ASU 2017-01, CLARIFYING THE DEFINITION OF A BUSINESS – DRILLING DOWN ON THE OIL AND GAS INDUSTRY

INTRODUCTION

In early 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-01, Clarifying the Definition of a Business. This update amended the definition of a business, which is fundamental to the determination of whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. That distinction impacts how the acquisition is treated in the financial statements, for instance, whether deal costs are capitalized or expensed. The primary goal of ASU 2017-01 was to narrow that definition, which is generally expected to result in fewer transactions qualifying as business combinations.

Companies in the oil and gas industry, in particular the exploration and production and midstream sectors, will likely see a significant change in the number of transactions that will qualify as acquisitions of a business.

This newsletter explains the new definition of a business, and applies that definition to multiple examples from the upstream and midstream sectors.

OVERVIEW

The ASU defines a business as:

- An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or other economic benefits directly to investors or other owners, members, or participants.

To be capable of being conducted and managed for the purposes described above, an integrated set of activities and assets requires two essential elements—inputs and processes applied to those inputs. A business need not include all the inputs or processes that the seller used in operating that business. However, to be considered a business, the set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The ASU introduces a "screen" test to assist entities in determining when a set should not be considered a business: If substantially all of the fair value of the gross assets acquired is concentrated in

a single identifiable asset or group of similar identifiable assets, the set is not considered a business. The ASU includes practical guidance on what to include in gross assets and what constitutes a single identifiable asset or a group of similar identifiable assets in the context of applying the screen.

If the screen is not met, the ASU states that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create an output. Further, the ASU removes the evaluation of whether a market participant could replace missing elements (as required under prior GAAP).

The ASU provides a framework for determining whether the set includes both an input and a substantive process and thus, should be considered a business. Different criteria must be considered depending on whether or not a set has outputs.

Sets with outputs

An output is the result of inputs and processes applied to those inputs that provide goods or services to customers, investment income (such as dividends or interest), or other revenues. If a set has outputs, continuation of revenues does not on its own indicate that both an input and a substantive process have been acquired. Rather, when the set has outputs, it is deemed to have an input and a substantive process that create outputs if: the set includes an organized workforce, an acquired contract that provides access to an organized workforce, or an acquired process that is unique or scarce or cannot be replaced without significant cost or delay.

Sets without outputs

Although outputs are not required for a set to be a business, outputs generally are a key element of a business; therefore, the ASU introduces more stringent criteria for sets without outputs. A set that does not have outputs is considered to have both an input and a substantive process that together significantly contribute to the ability to create outputs only if it includes employees that form an organized workforce with the necessary skills, knowledge or experience to perform an acquired process, and an input that the workforce could develop or convert into outputs. The ASU provides factors to consider when determining whether the acquired workforce is performing a substantive process.

KEY CONCEPTS

Practical Screen

Under the new definition of a business, an oil and gas company must first determine whether an acquired group of assets passes the practical screen test. As noted above, the practical screen test indicates that if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the set is not considered a business.

BDO OBSERVATION: Although the term “substantially all” is not defined in the ASU, that phrase should be interpreted in the same way that it is in other accounting standards, including the new leasing guidance in ASC 842. Substantially all is a high threshold that is generally interpreted as approximately 90%.

In order to assess whether the practical screen has been met, a company should first consider whether any of the acquired assets should be assessed together as a single identifiable asset or group of similar identifiable assets. When making that assessment, the ASU indicates that a tangible asset that is attached to and cannot be physically removed and used separately from another tangible asset (or an intangible asset representing the right to use a tangible asset) without incurring significant cost or significant diminution in utility or fair value to either asset should be considered a single asset, such as in-place lease intangibles and the related leased assets.

BDO OBSERVATION: In the exploration and production ("E&P") sector, companies will often acquire a land lease and related mineral rights. We believe that the mineral rights should be combined with the intangible lease rights to be considered a single asset.

Acquisitions in the E&P sector may also include certain production equipment. Although ASU 2016-02, Leases, supersedes the guidance on integral equipment in ASC 360-20, this guidance may be helpful to consider when determining whether a tangible asset that is attached to another asset cannot be removed and reused without incurring significant cost. Specifically, Example 5 in ASC 360-20-55-57 through 55-58 explains that if the cost to remove the equipment and use it separately is more than 10 percent of the fair value of the equipment, then the cost is deemed to be significant, and the equipment represents integral equipment.

