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845-10-00 Status

General Note: The Status Section identifies changes to this Subtopic resulting from Accounting Standards Updates. The Section provides references to the affected Codification content and links to the related Accounting Standards Updates. Nonsubstantive changes for items such as editorial, link and similar corrections are included separately in Maintenance Updates.
### General

**845-10-00-1** The following table identifies the changes made to this Subtopic.

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### 845-10-05 Overview and Background

**General Note:** The Overview and Background Section provides overview and background material for the guidance contained in the Subtopic. It does not provide the historical background or due process. It may contain certain material that users generally consider useful to understand the typical situations addressed by the standards. The Section does not summarize the accounting and reporting requirements.
The Nonmonetary Transactions Topic contains only the Overall Subtopic. This Subtopic includes the following five Subsections:

- a. General
- b. Purchases and sales of inventory with the same counterparty
- c. Barter transactions
- d. Exchanges involving monetary considerations
- e. Exchanges of a nonfinancial asset for a noncontrolling ownership interest.

Most business transactions involve exchanges of cash or other monetary assets or liabilities for goods or services. The amount of monetary assets or liabilities exchanged generally provides an objective basis for measuring the cost of nonmonetary assets or services received by an entity as well as for measuring gain or loss on nonmonetary assets transferred from an entity. Some transactions, however, involve either of the following:

- a. An exchange with another entity (reciprocal transfer) that involves principally nonmonetary assets or liabilities
- b. A transfer of nonmonetary assets for which no assets are received or relinquished in exchange (nonreciprocal transfer).

Both exchanges and nonreciprocal transfers that involve little or no monetary assets or liabilities are referred to as nonmonetary transactions and they are presented in the General Subsections as follows:

- a. Nonreciprocal transfers with owners
- b. Nonreciprocal transfers with other than owners
- c. Nonmonetary exchanges.

Nonreciprocal Transfers with Owners

Some nonmonetary transactions are nonreciprocal transfers between an entity and its owners. Examples include the following types of stockholder distributions:

- a. Marketable equity securities as dividends
- b. Marketable equity securities, to redeem or acquire outstanding capital stock of the entity
• c. Capital stock of **subsidiaries**, in corporate liquidations or plans of reorganization that involve disposing of all or a significant segment of the entity (the plans are variously referred to as spinoffs, split-ups, and split-offs)

• d. Nonmonetary assets pursuant to plans of rescission or other settlements relating to a prior business combination, to redeem or acquire shares of capital stock previously issued in a business combination.

> **Nonreciprocal Transfers with Other than Owners**

**845-10-05-5** Other nonmonetary transactions are nonreciprocal transfers between an entity and entities other than its owners. Examples are the contribution of nonmonetary assets by an entity to a charitable organization and the contribution of land by a governmental unit for construction of productive facilities by an entity.

> **Nonmonetary Exchanges**

**845-10-05-6** Many nonmonetary transactions are exchanges of nonmonetary assets or services with another entity. Examples include the following:

• a. Exchange of product held for sale in the ordinary course of business (inventory) for other property as a means of selling the product to a customer

• b. Exchange of product held for sale in the ordinary course of business (inventory) for similar product as an accommodation - that is, at least one party to the exchange reduces transportation costs, meets immediate inventory needs, or otherwise reduces costs or facilitates ultimate sale of the product— and not as a means of selling the product to a customer

• c. Exchange of **productive assets**— assets employed in production rather than held for sale in the ordinary course of business - for other productive assets or for an equivalent interest in other productive assets. For example:
  
  o 1. Trade of player contracts by professional sports organizations
  
  o 2. Exchange of leases on mineral properties
  
  o 3. Exchange of one form of interest in an oil-producing property for another form of interest
  
  o 4. Exchange of real estate for real estate.

> **Other Considerations**

**845-10-05-7** The guidance in the General Subsections often discusses nonmonetary transactions that are required to be measured at fair value. See Topic 820 for guidance on fair value measurement.

**845-10-05-7A** Subtopic 505-60 provides guidance on the distribution of nonmonetary assets that constitute a business to owners of an entity in transactions commonly referred to as spinoffs. That Subtopic also addresses spinoff transactions
in which the substance of the transaction may differ from the legal form and provides guidance on how to determine such situations and their required accounting and reporting.

Purchases and Sales of Inventory with the Same Counterparty

845-10-05-8 The Purchases and Sales of Inventory with the Same Counterparty Subsections provide guidance for situations in which an entity sells inventory to another entity from which it also purchases inventory to be sold in the same line of business. The inventory purchase and sales transactions may be pursuant to a single arrangement or separate arrangements, and the inventory purchased or sold may be in the form of raw materials, work-in-process, or finished goods.

