



Financial Accounting Standards Board

# ORIGINAL PRONOUNCEMENTS

AS AMENDED  
2006/2007 Edition

ACCOUNTING STANDARDS

as of June 1, 2006

VOLUME II

FASB STATEMENTS OF STANDARDS 121-156



JOHN WILEY & SONS, INC.

New York • Chichester • Brisbane • Toronto • Singapore



**Financial Accounting Standards Board**

401 Merritt 7, P.O. Box 5116, Norwalk, Connecticut 06856-5116

# ORIGINAL PRONOUNCEMENTS

AS AMENDED  
2006/2007 Edition

**ACCOUNTING STANDARDS**

as of June 1, 2006

**VOLUME II**

**FASB STATEMENTS OF STANDARDS 121–156**

## NOTICE TO USERS OF THE *ORIGINAL PRONOUNCEMENTS*

This year's edition of the Financial Accounting Standard Board's (FASB) *Original Pronouncements* has been revised and updated to include the following new pronouncements:

### **FAS155: Accounting for Certain Hybrid Financial Instruments**

Statement 155, issued in February 2006, improves the financial reporting of certain hybrid financial instruments by providing a means to simplify the accounting for these instruments and eliminating the exemption for beneficial interests in securitized financial assets.

Statement 155 enables an entity to avoid bifurcation and separate accounting for a derivative embedded in a hybrid financial instrument provided that the entity elects at its inception to report that hybrid instrument at fair value with related changes recognized in earnings as they occur.

Statement 155 also:

1. Clarifies which interest-only strips and principal-only strips are not subject to the requirements of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*
2. Establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation
3. Clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives
4. Amends FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument.

### **FAS156: Accounting for Servicing of Financial Assets**

Statement 156, issued in March 2006, amends FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, to simplify the accounting for servicing assets and servicing liabilities, such as those common with mortgage securitization activities.

Specifically, Statement 156 addresses the recognition and measurement of separately recognized servicing assets and servicing liabilities. Statement 156 permits a servicer that uses derivative financial instruments to mitigate risks inherent in its servicing assets and servicing liabilities to report both the derivative financial instrument and related servicing asset or servicing liability by using a consistent measurement attribute—fair value.

The standard also:

1. Clarifies when an obligation to service financial assets should be separately recognized as a servicing asset or a servicing liability
2. Requires that a separately recognized servicing asset or servicing liability be initially measured at fair value, if practicable

3. Permits an entity with a separately recognized servicing asset or servicing liability to choose either of the following methods for subsequent measurement
  - a. Amortization Method
  - b. Fair Value Method.

## **FASB Staff Positions**

**FSP APB18-1: Accounting by an Investor for Its Proportionate Share of Accumulated Other Comprehensive Income of an Investee Accounted for under the Equity Method in Accordance with APB Opinion No. 18 upon a Loss of Significant Influence**

**FSP FAS13-1: Accounting for Rental Costs Incurred during a Construction Period**

**FSP FAS115-1/124-1: The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments**

**FSP FAS123(R)-1: Classification and Measurement of Freestanding Financial Instruments Originally Issued in Exchange for Employee Services under FASB Statement No. 123(R)**

**FSP FAS123(R)-2: Practical Accommodation to the Application of Grant Date as Defined in FASB Statement No. 123(R)**

**FSP FAS123(R)-3: Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards**

**FSP FAS123(R)-4: Classification of Options and Similar Instruments Issued as Employee Compensation That Allow for Cash Settlement upon the Occurrence of a Contingent Event**

**FSP FAS140-2: Clarification of the Application of Paragraphs 40(b) and 40(c) of FASB Statement No. 140**

**FSP FAS143-1: Accounting for Electronic Equipment Waste Obligations**

**FSP FAS150-5: Issuer's Accounting under Statement 150 for Freestanding Warrants and Other Similar Instruments on Shares That Are Redeemable**