In addition to considering whether any assets should be considered a single identifiable asset, an acquirer must also determine whether the assets acquired represent a group of similar assets. The ASU notes that the acquirer should consider the nature of each identifiable asset as well as the risks associated with managing and creating outputs from the assets. However, it notes that the following groups should not be considered similar assets:

- A tangible asset and an intangible asset
- Identifiable intangible assets in different major intangible asset classes (for example, customer-related intangibles, trademarks, and in-process research and development)
- A financial asset and a nonfinancial asset
- Different major classes of financial assets (for example, accounts receivable and marketable securities)
- Different major classes of tangible assets (for example, inventory, manufacturing equipment, and automobiles)
- Identifiable assets within the same major asset class that have significantly different risk characteristics.

For most oil and gas companies, the question of whether a group of acquired assets represent a group of similar assets will likely hinge on the related risk characteristics.[1] For example, if an E&P entity acquires a group of properties that include both proved and unproved properties, or both proved undeveloped wells ("PUDs") and proved developed producing wells ("PDPs"), the company will need to assess whether the risk characteristics of the two types of assets are similar. Although typically we would expect that unproved properties would have significantly different risk characteristics than proved properties, that presumption may be overcome in limited circumstances based on factors such as whether the properties are in the same geographic area, preliminary studies indicate that the unproved properties are expected to show results consistent with the proved properties and the acquirer has a proven track record of successfully developing properties in the area. By the same token, an entity should consider the risk characteristics of PUDs as compared to the risk characteristics of PDPs.

In applying the practical screen test, an entity should calculate the gross assets acquired as all consideration transferred, including the fair value of any noncontrolling interest and previously held interest (if any), minus the value of any cash or cash equivalents and deferred tax assets acquired, any goodwill resulting from the effects of deferred tax liabilities, and any liabilities assumed in the transaction. The value of the single asset or group of similar assets is then compared to the remaining value of gross assets acquired in order to determine whether the practical screen has been met, as illustrated in the following examples:

EXAMPLE 1: Oil Explorers LLC acquires a 100% operating interest in proved developed producing properties (several hundred producing wells) in a single geographic area, including the mineral interests and basic lease production facilities. No employees or other assets were acquired. The fair value of the basic lease production facilities would decline substantially if removed from the properties.

Oil Explorers LLC must first consider the practical screen in paragraph 805-10-55-5A through 55C. It concludes that each proved producing property and the related basic lease production facilities are a single asset in accordance with paragraph 805-10-55-5B. That is, the lease production facilities are attached to the proved producing property (and the associated mineral interests) and cannot be removed without a significant decrease in utility to and fair value of the tangible assets. In addition, given that the properties are all proved and in the same geographic area, Oil Explorers LLC also concludes that the properties together constitute a group of similar assets.

Oil Explorers LLC concludes that substantially all of the fair value of the gross assets acquired is concentrated in a group of similar assets (proved producing properties), and therefore the set is not considered a business. No further analysis is required.

1 See BC30 – BC31 in ASU 2017-01.

EXAMPLE 2: O&G Company acquires a 100% operating interest in mostly unproved acreage, a small amount of older, proved developed producing properties (containing less than 100 producing wells), mineral interests and basic lease production facilities (for the proved producing properties). No employees or other assets were acquired. The fair value of the unproved acreage constitutes approximately 95% of the fair value of the gross assets acquired.

When considering the practical screen test in paragraphs 805-10-55-5A through 55C, O&G Company concludes that the unproved acreage is a single asset in accordance with paragraph 805-10-55-5B. That is, the lease(s) associated with the acreage should be combined with the mineral interests and considered one asset.

O&G Company concludes that substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset (unproved acreage) and therefore the set is not considered a business and no further analysis is required.

EXAMPLE 3: Exploration and Production Company (“E&P Co.”) acquires a 50% non-operating interest in proved properties which contain several hundred producing wells, dozens of proved undeveloped reserves (“PUDs”), the related mineral interests, basic lease production facilities and two joint operating agreements with two separate operators with different drilling and completion techniques. No employees or other assets were acquired. The fair value is split pro rata between the two operators, and the producing wells do not constitute substantially all of the fair value of the gross assets acquired in the set.