Barter Transactions

845-10-05-9 The Barter Transactions Subsections provide guidance on barter transactions and barter credits.

845-10-05-10 In a barter transaction involving barter credits, an entity enters into a transaction to exchange a nonmonetary asset (for example, inventory) for barter credits. Those transactions may occur directly between principals to the transaction or include a third party whose business is to facilitate those types of exchanges (for example, a barter entity). The barter credits can be used to purchase goods or services, such as advertising time, from either the barter entity or members of its barter exchange network. The goods and services to be purchased may be specified in a barter contract or limited to items made available by members of the exchange network. Some arrangements may require the payment of cash in addition to the barter credits to purchase goods or services. Barter credits also may have a contractual expiration date, at which time they become worthless.

Exchanges Involving Monetary Consideration

845-10-05-11 The Exchanges Involving Monetary Consideration Subsections provide guidance on all of the following:

a. The level of monetary consideration in a nonmonetary exchange that causes the transaction to be considered monetary in its entirety and, therefore, outside the scope of this Subtopic

b. Whether full or partial gain recognition is appropriate in a monetary exchange (required to be accounted for at fair value), if an entity transfers a nonfinancial asset (or assets) to another entity in exchange for a noncontrolling ownership interest in the other entity
c. Whether Subtopic 976-605 and Section 360-20-40 applies to exchanges of similar real estate when significant boot causes the exchange to be considered monetary.

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**Exchanges of a Nonfinancial Asset for a Noncontrolling Ownership Interest**

**845-10-05-12** The Exchanges of a Nonfinancial Asset for a Noncontrolling Ownership Interest Subsections provide guidance for certain nonmonetary exchanges in which one entity transfers a nonfinancial asset (or assets) to a second entity in exchange for a noncontrolling ownership interest in that second entity.

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**845-10-15  Scope and Scope Exceptions**

**General Note:** The Scope and Scope Exceptions Section outlines the items (for example, the entities, transactions, instruments, or events) to which the guidance in the Subtopic does or does not apply. In some cases, the Section may contain definitional or other text to frame the scope.

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**General**

> **Overall Guidance**

**845-10-15-1** The General Subsection of the Scope Section of the Overall Subtopic establishes the pervasive scope for the Nonmonetary Transactions Topic, with specific exceptions noted in the other Subsections of this Section.

> **Entities**

**845-10-15-2** The guidance in the Nonmonetary Transactions Topic applies to all entities.

> **Transactions**

**845-10-15-3** The guidance in the Nonmonetary Transactions Topic applies to all types of nonmonetary transactions including:
• a. Nonmonetary exchanges involving boot. Some exchanges of nonmonetary assets involve a small monetary consideration, referred to as boot, even though the exchange is essentially nonmonetary. (See the Exchanges Involving Monetary Consideration Subsection of Section 845-10-15 for situations outside the scope of this Subtopic.)

845-10-15-4 The guidance in the Nonmonetary Transactions Topic does not apply to the following transactions:

• a. A business combination accounted for by an entity according to the provisions of Topic 805 or a combination accounted for by a not-for-profit entity according to the provisions of Subtopic 958-805

• b. A transfer of nonmonetary assets solely between entities or persons under common control, such as between a parent and its subsidiaries or between two subsidiaries of the same parent, or between a corporate joint venture and its owners

• c. Acquisition of nonmonetary assets or services on issuance of the capital stock of an entity under Subtopics 718-10 and 505-50

• d. Stock issued or received in stock dividends and stock splits that are accounted for in accordance with Subtopic 505-20

• e. A transfer of assets to an entity in exchange for an equity interest in that entity (except for the specific exchange of a nonfinancial asset for a noncontrolling ownership interest, see paragraph 845-10-15-18)

• f. A pooling of assets in a joint undertaking intended to find, develop, or produce oil or gas from a particular property or group of properties, as described in paragraph 932-360-40-7

• g. The exchange of a part of an operating interest owned for a part of an operating interest owned by another party that is subject to paragraph 932-360-55-6

• h. The transfer of a financial asset within the scope of Section 860-10-15

• i. Involuntary conversions specified in paragraph 605-40-15-2.

