FINANCIAL ACCOUNTING SERIES

EXPOSURE DRAFT

Proposed Accounting Standards Update

Issued: October 12, 2010
Comments Due: December 13, 2010

Receivables (Topic 310)

Clarifications to Accounting for Troubled Debt Restructurings by Creditors

This Exposure Draft of a proposed Accounting Standards Update of Topic 310 is issued by the Board for public comment. Written comments should be addressed to:

Technical Director
File Reference No. 1880-100

Financial Accounting Standards Board
of the Financial Accounting Foundation

The *FASB Accounting Standards Codification*™ is the source of authoritative generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. An Accounting Standards Update is not authoritative; rather, it is a document that communicates how the Accounting Standards Codification is being amended. It also provides other information to help a user of GAAP understand how and why GAAP is changing and when the changes will be effective.

Notice to Recipients of This Exposure Draft of a Proposed Accounting Standards Update

The Board invites individuals and organizations to send written comments on all matters in this Exposure Draft of a proposed Accounting Standards Update. Responses from those wishing to comment on the Exposure Draft must be received in writing by December 13, 2010. Interested parties should submit their comments by email to director@fasb.org, File Reference No. 1880-100. Those without email should send their comments to "Technical Director, File Reference No. 1880-100, FASB, 401 Merritt 7, PO Box 5116, Norwalk, CT 06856-5116." Do not send responses by fax.

All comments received constitute part of the FASB's public file. The FASB will make all comments publicly available by posting them to its website and by making them available in its public reference room in Norwalk, Connecticut.

An electronic copy of this Exposure Draft is available on the FASB's website.

Financial Accounting Standards Board
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Why Is the FASB Issuing This Proposed Accounting Standards Update (Update)?

Several stakeholders have raised concerns about diversity in practice related to identifying troubled debt restructurings. Those stakeholders suggest that additional guidance may be necessary to assist creditors in determining whether a restructuring of a receivable meets the criteria to be considered a troubled debt restructuring, both for purposes of recording an impairment and for disclosure of troubled debt restructurings.

Who Would Be Affected by the Amendments in This Proposed Update?

The amendments in this proposed Update would apply to all creditors, both public and nonpublic, that restructure receivables that fall within the scope of *FASB Accounting Standards Codification*™ Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors.

What Are the Main Provisions?

Under the amendments in this proposed Update, a creditor would be precluded from using the borrower's effective rate test in paragraph 470-60-55-10 in its evaluation of whether a restructuring constitutes a troubled debt restructuring.

Furthermore, guidance would be clarified to indicate the following:

1. If a debtor does not otherwise have access to funds at a market rate for debt with similar risk characteristics as the restructured debt, the restructuring would be considered to be at below a market rate and therefore should be considered a troubled debt restructuring.
2. A restructuring that results in a temporary or permanent increase in the contractual interest rate cannot be presumed to be at a rate that is at or above market.
3. A borrower that is not currently in default may still be considered to be experiencing financial difficulty when payment default is considered "probable in the foreseeable future."
4. A restructuring that results in an insignificant delay in contractual cash flows may still be considered a troubled debt restructuring. That is, that factor should be considered along with other terms of a restructuring to determine whether a troubled debt restructuring exists.

How Would the Main Provisions Differ from Current U.S. Generally Accepted Accounting Principles (GAAP) and Why Would They Be an Improvement?

Because of current interpretations of existing GAAP, there is diversity in practice in identifying restructurings that constitute troubled debt restructurings. The clarifying guidance in this proposed Update will result in more consistent application of GAAP for debt restructurings.

When Would the Amendments Be Effective?

For purposes of measuring impairment of a receivable restructured in a troubled debt restructuring, the proposed clarifications would be effective on a prospective basis for interim and annual periods ending after June 15, 2011, with retrospective application permitted. If an entity applies the proposed clarifications prospectively for impairment measurement, it would disclose the total amount of receivables and the allowance for credit losses as of the end of the period of adoption related to those receivables that are newly considered impaired under Section 310-10-35 as a result of the clarifications in guidance in this proposed Update for which impairment was previously measured under Subtopic 450-20, Contingencies—Loss Contingencies.