E&P Co. considers the practical screen test from paragraph 805-10-55-5A through 55C and concludes that each proved producing property and the related basic lease production facilities are a single asset in accordance with paragraph 805-10-55-5B. That is, the lease production facilities are attached to the proved producing properties (and the associated mineral interests) and cannot be removed without a significant decrease in utility to or fair value of the tangible assets.

However, E&P Co. concludes that the proved producing properties and the PUD properties are not similar assets for two reasons: the risk characteristics between already producing wells and PUDs are significantly different and the presence of two operators with different drilling and completion techniques creates significantly different risk characteristics between the PUDs to be completed by Operator A and Operator B. Therefore, substantially all of the fair value of the gross assets acquired is not concentrated within a single identifiable asset or a group of similar identifiable assets (See paragraph 805-10-55-5A). E&P Co. must consider whether the assets acquired meet the definition of a business, as further discussed below.

EXAMPLE 4: Explorers R Us acquires a 100% operating interest in unproved acreage, several hundred PUDs and proved producing properties (containing dozens of producing wells), mineral interests and basic lease producing facilities (for the proved producing properties). No employees or other assets were acquired. The fair value of the unproved acreage constitutes approximately 80% of the fair value of the gross assets acquired, while the value of the PUDs represents approximately 15% of the fair value of the gross assets.

Explorers R Us must first consider the practical screen from paragraphs 805-10-55-5A through 55C. It concludes that that the unproved acreage is a single asset in accordance with paragraph 805-10-55-5B. That is, the lease(s) associated with the acreage should be combined with the mineral interests and considered one asset. By the same token, the lease and related mineral interests for each PUD is combined and considered a single asset.

Explorers R Us concludes that each of the proved producing properties and the basic lease production facilities are a single asset in accordance with paragraph 805-10-55-5B. That is, the lease production facilities are attached to the wells and the associated mineral interests and cannot be removed without a significant decrease in utility to the tangible assets.

Explorers R Us also concludes that the unproved acreage, the PUDs and the proved producing properties along with the associated lease production facilities are not similar. Explorers R Us considers the risk characteristics to be significantly different between the unproved acreage and the PUDs and proved producing properties because no test wells have yet been drilled in the unproved acreage, and the unproved acreage covers a different geological zone. Therefore, substantially all of the fair value of the gross assets acquired is not concentrated within a single identifiable asset or a group of similar identifiable assets as the unproved properties only make up 80% of the fair value of the gross assets acquired, while the proved properties represent 20% of the fair value of the gross assets acquired. (See paragraph 805-10-55-5A). Explorers R Us must now determine if the acquired set meets the definition of a business, as further discussed below.

EXAMPLE 5: Midstream Pipeline Company ("Midco") acquires a gas pipeline which includes a firm transportation agreement with one producer for 100% of the pipeline's capacity at a fixed price per month. No employees or other assets were acquired. After assessing the contract, Midco concludes that the agreement is a lease under ASC 840.[2]

Midco must first consider whether the practical screen test from paragraphs 805-10-55-5A through 5C is met. Paragraph 805-10-55-5B(b) indicates that in-place lease intangibles and the related leased assets should be considered a single asset. Because the transportation agreement is considered a lease, the intangible asset acquired is considered an in-place lease intangible. Therefore, the pipeline and transportation agreement are deemed to be a single asset.

Midco concludes that substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset (pipeline plus transportation agreement) and therefore the set is not considered a business and no further analysis is required.

BDO OBSERVATION: Acquisitions of proved developed producing properties will often include the related asset retirement obligations. Paragraph BC 19 in the Basis for Conclusions clarifies that for purposes of determining whether the practical screen is met or not, gross assets acquired should exclude the value of any liabilities acquired in order to avoid debt or other liabilities from affecting that analysis. Due to the inherent inseparability of an acquired asset and any related asset retirement obligation, the question arises whether an asset retirement obligation should be included in the value of the acquired asset and the total gross assets acquired for purposes of applying the practical screen despite the prohibition in paragraph BC 19. We believe that either approach is acceptable, but that an entity should either include or exclude the asset retirement obligation in the value of both the acquired asset and the gross assets acquired (i.e. in both the numerator and the denominator) on a consistent basis. However, since the practical screen's "substantially all" threshold is not a bright line, we do not believe that the inclusion or exclusion of the asset retirement obligation should change the conclusion.