**FSP FIN45-3: Application of FASB Interpretation No. 45 to Minimum Revenue Guarantees Granted to a Business or Its Owners**

**FSP FIN46(R)-6: Determining the Variability to Be Considered in Applying FASB Interpretation No. 46(R)**

**FSP FTB85-4-1: Accounting for Life Settlement Contracts by Third-Party Investors**

**FSP SOP78-9-1: Interaction of AICPA Statement of Position 78-9 and EITF Issue No. 04-5**

**FSP SOP94-6-1: Terms of Loan Products That May Give Rise to a Concentration of Credit Risk**

**FSP AAGINV-1/SOP94-4-1: Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans**

## AN INTRODUCTION TO THE ORIGINAL PRONOUNCEMENTS

Volumes I and II contain the Statements of Financial Accounting Standards issued by the Financial Accounting Standards Board (FASB) from its inception in 1973 to June 1, 2006. Volume III contains the following materials issued by the American Institute of Certified Public Accountants or its committees and the Accounting Principles Board through June 1973 and by the FASB to June 1, 2006:

- Accounting Research Bulletins
- Accounting Principles Board Opinions
- Interpretations of Accounting Research Bulletins and Accounting Principles Board Opinions
- FASB Interpretations
- FASB Technical Bulletins
- FASB Staff Positions
- FASB Statements of Accounting Concepts

In this edition, all pronouncements amended by subsequent pronouncements reflect those amendments. Unless a complete paragraph or footnote has been deleted or added, additions and deletions as a result of amendments are not identified. The numerical sequence of the paragraphs or footnotes has not been changed as the result of any amendments; consequently, where complete paragraphs or footnotes have been deleted as a result of an amendment, that deletion is noted as follows:

[This paragraph (footnote) has been deleted. See Status page.]

Additionally, where new paragraphs have been added as the result of an amendment, they are numbered with the number of the preceding paragraph and a capital letter, such as 59A, and where new footnotes have been added they are numbered with the number of the preceding footnote and a lowercase letter, such as 3a.

The Introduction, Background Information, and Basis for Conclusions sections have not been changed to reflect amendments made to the pronouncements. Those sections remain as issued.

In rare instances, brackets have been used to show material that has been effectively amended by a subsequent pronouncement or for editorial changes that have been made to make the sentence read more smoothly.

Pronouncements that have been superseded but are still applicable for some entities due either to delayed effective dates of the superseding pronouncement or to scope exceptions have been updated for any amendments and are shaded to indicate that they have been superseded. Pronouncements that have been completely superseded and may no longer be applied are omitted from this edition; however, a Status page is retained for those omitted pronouncements.

A Status page at the beginning of each pronouncement identifies (a) the source of the changes to the pronouncement, (b) other pronouncements affected by that pronouncement, and (c) the principal effective date. The Status page can be used to identify which pronouncement (and paragraph within it) created an amendment. The pronouncement creating the amendment must be reviewed to see the amendment as it was originally issued and, if applicable, subsequently amended. For users who need to determine the provisions of a pronouncement at a particular point in time, the original pronouncements as they were originally issued, which are



marked with shading and sidebars to indicate deletions and additions, can be found in the electronic Financial Accounting Research System (FARS) or the loose-leaf edition of *Original Pronouncements*.

The Status page also identifies, where applicable, other interpretive pronouncements and releases (including Special Report implementation guidance and FASB Staff Positions) that further clarify that pronouncement. Where applicable, the Status pages also identify related Accounting Standards Executive Committee (AcSEC) pronouncements, which include both Statements of Position (SOPs) and Practice Bulletins (PBs). In addition, the Status pages of applicable pronouncements reflect either the impact of a given pronouncement on an Emerging Issues Task Force (EITF) Issue (for example, resolves, nullifies, or affects that Issue) or the relationship of an EITF Issue to a given pronouncement (for example, interpretive of or related to). An interpretive Issue is one in which the Task Force reached a consensus that interprets certain guidance in an existing *Original Pronouncements* document. A related Issue is one in which the topic of the Issue is related to the topic of the *Original Pronouncements* document but either there was no consensus reached or the consensus is not interpretive.