Purchases and Sales of Inventory with the Same Counterparty

> Overall Guidance

845-10-15-5 The Purchases and Sales of Inventory with the Same Counterparty Subsections follow the same Scope and Scope Exceptions as outlined in the General Subsection of this Subtopic, see paragraph 845-10-15-1, with specific transaction exceptions noted below.
> **Transactions**

**845-10-15-6** The guidance in the Purchases and Sales of Inventory with the Same Counterparty Subsections applies to all inventory purchase and sales arrangements, including the following transactions:

- a. Two or more inventory purchase and sales transactions with the same counterparty that are entered into in contemplation of one another and are combined

- b. Situations in which one inventory transaction is legally contingent upon the performance of another inventory transaction with the same counterparty. In these situations the two transactions are deemed to have been entered into in contemplation of one another and would be considered a single exchange transaction subject to the scope of the Purchases and Sales of Inventory with the Same Counterparty Subsections.

**845-10-15-7** The issuance of invoices and the exchange of offsetting cash payments is not a factor in determining whether two or more inventory purchase and sales transactions with the same counterparty shall be considered as a single exchange transaction subject to the scope of the Purchases and Sales of Inventory with the Same Counterparty Subsections.

**845-10-15-8** The guidance in the Purchases and Sales of Inventory with the Same Counterparty Subsections does not apply to the following transactions:

- a. Inventory purchase and sales arrangements that meet either of the following criteria:
  - 1. They are accounted for as derivatives under Topic 815.
  - 2. They involve exchanges of software or exchanges of real estate.

**845-10-15-9** The Purchases and Sales of Inventory with the Same Counterparty Subsections do not address whether transactions that are reported at fair value qualify for revenue recognition. See the Exchanges Involving Monetary Consideration Subsection of Section 845–10–15 for guidance regarding the extent of boot (that is, net cash exchanged) that shall be considered when determining whether the inventory purchase and sales transactions are monetary or nonmonetary in nature.

### Barter Transactions

> **Overall Guidance**

**845-10-15-10** The Barter Transactions Subsections follow the same Scope and Scope Exceptions as outlined in the General Subsection of this Subtopic, see paragraph 845-10-15-1, with specific transaction qualifications noted below.
845-10-15-11 The guidance in the Barter Transactions Subsections applies to the following transactions:

- a. Transactions in which nonmonetary assets are exchanged for barter credits.

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**Exchanges Involving Monetary Consideration**

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> **Overall Guidance**

845-10-15-12 The Exchanges Involving Monetary Consideration Subsections follow the same Scope and Scope Exceptions as outlined in the General Subsection of this Subtopic, see paragraph 845-10-15-1, and addresses what level of monetary consideration in a nonmonetary exchange causes the transaction to be considered monetary in its entirety and, therefore, outside the scope of the Exchanges Involving Monetary Consideration Subsections and this Topic.

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> **Transactions**

845-10-15-13 The guidance in the Exchanges Involving Monetary Consideration Subsections applies to nonmonetary exchanges involving monetary consideration (boot).

845-10-15-14 The guidance in these Subsections does not apply to the following transactions and activities:

- a. Transfers between a joint venture and its owners
- b. Transfers of real estate (for guidance with respect to transfers of real estate in exchanges involving monetary consideration see Subtopics 360-20 and 976-605 and the Exchanges Involving Monetary Considerations Subsection of Section 845-10-30).

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> **Exchanges of Real Estate Involving Monetary Consideration**

845-10-15-15 Paragraph 360-20-15-10(c) indicates that the accounting for exchanges of real estate is covered by this Topic and not by that Subtopic 360-20. However, under paragraph 845-10-25-6, an exchange of nonmonetary assets that would otherwise be based on recorded amounts under paragraph 845-10-30-3 but that involves boot shall be considered a monetary (rather than nonmonetary) transaction if the boot is at least 25 percent of the fair value of the exchange. As a result, the guidance is different for exchanges of real estate held for sale in the ordinary course of business for real estate to be sold in the same line of business when the boot is at least 25 percent of the fair value of the exchange (referred to as exchanges of similar real estate).

845-10-15-16 For the receiver of boot, the monetary portion shall be accounted for under Subtopics 360-20 and 976-605 as the equivalent of a sale of an interest in the underlying real estate, and the nonmonetary portion shall be accounted for in accordance with this Subtopic.
For the payer of boot, the monetary portion shall be accounted for as an acquisition of real estate, and the nonmonetary portion shall be accounted for pursuant to this Subtopic.

Exchanges of a Nonfinancial Asset for a Noncontrolling Ownership Interest

> Overall Guidance

The Exchanges of a Nonfinancial Asset for a Noncontrolling Ownership Interest Subsections follow the same Scope and Scope Exceptions as outlined in the General Subsection of this Subtopic, see paragraph 845-10-15-1, with specific transaction exceptions noted below.

> Transactions

The guidance in the Exchanges of a Nonfinancial Asset for a Noncontrolling Ownership Interest Subsections applies to nonmonetary transfers of a nonfinancial asset (or assets) for a noncontrolling ownership interest.

