for nonemployee awards should be aligned with those in ASC 718 and that these requirements did not need to be modified.

Next Steps

The FASB staff is currently drafting a proposal and will discuss with the Board any sweep issues identified.

¹ FASB Accounting Standards Codification Topic 718, *Compensation — Stock Compensation*.

² FASB Accounting Standards Codification Topic 250, *Accounting Changes and Error Corrections*.

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