For purposes of identifying and disclosing troubled debt restructurings, the proposed clarifications would be effective for interim and annual periods ending after June 15, 2011, and would be applied retrospectively to restructurings occurring on or after the beginning of the earliest period presented.

How Do the Proposed Provisions Compare with International Financial Reporting Standards (IFRS)?

No similar issue exists under IFRS because IFRS does not have guidance on troubled debt restructurings.

Questions for Respondents

The Board invites individuals and organizations to comment on all matters in this proposed Update, particularly on the issues and questions below. Comments are requested from those who agree with the proposed guidance as well as from those who do not agree. Comments are most helpful if they identify and clearly explain the issue or question to which they relate. Those who disagree with the proposed guidance are asked to describe their suggested alternatives, supported by specific reasoning.

Question 1: Would precluding creditors from applying the guidance in paragraph 470-60-55-10, create any operational challenges for determining whether a troubled debt restructuring exists? If yes, please explain why.

Question 2: Do you believe that the proposed changes to the guidance for determining whether a troubled debt restructuring exists would result in a more consistent application of troubled debt restructuring guidance? If not, please explain why.

Question 3: The Board decided that a creditor may consider that a debtor is experiencing financial difficulty when payment default is considered to be "probable in the foreseeable future." Do you believe that this is an appropriate threshold for such an assessment? If not, please explain why.

Question 4: Are the proposed transition and effective date provisions operational? If not, please explain why.

Question 5: Should the transition and effective date be different for nonpublic entities versus public entities? If so, please explain why.

Question 6: Should early adoption of the proposed amendments in this Update be permitted? If so, please explain why.

Amendments to the *FASB Accounting Standards Codification*™

Summary of Proposed Amendments to the Accounting Standards Codification

1. The following table provides a summary of the proposed amendments to the Accounting Standards Codification.

Codification Paragraphs	Action	Description of Changes
310-40-15-8A through 15-8B Receivables—Troubled Debt Restructurings by Creditors—Scope and Scope Exceptions—Troubled Debt Restructuring	Added	The proposed amendments would clarify the determination of whether a restructuring is a troubled debt restructuring.
310-40-15-8C Receivables—Troubled Debt Restructurings by Creditors—Scope and Scope Exceptions—Troubled Debt Restructuring	Added	The proposed amendments would preclude a creditor from applying debtor guidance in evaluating whether a restructuring constitutes a troubled debt restructuring by the creditor.
310-40-55-1 Receivables—Troubled Debt Restructurings by Creditors—Implementation Guidance and Illustrations—Implementation Guidance	Consequential Amendment	The proposed amendments would reflect the inclusion in Section 310-40-55 of the following aspects of troubled debt restructurings: (1) the indicators that a creditor should consider in its determination of whether a debtor is experiencing financial difficulties and (2) the creditor's evaluation of a restructuring resulting in an

Codification Paragraphs	Action	Description of Changes
		insignificant delay in contractual cash flows.
310-40-55-10A through 55-10B Receivables—Troubled Debt Restructurings by Creditors—Implementation Guidance and Illustrations—Creditor's Determination of Whether a Debtor Is Experiencing Financial Difficulties	Added	The proposed amendments would provide guidance on the creditor's determination of whether a debtor is experiencing financial difficulties.
310-40-55-10C Receivables—Troubled Debt Restructurings by Creditors—Implementation Guidance and Illustrations—Creditor's Evaluation of a Restructuring That Results in an Insignificant Delay in Contractual Cash Flows	Added	The proposed amendments would clarify that restructurings resulting in insignificant delays in cash flows may still be considered troubled debt restructurings.
310-40-65-1 Receivables—Troubled Debt Restructurings by Creditors—Transition and Open Effective Date Information—Transition Related to Accounting Standards Update No. 2010-XX, Receivables (Topic	Added	The proposed amendments would provide information about the transition and effective date. The proposed amendments also would include information about transition disclosures that would be required.