The appendixes and Topical Index (included in Volume III) refer to the pronouncements contained in all three volumes. Appendix A presents a current list of AICPA Practice Bulletins, audit and accounting Guides, and Statements of Position. Appendix B presents a schedule of all amended and superseded standards. Appendix C lists the effective dates of all pronouncements included in the *Original Pronouncements*. That appendix also presents the complete effective date and transition paragraphs of more recent pronouncements whose effective dates and transition provisions are such that they might initially be applied in annual financial statements issued on or after June 1, 2006. Appendix D lists all EITF Issues discussed to date and their current status.

[This paragraph (footnote) has been deleted. See Status page.]

Additionally, where new paragraphs have been added as the result of an amendment they are numbered with the number of the preceding paragraph and a capital letter, such as 29A, and where new footnotes have been added they are numbered with the number of the preceding footnote and a lowercase letter, such as 3a.

The Introduction, Background Information, and Basis for Conclusions sections have not been changed to reflect amendments made to the pronouncements. Those sections remain as issued. In rare instances, brackets have been used to show material that has been effectively amended by a subsequent pronouncement or for editorial changes that have been made to make the sentence read more smoothly.

Pronouncements that have been superseded but are still applicable for some entities due either to delayed effective dates of the superseding pronouncement or to scope exceptions have been updated for any amendments and are shaded to indicate that they have been superseded. Pronouncements that have been completely superseded and may no longer be applied are omitted from this edition; however, a Status page is retained for those omitted pronouncements.

A Status page at the beginning of each pronouncement identifies: (a) the source of the changes to the pronouncement; (b) other pronouncements affected by that pronouncement; and (c) the principal effective date. The Status page can be used to identify which pronouncement (and paragraph within it) created an amendment. The pronouncement creating the amendment must be reviewed to see the amendment as it was originally issued and, if applicable, subsequently amended. For users who need to determine the provisions of a pronouncement at a particular point in time, the original pronouncements as they were originally issued, which are

***Statements of  
Financial Accounting Standards  
No. 121 through No. 156***



Financial Accounting Standards Board  
401 Merritt 7, P.O. Box 5116, Norwalk, Connecticut 06856-5116

Published by the  
Financial Accounting Standards Board

Copyright © 2006 by Financial Accounting Standards Board. All rights reserved.  
No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the Financial Accounting Standards Board.

AS AMENDED  
2006/2007 Edition

ACCOUNTING STANDARDS

as of June 1, 2006

VOLUME II

FASB STATEMENTS OF STANDARDS 121-156



**Volume II**  
**ORIGINAL PRONOUNCEMENTS**  
**As Amended**  
**FASB Statements of Standards 121–156**  
**as of June 1, 2006**

**TABLE OF CONTENTS**

**FASB Statements (FAS)**

| <b>No.</b> | <b>Title</b>  | <b>Page</b> |
|------------|---|-------------|
| 121        | Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of .....  | FAS121–1    |
| 122        | Accounting for Mortgage Servicing Rights (an amendment of FASB Statement No. 65).....   | FAS122–1    |
| 123        | Accounting for Stock-Based Compensation .....   | FAS123–1    |
| 123(R)     | Share-Based Payment.....  | FAS123(R)–1 |
| 124        | Accounting for Certain Investments Held by Not-for-Profit Organizations .....   | FAS124–1    |
| 125        | Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities .....   | FAS125–1    |
| 126        | Exemption from Certain Required Disclosures about Financial Instruments for Certain Nonpublic Entities (an amendment of FASB Statement No. 107) ..... | FAS126–1    |
| 127        | Deferral of the Effective Date of Certain Provisions of FASB Statement No. 125 (an amendment of FASB Statement No. 125) .....                         | FAS127–1    |
| 128        | Earnings per Share .....  | FAS128–1    |
| 129        | Disclosure of Information about Capital Structure .....   | FAS129–1    |
| 130        | Reporting Comprehensive Income .....  | FAS130–1    |
| 131        | Disclosures about Segments of an Enterprise and Related Information .....   | FAS131–1    |
| 132        | Employers' Disclosures about Pensions and Other Postretirement Benefits (an amendment of FASB Statements No. 87, 88, and 106).....                    | FAS132–1    |
| 132(R)     | Employers' Disclosures about Pensions and Other Postretirement Benefits (revised 2003) (an amendment of FASB Statements No. 87, 88, and 106).....     | FAS132(R)–1 |
| 133        | Accounting for Derivative Instruments and Hedging Activities.....   | FAS133–1    |