The guidance in these Subsections does not apply to the following types of transfers:

- a. Transfers between a joint venture and its owners
- b. Capital contributions of real estate in return for an unconsolidated real estate investment (for guidance, see Section 970-323)
- c. Transfers of real estate in exchange for nonmonetary assets other than real estate (for guidance on the recognition of profit from the exchange, see Subtopic 976-605 and Section 360-20-40)
- d. [Subparagraph superseded by Accounting Standards Update No. 2010-08]
- e. A deconsolidation of a subsidiary that is a business or nonprofit activity that is within the scope of Subtopic 810-10 (see paragraph 810-10-40-3A)
- f. A derecognition of a group of assets that constitutes a business or nonprofit activity that is within the scope of Subtopic 810-10 (see paragraph 810-10-40-3A).

Glossary
Business
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. Additional guidance on what a business consists of is presented in paragraphs 805-10-55-4 through 55-9.

Corporate Joint Venture
A corporation owned and operated by a small group of entities (the joint venturers) as a separate and specific business or project for the mutual benefit of the members of the group. A government may also be a member of the group. The purpose of a corporate joint venture frequently is to share risks and rewards in developing a new market, product, or technology; to combine complementary technological knowledge; or to pool resources in developing production or other facilities. A corporate joint venture also usually provides an arrangement under which each joint venturer may participate, directly or indirectly, in the overall management of the joint venture. Joint venturers thus have an interest or relationship other than as passive investors. An entity that is a subsidiary of one of the joint venturers is not a corporate joint venture. The ownership of a corporate joint venture seldom changes, and its stock is usually not traded publicly. A noncontrolling interest held by public ownership, however, does not preclude a corporation from being a corporate joint venture.

Equity Interests
Used broadly to mean ownership interests of investor-owned entities; owner, member, or participant interests of mutual entities; and owner or member interests in the net assets of not-for-profit entities.

Exchange
An exchange (or exchange transaction) is a reciprocal transfer between two entities that results in one of the entity's acquiring assets or services or satisfying liabilities by surrendering other assets or services or incurring other obligations.

Joint Venture
An entity owned and operated by a small group of businesses (the joint venturers) as a separate and specific business or project for the mutual benefit of the members of the group. A government may also be a member of the group. The purpose of a joint venture frequently is to share risks and rewards in developing a new market, product, or technology; to combine complementary technological knowledge; or to pool resources in developing production or other facilities. A joint venture also usually provides an arrangement under which each joint venturer may participate, directly or indirectly, in the overall management of the joint venture. Joint venturers thus have an interest or relationship other than as passive investors. An entity that is
a subsidiary of one of the joint venturers is not a joint venture. The ownership of a joint venture seldom changes, and its equity interests usually are not traded publicly. A minority public ownership, however, does not preclude an entity from being a joint venture. As distinguished from a corporate joint venture, a joint venture is not limited to corporate entities.

Monetary Assets and Liabilities
Monetary assets and liabilities are assets and liabilities whose amounts are fixed in terms of units of currency by contract or otherwise. Examples are cash, short- or long-term accounts and notes receivable in cash, and short- or long-term accounts and notes payable in cash.

Noncontrolling Interest
The portion of equity (net assets) in a subsidiary not attributable, directly or indirectly, to a parent. A noncontrolling interest is sometimes called a minority interest.

Nonmonetary Assets and Liabilities
Nonmonetary assets and liabilities are assets and liabilities other than monetary ones. Examples are inventories; investments in common stocks; property, plant, and equipment; and liabilities for rent collected in advance.

Nonprofit Activity
An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing benefits, other than goods or services at a profit or profit equivalent, as a fulfillment of an entity’s purpose or mission (for example, goods or services to beneficiaries, customers, or members). As with a not-for-profit entity, a nonprofit activity possesses characteristics that distinguish it from a business or a for-profit business entity.

Nonreciprocal Transfer
Nonreciprocal transfer is a transfer of assets or services in one direction, either from an entity to its owners (whether or not in exchange for their ownership interests) or to another entity, or from owners or another entity to the entity. An entity’s reacquisition of its outstanding stock is an example of a nonreciprocal transfer.

Not-for-Profit Entity
An entity that possesses the following characteristics, in varying degrees, that distinguish it from a business entity:

- a. Contributions of significant amounts of resources from resource providers who do not expect commensurate or proportionate pecuniary return
- b. Operating purposes other than to provide goods or services at a profit
- c. Absence of ownership interests like those of business entities.

Entities that clearly fall outside this definition include the following:

- a. All investor-owned entities
• b. Entities that provide dividends, lower costs, or other economic benefits directly and proportionately to their owners, members, or participants, such as mutual insurance entities, credit unions, farm and rural electric cooperatives, and employee benefit plans.