Codification Paragraphs	Action	Description of Changes
310): Clarifications to Accounting for Troubled Debt Restructurings by Creditors		

Introduction

2. The Accounting Standards Codification is amended as described in paragraphs 3–6. In some cases, not only are the amended paragraphs shown but also the preceding and following paragraphs are shown to put the change in context. Terms from the Master Glossary are in **bold** type. Added text is underlined, and deleted text is ~~struck out~~.

Amendments to Subtopic 310-40

3. Add paragraphs 310-40-15-8A through 15-8C, with a link to transition paragraph 310-40-65-1, as follows:

Receivables—Troubled Debt Restructurings by Creditors

Scope and Scope Exceptions

General

> > Troubled Debt Restructuring

310-40-15-5 A restructuring of a debt constitutes a troubled debt restructuring for purposes of this Subtopic if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider.

310-40-15-6 That concession is granted by the creditor in an attempt to protect as much of its investment as possible. That concession either stems from an agreement between the creditor and the debtor or is imposed by law or a court; for example, either of the following circumstances might occur:

a. A creditor may restructure the terms of a debt to alleviate the burden of the debtor's near-term cash requirements, and many troubled debt restructurings involve modifying terms to reduce or defer cash payments required of the debtor in the near future to help the debtor attempt to improve its financial condition and eventually be able to pay the creditor.

b. The creditor may accept cash, other assets, or an equity interest in the debtor in satisfaction of the debt though the value received is less than the amount of the debt because the creditor concludes that step will maximize recovery of its investment. Although troubled debt that is fully satisfied by foreclosure, repossession, or other transfer of assets or by grant of equity securities by the debtor is, in a technical sense, not restructured, that kind of event is included in the term troubled debt restructuring in this Subtopic.

310-40-15-7 Whatever the form of concession granted by the creditor to the debtor in a troubled debt restructuring, the creditor's objective is to make the best of a difficult situation. That is, the creditor expects to obtain more cash or other value from the debtor, or to increase the probability of receipt, by granting the concession than by not granting it.

310-40-15-8 In general, a debtor that can obtain funds from sources other than the existing creditor at market interest rates at or near those for nontroubled debt is not involved in a troubled debt restructuring. A debtor in a troubled debt restructuring can obtain funds from sources other than the existing creditor in the troubled debt restructuring, if at all, only at effective interest rates (based on market prices) so high that it cannot afford to pay them.

<u>**310-40-15-8A** If a debtor does not otherwise have access to funds at a market rate for debt with similar risk characteristics as the restructured debt, the restructuring would be considered to be at below a market rate and therefore should be considered a troubled debt restructuring.</u>

<u>**310-40-15-8B** A temporary or permanent increase in the contractual interest rate as a result of a restructuring does not preclude the restructuring from being considered a troubled debt restructuring because the new contractual interest rate on the restructured receivable could still be below market interest rates for new debt with similar terms. Such an increase in the debtor's contractual interest rate should be considered together with all other modifications that result from the restructuring in determining if a troubled debt restructuring exists.</u>

<u>**310-40-15-8C** In evaluating whether a restructuring constitutes a troubled debt restructuring, a creditor shall not apply the guidance in paragraph 470-60-55-10.</u>

310-40-15-9 A troubled debt restructuring may include, but is not necessarily limited to, one or a combination of the following:

a. Transfer from the debtor to the creditor of receivables from third parties, real estate, or other assets to satisfy fully or partially a **debt** (including a transfer resulting from foreclosure or repossession)
b. Issuance or other granting of an equity interest to the creditor by the debtor to satisfy fully or partially a debt unless the equity interest is granted pursuant to existing terms for converting the debt into an equity interest

c. Modification of terms of a debt, such as one or a combination of any of the following:
   1. Reduction (absolute or contingent) of the stated interest rate for the remaining original life of the debt
   2. Extension of the maturity date or dates at a stated interest rate lower than the current market rate for new debt with similar risk
   3. Reduction (absolute or contingent) of the face amount or maturity amount of the debt as stated in the instrument or other agreement
   4. Reduction (absolute or contingent) of accrued interest.