## Table of Contents

| No. | Title   | Page     |
|-----|---|----------|
| 134 | Accounting for Mortgage-Backed Securities Retained after the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise (an amendment of FASB Statement No. 65)..... | FAS134-1 |
| 135 | Rescission of FASB Statement No. 75 and Technical Corrections.....  | FAS135-1 |
| 136 | Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others.....   | FAS136-1 |
| 137 | Accounting for Derivative Instruments and Hedging Activities—Deferral of the Effective Date of FASB Statement No. 133 (an amendment of FASB Statement No. 133) .....                      | FAS137-1 |
| 138 | Accounting for Certain Derivative Instruments and Certain Hedging Activities (an amendment of FASB Statement No. 133) .....   | FAS138-1 |
| 139 | Rescission of FASB Statement No. 53 and amendments to FASB Statements No. 63, 89, and 121 .....   | FAS139-1 |
| 140 | Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (a replacement of FASB Statement No. 125).....  | FAS140-1 |
| 141 | Business Combinations.....  | FAS141-1 |
| 142 | Goodwill and Other Intangible Assets .....  | FAS142-1 |
| 143 | Accounting for Asset Retirement Obligations.....  | FAS143-1 |
| 144 | Accounting for the Impairment or Disposal of Long-Lived Assets .....  | FAS144-1 |
| 145 | Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections.....   | FAS145-1 |
| 146 | Accounting for Costs Associated with Exit or Disposal Activities.....   | FAS146-1 |
| 147 | Acquisitions of Certain Financial Institutions (an amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9).....  | FAS147-1 |
| 148 | Accounting for Stock-Based Compensation—Transition and Disclosure (an amendment of FASB Statement No. 123) .....  | FAS148-1 |
| 149 | Amendment of Statement 133 on Derivative Instruments and Hedging Activities.....  | FAS149-1 |
| 150 | Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity .....  | FAS150-1 |

## ***Table of Contents***

| <b>No.</b> | <b>Title</b>   | <b>Page</b> |
|------------|--|-------------|
| 151        | Inventory Costs (an amendment of ARB No. 43, Chapter 4).....   | FAS151-1    |
| 152        | Accounting for Real Estate Time-Sharing Transactions<br>(an amendment of FASB Statements No. 66 and 67).....     | FAS152-1    |
| 153        | Exchanges of Nonmonetary Assets (an amendment of APB Opinion<br>No. 29) .....                                    | FAS153-1    |
| 154        | Accounting Changes and Error Corrections (a replacement of APB<br>Opinion No. 20 and FASB Statement No. 3) ..... | FAS154-1    |
| 155        | Accounting for Certain Hybrid Financial Instruments (an amendment<br>of FASB Statements No. 133 and 140).....    | FAS155-1    |
| 156        | Accounting for Servicing of Financial Assets (an amendment of FASB<br>Statement No. 140) .....                   | FAS156-1    |