2 The definition of a lease in ASC 842 differs from that in ASC 840, and thus this type of arrangement may no longer meet the definition of a lease upon adoption of ASC 842. For further information on ASC 842, see BDO's newsletter, https://www.bdo.com/insights/assurance/fasb/fasb-newsletter-july-2016.

Definition of a Business

If an entity concludes that substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, then the acquisition is accounted for as an asset acquisition. However, if substantially all of the fair value is not concentrated in a single asset or group of similar assets, then the entity must next consider whether the group of acquired assets meets the definition of a business.

BDO OBSERVATION: As indicated in paragraph BC17 of ASU 2017-01, the FASB intended the practical screen to represent a threshold in evaluating when a set of assets is not a business. Therefore, if a company acquires a set of assets that it believes might constitute a business, it must nonetheless apply the practical screen first. If the screen is met, i.e. substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, then the acquisition cannot be accounted for as the acquisition of a business. However, if a company acquires a set of assets that it believes will not constitute a business, then it may elect to bypass the screen test, and assess the acquired set against the definition of a business.

ASC 805-10-55-3A defines a business as: "an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or other economic benefits directly to investors or other owners, members, or participants." Paragraph 55-4 goes on to note that a business typically consists of inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs. These three elements are defined as follows:

- Input – Any economic resource that creates, or has the ability to contribute to the creation of, outputs when one or more processes are applied to it. Examples of inputs include long-lived assets, rights to use long-lived assets, intellectual property, intangible assets and employees, among others.
- Process – Any system, standard, protocol, convention, or rule that when applied to an input or inputs, creates or has the ability to contribute to the creation of outputs. Examples of processes include strategic, operational, or resource management processes, and can be represented by an organized workforce. Administrative functions, such as accounting, billing and payroll are generally not considered a process used to create outputs.
- Output – The results of inputs and processes applied to those inputs that provide goods or services to customers, investment income or other revenues.

BDO OBSERVATION: The SEC's definition of a business remains unchanged. Generally, acquisitions of an interest in producing properties are considered a business under Regulation S-X 11-01(d). Therefore we continue to expect the possibility of reaching different conclusions for SEC reporting purposes vs. US GAAP.

Although many acquisitions will include all three components, i.e. inputs, processes and outputs, not all do. In order to be considered a business, an acquired set of activities and assets must include both inputs and processes applied to those inputs. Although a set is not required to include all of the inputs or processes needed to operate the business, it must at a minimum include an input and a substantive process that together significantly contribute to the ability to create outputs.

In order to determine whether the acquired set meets the definition of a business, an entity will first determine whether the acquisition includes outputs. As noted above, although outputs are not required for a set to be a business, outputs generally are a key element of a business; therefore, the ASU introduces more stringent criteria for sets without outputs. Specifically, when a set does not include outputs, it will have both an input and a substantive process that together significantly contribute to the ability to create outputs only if the set includes an organized workforce and an input that the workforce could develop or convert into outputs. An organized workforce must be critical to the development or production of outputs, rather than ancillary to the process. This may be the result of sufficient knowledge, skills or experience to develop inputs such as intellectual property, technology, in-process research and development, real estate, or other resources, including mineral interests.

BDO OBSERVATION: Many companies that invest in oil and gas producing properties operate those properties through Joint Operating Agreements ("JOAs"). Although JOAs include administrative processes (accounting and billing guidelines), they also include operational and strategic management processes such as a plan of operations for drilling and development and a named operator in charge of supervising the properties. We believe that the existence of a JOA from a non-operator's perspective would generally meet the definition of a substantive process in accordance with paragraph 805-10-55-4.