310-40-15-10 The guidance in this Subtopic shall be applied to all troubled debt restructurings including those consummated under reorganization, arrangement, or other provisions of the Federal Bankruptcy Act or other federal statutes related thereto.

310-40-15-11 For purposes of this Subtopic, none of the following are considered troubled debt restructurings:

a. Changes in lease agreements (for guidance, see Topic 840)
b. Changes in employment-related agreements, for example, pension plans and deferred compensation contracts
c. Unless they involve an agreement between debtor and creditor to restructure, either of the following:
   1. Debtors' failures to pay trade accounts according to their terms
   2. Creditors' delays in taking legal action to collect overdue amounts of interest and principal.
d. Modifications of loans within a pool accounted for in accordance with Subtopic 310-30 (see paragraph 310-30-15-6)
e. Changes in expected cash flows of a pool of loans accounted for in accordance with Subtopic 310-30 (see paragraph 310-30-15-6) resulting from the modification of one or more loans within the pool.

310-40-15-12 A debt restructuring is not necessarily a troubled debt restructuring for purposes of this Subtopic even if the debtor is experiencing some financial difficulties. For purposes of this Subtopic, none of the following debt restructurings, for example, are considered troubled debt restructurings:

a. The **fair value** of cash, other assets, or an equity interest accepted by a creditor from a debtor in full satisfaction of its receivable at least equals the creditor's **recorded investment in the receivable**.
b. The fair value of cash, other assets, or an equity interest transferred by a debtor to a creditor in full settlement of its payable at least equals the debtor's carrying amount of the payable.
c. The creditor reduces the **effective interest rate** on the debt primarily to reflect a decrease in market interest rates in general or a decrease in the risk so as to maintain a relationship with a debtor that can readily obtain funds from other sources at the current market interest rate.

d. The debtor issues in exchange for its debt new marketable debt having an effective interest rate based on its market price that is at or near the current market interest rates of debt with similar maturity dates and stated interest rates issued by nontroubled debtors.

4. Amend paragraph 310-40-55-1, with a link to transition paragraph 310-40-65-1, as follows:

Implementation Guidance and Illustrations

310-40-55-1 This Section provides guidance concerning the following aspects of **troubled debt restructuring:**

a. Classification of **debt** restructurings by debtors and creditors
b. Use of zero coupon bonds in a troubled debt ~~restructuring.~~<u>restructuring</u>
<u>c. Creditor's determination of whether a debtor is experiencing financial difficulties</u>
<u>d. Creditor's evaluation of a restructuring that results in an insignificant delay in contractual cash flows.</u>

5. Add paragraphs 310-40-55-10A through 55-10C and their related headings, with a link to transition paragraph 310-40-65-1, as follows:

<u>**> > Creditor's Determination of Whether a Debtor Is Experiencing Financial Difficulties**</u>

<u>**310-40-55-10A** In determining whether a debtor is experiencing financial difficulties, a creditor should consider the following indicators:</u>

<u>a. The debtor is currently in default on any of its debt.</u>
<u>b. The debtor has declared or is in the process of declaring bankruptcy.</u>
<u>c. There is significant doubt as to whether the debtor will continue to be a going concern.</u>
<u>d. Currently, the debtor has securities that have been delisted, are in the process of being delisted, or are under threat of being delisted from an exchange.</u>
<u>e. Based on estimates and projections that only encompass the current business capabilities, the creditor forecasts that the debtor's entity-specific cash flows will be insufficient to service the debt (both interest and principal) in accordance with the contractual terms of the existing agreement through maturity.</u>
<u>f. Absent the current modification, the debtor cannot obtain funds from sources other than the existing creditors at an effective interest rate equal to the current market interest rate for similar debt for a nontroubled debtor.</u>

In addition, a creditor may conclude that a debtor is experiencing financial difficulties, even though the debtor is not currently in default, if a creditor determines that payment default is probable in the foreseeable future.