# Statement of Financial Accounting Standards No. 121

## Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of

### STATUS

Issued: March 1995

Effective Date: For fiscal years beginning after December 15, 1995

Affects: Replaces APB 16, paragraph 88(d)  
 Amends APB 17, paragraph 31  
 Amends APB 18, paragraph 19(h)  
 Amends AIN-APB 30, Interpretation No. 1  
 Amends FAS 15, paragraphs 28 and 33  
 Amends FAS 19 by adding paragraph after paragraph 62  
 Amends FAS 34, paragraph 19  
 Amends FAS 51, paragraph 14  
 Amends FAS 60, paragraph 48  
 Amends FAS 61, paragraph 6  
 Replaces FAS 66, footnote 5  
 Amends FAS 67, paragraphs 3, 24, and 28  
 Deletes FAS 67, paragraph 16  
 Replaces FAS 67, paragraph 25  
 Amends FAS 71, paragraphs 9 and 10 and by adding paragraph after paragraph 10  
 Amends FAS 101, paragraph 6

Affected by: Paragraph 3 amended by FAS 142, paragraph D10(a)  
 Paragraph 3(b) replaced by FAS 139, paragraph 7(a)  
 Paragraphs 4, 6, and 27 amended by FAS 142, paragraphs D10(b), D10(c), and D5(b), respectively  
 Paragraph 12 deleted by FAS 142, paragraph D10(d)  
 Paragraph 147 amended by FAS 139, paragraph 7(b), and FAS 142, paragraph D10(e)  
 Superseded by FAS 144, paragraph C1

Issues Discussed by FASB Emerging Issues Task Force (EITF)

Affects: Resolves EITF Issue No. 84-28  
 Partially resolves EITF Issue No. 85-36  
 Affects EITF Issues No. 90-16, 93-4, and 93-11



# **Statement of Financial Accounting Standards No. 122**

## **Accounting for Mortgage Servicing Rights**

### **an amendment of FASB Statement No. 65**

#### **STATUS**

Issued: May 1995

Effective Date: Prospectively for fiscal years beginning after December 15, 1995

Affects: Amends FAS 65, paragraphs 1, 10, 15, 19, and 30  
Amends FAS 65 by adding paragraphs after paragraph 30  
Replaces FAS 65, paragraphs 16 through 18 and footnote 6  
Replaces FTB 87-3, paragraph 9

Affected by: Superseded by FAS 125, paragraph 232, and FAS 140, paragraph 351(c)

Issues Discussed by FASB Emerging Issues Task Force (EITF)

Affects: Nullifies EITF Issues No. 86-39 and 92-10  
Partially nullifies EITF Issue No. 86-38





# Statement of Financial Accounting Standards No. 123

## Accounting for Stock-Based Compensation

### STATUS

Issued: October 1995

Effective Date: For fiscal years beginning after December 15, 1995

**Affects:** Amends ARB 43, Chapter 13B, paragraph 2  
 Deletes ARB 43, Chapter 13B, paragraph 15  
 Amends APB 25, paragraph 4  
 Replaces APB 25, paragraph 19  
 Deletes APB 25, footnote 5  
 Replaces APB 29, footnote 4  
 Amends AIN-APB 25, Interpretation No. 1  
 Amends FAS 5, paragraph 7  
 Amends FAS 21, footnote 3  
 Amends FAS 43, paragraph 2  
 Amends FAS 105, paragraph 14(c)  
 Amends FAS 107, paragraph 8(a)  
 Amends FAS 109, paragraph 36(e)  
 Amends FAS 112, paragraphs 5(d) and 9  
 Amends FIN 28, paragraph 2  
 Amends FIN 31, footnote 1  
 Amends FIN 38, paragraph 2  
 Supersedes FTB 82-2