Acquisitions of predominantly unproved or proved but undeveloped oil and gas properties would generally lack outputs. As a result, if those acquisitions do not include an organized workforce, then they will not meet the definition of a business and will instead be accounted for as asset acquisitions. Consequently, acquirers will need to consider whether an acquired workforce is capable of developing the acquired mineral interests into producing wells. For example, if an entity acquires a group of unproved properties, and the seller accepts employment with the acquirer in order to help identify and acquire additional properties, this set would likely not meet the definition of a business because the sole acquired employee does not have the requisite skills or experience to develop the unproved properties. Alternatively, had the acquired set included employees actively engaged in developing the properties, such as petroleum engineers and geologists, then the acquired set would likely meet the definition of a business.

As noted previously, when an acquired set includes outputs, then the standard indicates that it will be considered to include both an input and a substantive process that together significantly contribute to the ability to create outputs when any of the following are present:

- Employees that form an organized workforce that has the necessary skills, knowledge, or experience to perform an acquired process (or group of processes) that when applied to the acquired input or inputs is critical to the ability to continue producing outputs.
- An acquired contract that provides access to such an organized workforce, such that in substance it has effectively acquired an organized workforce.
- The acquired process (or group of processes) when applied to an acquired input or inputs significantly contributes to the ability to continue producing outputs and cannot be replaced without significant cost, effort or delay in the ability to continue producing outputs.
- The acquired process (or group of processes) when applied to an acquired input or inputs significantly contributes to the ability to continue producing outputs and is considered unique or scarce.

The standard further notes that continuation of revenues on its own does not indicate that both an input and a substantive process have been acquired, for example when assumed contractual arrangements such as customer contracts, customer lists or leases provide for the continuation of revenues.

Generally, the acquisition of producing properties that fails the practical screen test will meet the definition of a business, as the acquired set will include inputs and a substantive process (for example, owned or leased mineral rights, an organized workforce or a JOA, and/or infrastructure equipment) that together significantly contribute to the ability to continue producing outputs.

BDO OBSERVATION: Acquisitions routinely include a mixture of producing and non-producing properties. ASU 2017-01 is silent regarding scenarios where the set includes a significant asset with outputs and another significant asset without outputs. We believe that when an acquired set includes producing properties, the analysis should be performed in accordance with 805-10-55-5E (when a set has outputs) unless the value of the producing properties is a clearly insignificant component of the overall value of the acquired set, in which case the analysis should be performed in accordance with 805-10-55-5D (when a set has no outputs).

The following examples consider the application of the definition of a business:

EXAMPLE 3, CONTINUED: As previously noted, E&P Co. determined that the assets acquired fail the practical screen test. Therefore, it must now determine if the acquired set includes both an input and a substantive process that together significantly contribute to the ability to create an output (see paragraph 805-10-55-5). Because the vast majority of the set contains outputs (production from the several hundred producing wells), E&P Co. would need to consider the criteria in paragraph 805-10-55-5E.

E&P Co. concludes that the criteria in paragraph 805-10-55-5E(a) is not met because they did not acquire a work force. However, the criteria in paragraph 805-10-55-5E(b) is met because the JOA is considered to be a contract that provides access to the Operator's organized workforce that is critical to the ability to continue to produce outputs, and thus E&P Co. concludes that the set is a business. In addition, the criteria in paragraph 805-10-55-5E(c) is met because the set includes a process that is facilitated by the leasehold production equipment and gathering lines that significantly contributes to the ability to continue producing outputs and cannot be replaced without significant cost.

EXAMPLE 4, CONTINUED: As previously noted, Explorers R Us determined that the assets acquired fail the practical screen test. Explorers R Us must now determine if the acquired set includes both an input and a substantive process that together significantly contribute to the ability to create an output (see paragraph 805-10-55-5). Although the set contains outputs, E&P Co. C concludes that the vast majority of the value resides in the unproved properties and PUDs that contain no outputs and thus will consider the criteria in paragraph 805-10-55-5D.

Explorers R Us concludes that the criteria in paragraph 805-10-55-5D is not met because they did not acquire a work force and therefore the set is not considered to be a business.

EXAMPLE 6: Assume the same facts as in Example 5 above, with one exception. Assume that instead of a single agreement with one producer, Midco acquires firm transportation agreements with two producers for 100% of the pipeline's capacity. Because neither of the two producers have contracted to receive substantially all of the pipeline's capacity, Midco concludes that the agreements are not leases under ASC 840. Therefore, the acquired set includes a pipeline and two customer relationship intangible assets.