310-40-55-10B Notwithstanding the guidance in the preceding paragraph, the following factors, if both are present, provide determinative evidence that the debtor is not experiencing financial difficulties, and, thus, the modification or exchange is not within the scope of this Subtopic (the presence of either factor individually would be an indicator, but not determinative, that the debtor is not experiencing financial difficulty):

a. The debtor is currently servicing the old debt and can obtain funds to repay the old prepayable debt from sources other than the existing creditors (without regard to the current modification) at an effective interest rate equal to the current market interest rate for a nontroubled debtor.
b. The creditors agree to restructure the old debt solely to reflect a decrease in current market interest rates for the debtor or positive changes in the creditworthiness of the debtor since the debt was originally issued.

> > Creditor's Evaluation of a Restructuring That Results in an Insignificant Delay in Contractual Cash Flows

310-40-55-10C A restructuring that results in an insignificant delay in contractual cash flows may still be considered a troubled debt restructuring. That is, that factor should be considered along with other terms of a restructuring to determine whether a troubled debt restructuring exists.

6. Add paragraph 310-40-65-1 and its related heading as follows:

> Transition Related to Accounting Standards Update No. 2010-XX, *Receivables (Topic 310): Clarifications to Accounting for Troubled Debt Restructurings by Creditors*

310-40-65-1 The following represents the transition and effective date information related to Accounting Standards Update No. 2010-XX, *Receivables (Topic 310): Clarifications to Accounting for Troubled Debt Restructurings by Creditors*:

a. The pending content that links to this paragraph that affects financial statement disclosures shall be effective for interim and annual reporting periods ending after June 15, 2011. Retrospective application is required for receivables restructured on or after the beginning of the earliest period presented.
b. The pending content that links to this paragraph may result in an entity changing the method of calculating impairment on a receivable from the

guidance in Subtopic 450-20 to the guidance in Section 310-10-35. The effect of the change in the method of calculating impairment shall be effective for interim and annual reporting periods ending after June 15, 2011, and shall be applied prospectively to the troubled debt restructurings identified in (a) above that remain outstanding as of the end of the period of adoption. Retrospective application is permitted.

c. The pending content that links to this paragraph may result in an entity changing the method of calculating impairment on a receivable from the guidance in Subtopic 450-20 to the guidance in Section 310-10-35. An entity shall disclose separately the total recorded investment and allowance for credit losses for such receivables as of the end of the period in which the pending content was adopted, unless the pending content was applied retrospectively.

d. The following paragraph illustrates the disclosure required by (c) above:

> As a result of adopting the amendments in Accounting Standards Update No. 2010-XX, Entity A reassessed all restructurings that occurred on or after January 1, 2009, for proper identification as troubled debt restructurings. As part of this process, Entity A identified as troubled debt restructurings certain receivables for which the allowance for credit losses had previously been measured under the provisions of Subtopic 450-20. Upon identifying these receivables as troubled debt restructurings, they also were identified as impaired under the guidance in Section 310-10-35. The amendments in Accounting Standards Update No. 2010-XX allow for prospective application of the impairment measurement guidance in Section 310-10-35 for receivables identified as troubled debt restructurings as a result of those amendments. As of June 30, 2011, Entity A applied the impairment effect of the amendments in the Update prospectively. The recorded investment in receivables for which the allowance for credit losses was previously measured under Subtopic 450-20 and are now measured under Section 310-10-35 was $50.8 million, and the allowance for credit losses associated with those receivables, based on a current evaluation of loss, was $7.2 million.

The amendments in this proposed Update were approved for publication by the unanimous vote of the five members of the Financial Accounting Standards Board:

Robert H. Herz, *Chairman*
Thomas J. Linsmeier
Leslie F. Seidman
Marc A. Siegel
Lawrence W. Smith

Background Information and Basis for Conclusions

Introduction

BC1. The following summarizes the Board's considerations in reaching the conclusions in this proposed Update. It includes reasons for accepting certain approaches and rejecting others. Individual Board members gave greater weight to some factors than to others.