Owners
Used broadly to include holders of ownership interests (equity interests) of investor-owned entities, mutual entities, or not-for-profit entities. Owners include shareholders, partners, proprietors, or members or participants of mutual entities. Owners also include owner and member interests in the net assets of not-for-profit entities.

Productive Assets
Productive assets are assets held for or used in the production of goods or services by the entity. Productive assets include an investment in another entity if the investment is accounted for by the equity method but exclude an investment not accounted for by that method. Similar productive assets are productive assets that are of the same general type, that perform the same function, or that are employed in the same line of business.

Split-off
A transaction in which a parent entity exchanges its stock in a subsidiary for parent entity stock held by its shareholders.

Subsidiary
An entity, including an unincorporated entity such as a partnership or trust, in which another entity, known as its parent, holds a controlling financial interest. (Also, a variable interest entity that is consolidated by a primary beneficiary.)

845-10-25  Recognition

General Note: The Recognition Section provides guidance on the required criteria, timing, and location (within the financial statements) for recording a particular item in the financial statements. Disclosure is not recognition.

General

> Basic Principle

845-10-25-1  A reciprocal transfer of a nonmonetary asset shall be deemed an exchange only if the transferor has no substantial continuing involvement in the
transferred asset such that the usual risks and rewards of ownership of the asset are transferred.

845-10-25-2 See Section 845-10-30 for general guidance on gain or loss recognition for nonmonetary transactions.

> Spinoffs or Other Distributions of Loans Receivable to Shareholders

845-10-25-3 When an entity distributes loans receivable to its owners by forming a subsidiary, transferring those loans receivable to the subsidiary, and then distributing the stock of that subsidiary to shareholders of the parent, the transaction is not a spinoff because the subsidiary does not constitute a business. Rather, the transaction shall be considered a dividend-in-kind.

Purchases and Sales of Inventory with the Same Counterparty

845-10-25-3A See paragraphs 845-10-15-6 through 15-7 for the requirements to combine inventory purchase and sales transactions with the same counterparty that are entered into in contemplation of one another, or that are legally contingent.

845-10-25-4 In situations in which an inventory transaction is not legally contingent upon the performance of another inventory transaction with the same counterparty, the following factors (referred to as indicators) may indicate that a purchase transaction and a sales transaction were entered into in contemplation of one another:

• a. There is a specific legal right of offset of obligations between counterparties involved in inventory purchase and sales transactions. The ability to offset the payable(s) and receivable(s) related to the separately documented inventory purchase and sales transactions indicates that there is a link between them and, therefore, it is an indicator that the separately documented inventory transactions were entered into in contemplation of one another. This indicator is more relevant to settlement provisions relating to inventory purchase and sales transactions that are specifically identified (specified legal right of offset) by both counterparties than to inventory transactions that are netted as part of a master netting agreement that encompasses all transactions (inventory and noninventory) between the two counterparties.

• b. Inventory purchase and sales transactions with the same counterparty are entered into simultaneously. If an inventory purchase transaction is simultaneously entered into with an inventory sales transaction with the same counterparty that is an indication that the transactions were entered into in contemplation of one another.

• c. Inventory purchase and sales transactions were entered into at terms that were off-market when the arrangement was agreed to between counterparties. If an entity enters into an off-market inventory transaction with a counterparty, that is an indication that the transaction is linked to, and entered into, in contemplation of another inventory transaction with that same counterparty. This indicator may be
more relevant for transactions with products that have readily determinable market prices, such as exchange-traded commodities, than for transactions with products that are subject to greater discretionary pricing.

- d. Relative certainty that reciprocal inventory transactions with the same counterparty will occur. An entity may sell inventory to a counterparty and enter into another arrangement with that same counterparty whereby that counterparty may, but is not contractually required to, deliver an agreed-upon inventory amount. If that counterparty chooses to deliver its product to the entity, the entity is obligated to purchase that product. The more certain it is that both inventory transactions will occur, the stronger the indication that the two inventory transactions were entered into in contemplation of one another.

None of the above indicators taken individually is determinative nor is the list all-inclusive.

845-10-25-5 If two or more inventory purchase and sales transactions are combined for the purposes of applying the guidance in this Subtopic, an entity shall apply the guidance in paragraphs 845-10-30-15 through 30-16.

Exchanges Involving Monetary Consideration

845-10-25-6 An exchange of nonmonetary assets that would otherwise be based on recorded amounts but that also involves monetary consideration (boot) shall be considered monetary (rather than nonmonetary) if the boot is significant. Significant shall be defined as at least 25 percent of the fair value of the exchange. If the boot in a transaction is less than 25 percent, the pro rata gain recognition guidance in paragraph 845-10-30-6 shall be applied by the receiver of boot, and the payer of boot would not recognize a gain.

