

AN ALERT FROM THE BDO NATIONAL ASSURANCE PRACTICE

BDO FLASH REPORT

FASB

► SUBJECT:

FASB ELIMINATES CONCEPT OF EXTRAORDINARY ITEMS FROM U.S. GAAP

► SUMMARY:

The FASB recently published an ASU to eliminate the concept of extraordinary items from U.S. GAAP. However, the presentation and disclosure guidance for items that are unusual in nature *or* occur infrequently will be retained and will be expanded to include items that are both unusual in nature *and* infrequently occurring. The new standard takes effect in 2016 and is available [here](#).

► MAIN PROVISIONS:

ASU 2015-01¹ eliminates the requirement in Subtopic 225-20 to consider whether an underlying event or transaction is extraordinary,² and if so, to separately present the item in the income statement net of tax, after income from continuing operations. The FASB concluded this change will save time and reduce costs for practitioners.

Items that are either unusual in nature or infrequently occurring will continue to be reported as a separate component of income from continuing operations. Alternatively, these amounts may still be disclosed in the notes to the financial statements. The same requirement has been expanded to include items that are both unusual and infrequent, i.e., they should be separately presented as a component of income from continuing operations or disclosed in the footnotes.

► EFFECTIVE DATE AND TRANSITION:

For all entities (public and non-public), the ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption.

The guidance may be applied either prospectively or retrospectively. If applied prospectively, the ASU requires disclosure of the nature and the amount of an item included in income from continuing operations after adoption that adjusts an extraordinary item previously classified and presented before the date of adoption, if applicable. If applied retrospectively, the ASU requires the disclosures in paragraphs 250-10-50-1 through 50-2 on applying a change in accounting principle.

¹ *Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*

² Under existing guidance, an item is considered extraordinary only if it is determined to be both unusual in nature and infrequently occurring.

**CONTACT:****ADAM BROWN**

National Director of Accounting
214-665-0673 / abrown@bdo.com

GAUTAM GOSWAMI

National Assurance Partner
312-616-4631 / ggoswami@bdo.com

CHRIS SMITH

Audit & Accounting Professional
Practice Leader
310-557-8549 / chsmith@bdo.com

BDO is the brand name for BDO USA, LLP, a U.S. professional services firm providing assurance, tax, financial advisory and consulting services to a wide range of publicly traded and privately held companies. For more than 100 years, BDO has provided quality service through the active involvement of experienced and committed professionals. The firm serves clients through 58 offices and over 400 independent alliance firm locations nationwide. As an independent Member Firm of BDO International Limited, BDO serves multinational clients through a global network of 1,328 offices in 152 countries.

www.bdo.com

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms.

Material discussed in this report is meant to provide general information and should not be acted on without professional advice tailored to your firm's individual needs.

© 2015 BDO USA, LLP. All rights reserved.