BC2. The proposed amendments in this Update would clarify the guidance for the accounting for troubled debt restructurings by creditors in Subtopic 310-40. The proposed amendments would address the following:

a. Under the amendments in this proposed Update, a creditor would be precluded from using the borrower's effective rate test in paragraph 470-60-55-10 in its evaluation of whether a restructuring constitutes a troubled debt restructuring.
b. Furthermore, guidance would be clarified to indicate the following:
   1. If a debtor does not otherwise have access to funds at a market rate for debt with similar risk characteristics as the restructured debt, the restructuring would be considered to be at below a market rate and therefore should be considered a troubled debt restructuring.
   2. A restructuring that results in a temporary or permanent increase in the contractual interest rate cannot be presumed to be at a rate that is at or above market.
   3. A borrower that is not currently in default may still be considered to be experiencing financial difficulty when payment default is considered "probable in the foreseeable future."
   4. A restructuring that results in an insignificant delay in contractual payments may still be considered a troubled debt restructuring.

Background

BC3. Given the recent economic downturn, the number of receivables restructured by lending institutions has increased. For example, a receivable might be modified to defer principal payment or maturity beyond commercially reasonable terms. Several stakeholders have raised concerns about whether additional guidance or clarification is needed to assist creditors in determining whether a creditor has granted a concession for purposes of determining whether a restructuring is a troubled debt restructuring.

General

BC4. As provided in paragraph 470-60-55-10, a debtor performs a test comparing the effective rate on the debt immediately before and immediately after a restructuring to identify whether that restructuring constitutes a concession by the creditor. The Board noted that the test is only meant to be used by the debtor to evaluate whether the debtor has been granted a concession by the creditor and, thus, the Board decided to preclude the creditor from using that test in its evaluation of whether a restructuring is a troubled debt restructuring. Paragraphs 310-40-15-3 and 470-60-15-3 both acknowledge that the identification of a restructuring as a troubled debt restructuring need not be symmetrical between the debtor and the creditor.

BC5. Stakeholders expressed concerns about their ability to identify a market interest rate for debt with terms similar to those of the restructured debt. In a troubled debt restructuring, the creditor is not being adequately compensated for the increased exposure to credit risk that results from the contractual changes and/or delays in payments arising from the restructuring. The Board decided that the guidance should be updated to clarify that if a debtor does not otherwise have access to funds at a market rate for debt with similar risk characteristics as the restructured debt, the restructuring would be considered to be at below a market rate and therefore should be considered a troubled debt restructuring.

BC6. The Board also decided to clarify the guidance for determining whether a debtor is experiencing financial difficulties. The Board acknowledged that the indicators provided in paragraphs 470-60-55-8 through 55-9 for determining whether a debtor is experiencing financial difficulties, while written from the debtor's standpoint, also are applicable to the creditor's assessment of whether a restructuring is a troubled debt restructuring. However, the Board also notes that there may be cases in which receivables are restructured because the creditor's historical experience with similar receivables indicates that payment default by the borrower is probable in the foreseeable future. This situation especially may be prevalent with residential mortgage loans having monthly payments that increase significantly at some point during the term of the loan because of low interest rates in earlier periods, an interest-only payment period in the earlier years, or a negative amortization feature.

BC7. Some entities have said that a restructuring that results in an insignificant delay in cash flows should not be a troubled debt restructuring. The Board disagrees and decided to clarify the guidance to note that a restructuring that results in an insignificant delay in contractual cash flows of the original receivable may still be considered a troubled debt restructuring if the restructuring is considered a concession. That is, the fact that a restructuring results in an insignificant delay in contractual cash flows should be considered along with all other considerations to determine whether the restructuring constitutes a troubled debt restructuring. The Board further noted that the concept of "insignificant delay" is to be used in assessing when a receivable is impaired under Section 310-10-35 rather than assessing when a restructuring constitutes a troubled debt restructuring.

