

# FASB Votes to Finalize ASU on the Scope of Modification Accounting for Share-Based Payment Arrangements

At its meeting today, the FASB redeliberated the amendments in its [proposed Accounting Standards Update \(ASU\)](#)<sup>1</sup> on amending the scope of modification accounting for share-based payment arrangements. The Board reaffirmed the proposed guidance and authorized its staff to draft a final ASU.

## Background and Decisions Made

On November 17, 2016, the FASB issued a proposed ASU that would amend the scope of modification accounting for share-based payment arrangements. The proposed ASU provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting under ASC 718.<sup>2</sup> Specifically, an entity would not apply modification accounting if the fair value,<sup>3</sup> vesting conditions, and classification of an award are the same immediately before and after the modification.

See Deloitte's November 18, 2016, [Heads Up](#) for further information about the proposed ASU.

The Board reaffirmed and clarified the following:

- An entity should not apply modification accounting if the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used), vesting conditions, and classification of an award are the same immediately before and after the modification.
- In determining whether the fair value of an award is the same immediately before and after the modification, an entity will be required to use judgment because specific guidance will not be provided on assessing insignificant changes in fair value.
- In determining whether the fair value of an award is the same immediately before and after the modification, an entity should use the total instruments awarded to an employee as the unit of account, rather than each instrument awarded to the employee.
- No additional disclosure requirements will be required, and the current disclosure requirements in ASC 718 for modifications are applicable regardless of whether an entity is required to apply modification accounting.

## Transition and Effective Date

The Board reaffirmed the proposed transition requirements as follows:

- The amendments should be applied prospectively to awards modified on or after the effective date.
- Transition disclosures are not required.

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<sup>1</sup> FASB Proposed Accounting Standards Update, *Scope of Modification Accounting*.

<sup>2</sup> FASB Accounting Standards Codification (ASC) Topic 718, *Compensation — Stock Compensation*.

<sup>3</sup> If the measurement of the awards in the financial statements is based on calculated value or intrinsic value, the comparison before and after the modification would be based on such an alternative measurement method instead of fair value.

The final ASU will be effective for all entities for annual reporting periods beginning after December 15, 2017, including interim periods within those annual reporting periods. Early adoption will be permitted.

### Next Step

The FASB expects to issue a final ASU in April 2017.

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