845-10-25-7 A transaction involving an exchange of similar real estate that is considered a monetary transaction because boot is at least 25 percent of the fair value of the exchange shall be allocated between two components: a monetary portion and a nonmonetary portion.

845-10-25-8 See Section 360-20-15 for guidance on when an asset is considered real estate.

> Monetary Exchange of a Nonfinancial Asset for a Noncontrolling Ownership Interest

845-10-25-9 In a monetary exchange (required to be accounted for at fair value) in which an entity (Entity A) transfers a nonfinancial asset (or assets) to another entity (Entity B) in exchange for a noncontrolling ownership interest in the other entity (Entity B), full or partial gain recognition is required.

845-10-25-10 If Entity A has no actual or implied commitment, financial or otherwise, to support the operations of the new Entity B in any manner, the amount of gain recognized, if applicable, may exceed the amount that would be computed pursuant to the guidance for the preceding paragraph.
845-10-25-11  A transaction is committed to if the parties to the transaction have signed a binding, written agreement that specifically sets forth the principal provisions of the transaction. If any of the principal provisions are yet to be negotiated, or are subsequently changed, such a preliminary agreement does not qualify as a commitment for purposes of this guidance.

845-10-25-12  See Example 1 (paragraph 845-10-55-27) for illustration of the application of the gain recognition guidance discussed in this Subsection.

845-10-30  Initial Measurement

**General Note**: The Initial Measurement Section provides guidance on the criteria and amounts used to measure a particular item at the date of initial recognition.

### General

> **Basic Principle**

845-10-30-1  In general, the accounting for nonmonetary transactions should be based on the fair values of the assets (or services) involved, which is the same basis as that used in monetary transactions. Thus, the cost of a nonmonetary asset acquired in exchange for another nonmonetary asset is the fair value of the asset surrendered to obtain it, and a gain or loss shall be recognized on the exchange. The fair value of the asset received shall be used to measure the cost if it is more clearly evident than the fair value of the asset surrendered. Similarly, a nonmonetary asset received in a nonreciprocal transfer shall be recorded at the fair value of the asset received. A transfer of a nonmonetary asset to a stockholder or to another entity in a nonreciprocal transfer shall be recorded at the fair value of the asset transferred and a gain or loss shall be recognized on the disposition of the asset.

845-10-30-2  The fair value of an entity's own stock reacquired may be a more clearly evident measure of the fair value of the asset distributed in a nonreciprocal transfer if the transaction involves distribution of a nonmonetary asset to eliminate a disproportionate part of owners' interests (that is, to acquire stock for the treasury or for retirement). If one of the parties in a nonmonetary transaction could have elected to receive cash instead of the nonmonetary asset, the amount of cash that could have been received may be evidence of the fair value of the nonmonetary assets exchanged.

> **Modifications of the Basic Principle**
A nonmonetary exchange shall be measured based on the recorded amount (after reduction, if appropriate, for an indicated impairment of value as discussed in paragraph 360-10-40-4) of the nonmonetary asset(s) relinquished, and not on the fair values of the exchanged assets, if any of the following conditions apply:

- a. The fair value of neither the asset(s) received nor the asset(s) relinquished is determinable within reasonable limits.
- b. The transaction is an exchange of a product or property held for sale in the ordinary course of business for a product or property to be sold in the same line of business to facilitate sales to customers other than the parties to the exchange.
- c. The transaction lacks commercial substance (see the following paragraph).

> Commercial Substance

A nonmonetary exchange has commercial substance if the entity's future cash flows are expected to significantly change as a result of the exchange. The entity's future cash flows are expected to significantly change if either of the following criteria is met:

- a. The configuration (risk, timing, and amount) of the future cash flows of the asset(s) received differs significantly from the configuration of the future cash flows of the asset(s) transferred. The configuration of future cash flows is composed of the risk, timing, and amount of the cash flows. A change in any one of those elements would be a change in configuration.
- b. The entity-specific value of the asset(s) received differs from the entity-specific value of the asset(s) transferred, and the difference is significant in relation to the fair values of the assets exchanged. An entity-specific value (referred to as an entity-specific measurement in FASB Concepts Statement No. 7, Using Cash Flow Information and Present Value in Accounting Measurements) is different from a fair value measurement. As described in paragraph 24(b) of Concepts Statement No. 7, an entity-specific value attempts to capture the value of an asset or liability in the context of a particular entity. For example, an entity computing an entity-specific value of an asset would use its expectations about its use of that asset rather than the use assumed by marketplace participants. If it is determined that the transaction has commercial substance, the exchange would be measured at fair value, rather than at the entity-specific value.