Effective Date and Transition

BC8. The Board decided that the amendments in this proposed Update should be effective for interim and annual periods ending after June 15, 2011.

BC9. The Board decided that an entity should apply the proposed guidance prospectively with regard to changes in the way that impairment is measured for receivables that are determined to be troubled debt restructurings as a result of applying the guidance in this proposed Update. The Board noted that the information required to apply the proposed guidance retrospectively for purposes of calculating impairment may be difficult to obtain.

BC10. To improve comparability across entities and consistency across periods, the Board decided to require retrospective application of the proposed guidance that affect disclosures of troubled debt restructurings and impaired receivables. The Board noted that applying the proposed guidance that affects the identification of troubled debt restructuring requires less subjectivity than a measurement of impairment. The Board believes that applying the proposed guidance retrospectively for disclosures is necessary to provide comparable and consistent information about troubled debt restructurings. Recognizing that applying the proposed guidance retrospectively could be cumbersome and that a significant portion of the increase in the volume of restructurings has occurred only in recent periods, the Board limited the retrospective application to those restructurings that occurred on or after the beginning of the earliest period presented.

Benefits and Costs

BC11. The objective of financial reporting is to provide information that is useful to present and potential investors, creditors, donors, and other capital market participants in making rational investment, credit, and similar resource allocation decisions. However, the benefits of providing information for that purpose should justify the related costs. Although the costs to implement new guidance are borne primarily by present investors, present and potential investors, creditors, donors, and other users of financial information benefit from improvements in financial reporting. The Board's assessment of the costs and benefits of issuing new guidance is unavoidably more qualitative than quantitative because there is no method to objectively measure the costs to implement new guidance or to quantify the value of improved information in financial statements.

BC12. While the Board acknowledges that some entities may incur significant costs as a result of the amendments in this proposed Update, the Board believes that the proposed amendments would provide the benefit of improving consistent application of U.S. GAAP by clarifying guidance that already exists within U.S. GAAP. A significant volume of loan restructurings has occurred in recent periods. The amendments in this proposed Update requiring an entity to evaluate prior restructurings retrospectively for proper identification and disclosure as troubled debt restructurings are necessary to provide comparable information across entities and reporting periods. However, the Board limited the number of prior periods subject to retrospective application to the beginning of the earliest period presented in order to reduce the cost of implementation.

Amendments to the XBRL Taxonomy

The following elements are proposed additions to the XBRL U.S. GAAP Financial Reporting Taxonomy. They reflect the amendments to the disclosure and presentation requirements of the Accounting Standards Codification and would be used in association (tagged) with the appropriate reported values in the SEC filer XBRL exhibit.

Individuals and organizations commenting on the amendments in this proposed Update should consider the usefulness, appropriateness, and completeness of these elements for entities required to include an XBRL exhibit with their SEC filings. Respondents also should consider the context of the elements in the current XBRL U.S. GAAP Financial Reporting Taxonomy.

Standard Label[†]	**Definition**	**Codification Reference**
Receivables, Change in Calculation of the Allowance for Credit Losses at Transition	This element represents the recorded investment in receivables for which there was a change in the method of calculating the allowance for credit losses from the guidance in Subtopic 450-20 to the guidance in Section 310-10-35 at the date of transition, due to the clarifications made to the troubled debt restructuring guidance.	310-40-65-1
Impairment on Receivables, Change in Calculation of the Allowance for Credit Losses at Transition	This element represents credit reserves associated with the receivables for which there was a change in the method of calculating the allowance for credit losses from the guidance in Subtopic 450-20 to the guidance in Section 310-10-35 at the date of transition, due to the clarifications made to the troubled debt restructuring guidance.	310-40-65-1

[†]The Standard Label and the Element Name are the same (except that the Element Name does not include spaces). If they are different, the Element Name is shown in *italics* after the Standard Label.