**Affected by:** Paragraphs 8 and 36 amended by FAS 141, paragraph E16  
 Paragraph 9 amended by FAS 144, paragraph C15  
 Paragraph 44 amended by FAS 148, paragraph 2(d)  
 Paragraph 45 replaced by FAS 148, paragraph 2(e)  
 Paragraph 49 replaced by FAS 128, paragraph 167(a)  
 Paragraph 49 amended by FAS 135, paragraph 4(u)  
 Paragraphs 50 and 357 amended by FAS 128, paragraphs 167(b) and 167(c), respectively  
 Paragraph 52 replaced by FAS 148, paragraph 2(a)  
 Paragraphs 52A and 52B added by FAS 148, paragraphs 2(b) and 2(c), respectively  
 Paragraph 53 amended by FAS 148, paragraph 2(f)  
 Paragraph 358 amended by FAS 128, paragraph 167(d), and FAS 135, paragraph 4(u)  
 Paragraph 359 and footnote 26 replaced by FAS 128, paragraph 167(e)  
 Paragraph 359 amended by FAS 135, paragraph 4(u)  
 Paragraph 360 replaced by FAS 128, paragraph 167(f)  
 Paragraph 361 deleted by FAS 128, paragraph 167(g)  
 Superseded by FAS 123(R), paragraph D6

**Other Interpretive Pronouncement:** FTB 97-1

**AICPA Accounting Standards Executive Committee (AcSEC)**

**Related Pronouncements:** SOP 76-3  
 SOP 93-6  
 SOP 94-6

Issues Discussed by FASB Emerging Issues Task Force (EITF)

Affects: EITF Issue No. 84-8

Interpreted by: Paragraph 8 interpreted by EITF Issues No. 96-18 and 97-2

Paragraphs 9 and 10 interpreted by EITF Issue No. 96-18

Paragraph 11 interpreted by EITF Issue No. 97-2

Related Issues: EITF Issues No. 97-12, 00-8, 00-12, 00-15, 00-16, 00-18, and 01-1 and Topics No. D-83 and D-90

## SUMMARY

This Statement establishes financial accounting and reporting standards for stock-based employee compensation plans. Those plans include all arrangements by which employees receive shares of stock or other equity instruments of the employer or the employer incurs liabilities to employees in amounts based on the price of the employer's stock. Examples are stock purchase plans, stock options, restricted stock, and stock appreciation rights.

This Statement also applies to transactions in which an entity issues its equity instruments to acquire goods or services from nonemployees. Those transactions must be accounted for based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable.

### Accounting for Awards of Stock-Based Compensation to Employees

This Statement defines a *fair value based method* of accounting for an employee stock option or similar equity instrument and encourages all entities to adopt that method of accounting for all of their employee stock compensation plans. However, it also allows an entity to continue to measure compensation cost for those plans using the *intrinsic value based method* of accounting prescribed by APB Opinion No. 25, *Accounting for Stock Issued to Employees*. The fair value based method is preferable to the Opinion 25 method for purposes of justifying a change in accounting principle under APB Opinion No. 20, *Accounting Changes*. Entities electing to remain with the accounting in Opinion 25 must make pro forma disclosures of net income and, if presented, earnings per share, as if the fair value based method of accounting defined in this Statement had been applied.

Under the fair value based method, compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. Under the intrinsic value based method, compensation cost is the excess, if any, of the quoted market price of the stock at grant date or other measurement date over the amount an employee must pay to acquire the stock. Most fixed stock option plans—the most common type of stock compensation plan—have no intrinsic value at grant date, and under Opinion 25 no compensation cost is recognized for them. Compensation cost is recognized for other types of stock-based compensation plans under Opinion 25, including plans with variable, usually performance-based, features.

### Stock Compensation Awards Required to Be Settled by Issuing Equity Instruments

#### Stock Options

For stock options, fair value is determined using an option-pricing model that takes into account the stock price at the grant date, the exercise price, the expected life of the option, the volatility of the underlying stock and the expected dividends on it, and the risk-free interest rate over the expected life of the option. Nonpublic entities are permitted to exclude the volatility factor in estimating the value of their stock options, which results in measurement at *minimum value*. The fair value of an option estimated at the grant date is not subsequently adjusted for changes in the price of the underlying stock or its volatility, the life of the option, dividends on the stock, or the risk-free interest rate.