A qualitative assessment will, in some cases, be conclusive in determining that the estimated cash flows of the entity are expected to significantly change as a result of the exchange.

In the United States and some other tax jurisdictions, a transaction is not given effect for tax purposes unless it serves a legitimate business purpose other than tax avoidance. In assessing the commercial substance of an exchange, tax cash flows that arise solely because the tax business purpose is based on achieving a specified financial reporting result shall not be considered.

The exchanges of nonmonetary assets that would otherwise be based on recorded amounts (see paragraph 845-10-30-3) may include an amount of
monetary consideration. The recipient of the monetary consideration has realized
gain on the exchange to the extent that the amount of the monetary receipt exceeds
a proportionate share of the recorded amount of the asset surrendered. The portion
of the cost applicable to the realized amount shall be based on the ratio of the
monetary consideration to the total consideration received (monetary consideration
plus the estimated fair value of the nonmonetary asset received) or, if more clearly
evident, the fair value of the nonmonetary asset transferred. The entity paying the
monetary consideration shall not recognize any gain on a transaction covered in
paragraph 845-10-30-3 but shall record the asset received at the amount of the
monetary consideration paid plus the recorded amount of the nonmonetary asset
surrendered. If a loss is indicated by the terms of a transaction described in this
paragraph or in that paragraph, the entire indicated loss on the exchange shall be
recognized.

845-10-30-7 See paragraph 845-10-25-6 for guidance on what level of monetary
consideration is deemed significant and results in the exchange to be considered
monetary (rather than nonmonetary).

> Applying the Basic Principle

845-10-30-8 Fair value should be regarded as not determinable within reasonable
limits if major uncertainties exist about the realizability of the value that would be
assigned to an asset received in a nonmonetary transaction accounted for at fair
value. An exchange involving parties with essentially opposing interests is not
considered a prerequisite to determining a fair value of a nonmonetary asset
transferred; nor does an exchange ensure that a fair value for accounting purposes
can be ascertained within reasonable limits. If neither the fair value of a
nonmonetary asset transferred nor the fair value of a nonmonetary asset received in
exchange is determinable within reasonable limits, the recorded amount of the
nonmonetary asset transferred from the entity may be the only available measure of
the transaction.

845-10-30-9 A difference between the amount of gain or loss recognized for tax
purposes and that recognized for accounting purposes may constitute a temporary
difference to be accounted for according to Subtopic 740-10.

> Nonreciprocal Transfers with Owners

845-10-30-10 Accounting for the distribution of nonmonetary assets to owners of
an entity in a spinoff or other form of reorganization or liquidation or in a plan that is
in substance the rescission of a prior business combination shall be based on the
recorded amount (after reduction, if appropriate, for an indicated impairment of
value) (see paragraph 360-10-40-4) of the nonmonetary assets distributed.
Subtopic 505-60 provides additional guidance on the distribution of nonmonetary
assets that constitute a business to owners of an entity in transactions commonly
referred to as spinoffs. A pro rata distribution to owners of an entity of shares of a
subsidiary or other investee entity that has been or is being consolidated or that
has been or is being accounted for under the equity method is to be considered to be
equivalent to a spinoff. Other nonreciprocal transfers of nonmonetary assets to
owners shall be accounted for at fair value if the fair value of the nonmonetary asset
distributed is objectively measurable and would be clearly realizable to the distributing entity in an outright sale at or near the time of the distribution.

845-10-30-11  See Section 845-10-55 for implementation guidance and illustrations of when an entity transfers pension assets or obligations in a spinoff.

> >  Accounting for Reorganizations Involving a Non-Pro-Rata Split-off of Certain Nonmonetary Assets to Owners

845-10-30-12  A non-pro-rata split-off of a segment of a business in a corporate plan of reorganization shall be accounted for at fair value.

845-10-30-13  A split-off of a targeted business, distributed on a pro rata basis to the holders of the related targeted stock, shall be accounted for at historical cost. If the targeted stock was created in contemplation of the subsequent split-off, the two steps (creation of the targeted stock and the split-off) cannot be separated and shall be viewed as one transaction with the split-off being accounted for at fair value.

> >  Spinoffs or Other Distributions of Loans Receivable to Shareholders

845-10-30-14  A dividend-in-kind recognized under paragraph 845-10-25-3 shall be measured initially at fair value by the entity and the recipient.