Midco must first consider whether the practical screen test is met. Paragraph 805-10-55-5C(a) indicates that when evaluating whether multiple assets are similar, a tangible asset and an intangible asset are not considered to be similar assets. Therefore, the pipeline and the customer relationship intangible assets are not considered to be similar, and substantially all of the fair value of the gross assets acquired is not concentrated in a single identifiable asset. Midco concludes that the set does not meet the practical screen test.

Midco must now determine if the acquired set includes both an input and a substantive process that together significantly contribute to the ability to create an output (see paragraph 805-10-55-5). Because the set contains outputs (pipeline revenue), Midco would need to consider the criteria in paragraph 805-10-55-5E.

Midco concludes that the criteria in paragraph 805-10-55-5E (a - d) are not met because it did not acquire a significant process. Specifically, Midco did not acquire a workforce or a contract that provides access to a workforce. Midco intends to utilize its own work force to operate the pipeline and no other processes were acquired.

Although the firm transportation agreements provide for a continuation of revenue, Midco does not factor in the firm transportation agreements into its analysis of whether a process was acquired, in accordance with 805-10-55-5F. Midco concludes that the acquired set is an asset and not a business.

EXAMPLE 7: Bakken Shale Drilling and Refining Company ("BSDR") acquires a 75% operating interest in proved developed producing properties containing several hundred producing wells, including the mineral interests, basic lease production equipment and a processing plant (that is also processing 3rd party volumes). Employees associated with the management of the processing facility were included in the acquired set. The fair value of the processing facility constitutes approximately 60% of the fair value of the gross assets acquired.

BSDR considers the practical screen test from paragraph 805-10-55-5A through 5C and concludes that the producing properties and processing plant are not similar assets because they are in different major asset classes and have significantly different risk characteristics because the processing plant is also processing 3rd party volumes. BSDR therefore concludes that the practical screen test is not met.

BSDR must now determine if the acquired set includes both an input and a substantive process that together significantly contribute to the ability to create an output. Because the set contains outputs (production from the several hundred producing wells and revenues from processing), BSDR would need to consider the criteria in paragraph 805-10-55-5E.

Although BSDR did not acquire a workforce associated with the proved producing properties, they did acquire a workforce associated with the processing plant. Therefore, BSDR concludes that the criteria in paragraph 805-10-55-5E(a) is met because the workforce acquired is critical to the ability to continue to produce outputs, and thus the set is considered to be a business. In addition, the criteria in paragraph 805-10-55-5E(c) is met because the set includes a process facilitated by the leasehold production equipment and gathering lines and the processes associated with the plant that significantly contribute to the ability to continue producing outputs and cannot be replaced without significant cost.

ACCOUNTING FOR AN ASSET ACQUISITION

If an acquisition meets the practical screen test or fails the practical screen test and does not meet the definition of a business, it must be accounted for as an asset acquisition pursuant to the guidance in ASC 805-50. A few of the more significant differences between an asset acquisition and a business combination are:

- Asset acquisitions are accounted for at cost. Therefore transaction costs are included in the arrangement consideration.
- Arrangement consideration is allocated to the acquired assets and liabilities on a relative fair value basis, and no goodwill or bargain gain is recognized.
- For transfers between entities under common control, asset acquisitions are accounted for prospectively while business combinations are accounted for retrospectively.
- The additional computational disclosures such as post-acquisition results and pro forma information, if material, required by 805-10-50-2h for business combinations are not required for asset acquisitions.

EFFECTIVE DATE AND TRANSITION

The amendments are effective prospectively for public business entities for annual periods beginning after December 15, 2017, including interim periods within those periods. The amendments are effective prospectively for all other entities for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted as follows:

- For transactions for which the acquisition date occurs before the issuance date or effective date of the amendments, only when the transaction has not been reported in financial statements that have been issued or made available for issuance.
- For transactions in which a subsidiary is deconsolidated or a group of assets is derecognized that occur before the issuance date or effective date of the amendments, only when the transaction has not been reported in financial statements that have been issued or made available for issuance.

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