Purchases and Sales of Inventory with the Same Counterparty

845-10-30-15  A nonmonetary exchange whereby an entity transfers finished goods inventory in exchange for the receipt of raw materials or work-in-process inventory within the same line of business is not an exchange transaction to facilitate sales to customers for the entity transferring the finished goods, as described in paragraph 845-10-30-3(b), and, therefore, shall be recognized by that entity at fair value if both of the following conditions are met:

• a. Fair value is determinable within reasonable limits.
• b. The transaction has commercial substance (see paragraph 845-10-30-4).

845-10-30-16  All other nonmonetary exchanges of inventory within the same line of business shall be recognized at the carrying amount of the inventory transferred. That is, a nonmonetary exchange within the same line of business involving either of the following shall not be recognized at fair value:

• a. The transfer of raw materials or work-in-process inventory in exchange for the receipt of raw materials, work-in-process, or finished goods inventory
• b. The transfer of finished goods inventory for the receipt of finished goods inventory.
Barter Credit Transactions

845-10-30-17  In reporting the exchange of a nonmonetary asset for barter credits, it shall be presumed that the fair value of the nonmonetary asset exchanged is more clearly evident than the fair value of the barter credits received and that the barter credits shall be reported at the fair value of the nonmonetary asset exchanged.

845-10-30-18  However, that presumption might be overcome if an entity can convert the barter credits into cash in the near term, as evidenced by a historical practice of converting barter credits into cash shortly after receipt, or if independent quoted market prices exist for items to be received upon exchange of the barter credits. It also shall be presumed that the fair value of the nonmonetary asset does not exceed its carrying amount unless there is persuasive evidence supporting a higher value.

845-10-30-19  An impairment loss on the barter credits shall be recognized if it subsequently becomes apparent that either of the following conditions exists:

• a. The fair value of any remaining barter credits is less than the carrying amount.
• b. It is probable that the entity will not use all of the remaining barter credits.

> Transfers of Operating Leases for Barter Credits

845-10-30-20  If an exchange involves the transfer or assumption of an operating lease for barter credits, impairment of that lease shall be measured as the amount of the remaining lease costs (discounted rental payments and unamortized leasehold improvements) in excess of the discounted amount of probable sublease rentals for the remaining lease term.

Exchanges Involving Monetary Consideration

> Overall Guidance

845-10-30-21  As a monetary transaction, both parties would record the exchange at fair value (as discussed in paragraph 845-10-25-6). The ability to satisfactorily measure fair value is a prerequisite to the use of fair value.

> Monetary Exchange of a Nonfinancial Asset for a Noncontrolled Ownership Interest

845-10-30-22  In a monetary exchange (required to be accounted for at fair value), the gain recognized on a monetary exchange under paragraph 845-10-25-9 shall be computed in a manner consistent with the guidance in paragraphs 845-10-30-26 through 30-27.
Exchanges of Real Estate Involving Monetary Consideration

845-10-30-23 Paragraph 845-10-25-7 addresses allocation of certain transactions between two components: a monetary portion and a nonmonetary portion. The allocation between the monetary and nonmonetary portions of the transaction shall be based on their relative fair values at the time of the transaction.

Exchanges of a Nonfinancial Asset for a Noncontrolling Ownership Interest

845-10-30-24 An entity (Entity A) transfers a nonfinancial asset (or assets) to another entity (Entity B) in exchange for a noncontrolling ownership interest in that entity (Entity B).

845-10-30-25 The following transactions shall be accounted for as a deconsolidation in accordance with paragraphs 810-10-40-3A through 40-5, except if the transaction is the sale of in substance real estate (for guidance on a sale of in substance real estate, see Subtopic 360-20 or 976-605) or is a conveyance of oil and gas mineral rights (for guidance on conveyances of oil and gas mineral rights, see Subtopic 932-360):

- a. An entity transfers a subsidiary that is a business or nonprofit activity to a second entity in exchange for a noncontrolling interest in that second entity.
- b. An entity transfers a group of assets that constitute a business or nonprofit activity to a second entity in exchange for a noncontrolling interest in that second entity.

845-10-30-25A Except for exchanges described in the preceding paragraph, an exchange of a nonmonetary asset for a noncontrolling ownership interest in a second entity shall be accounted for at fair value and full or partial gain recognition also is required. Paragraphs 845-10-30-26 through 30-27 provide guidance on how the gain or loss is to be determined.

845-10-30-26 If the fair value of the asset or assets given up (or of the ownership interest received if that asset's fair value is more readily determinable) is greater than their carrying value, then either of the following should take place:

- a. A gain in the amount of that difference shall be recognized if the entity accounts for the ownership interest received using the cost method.
- b. A partial gain shall be recognized if the entity accounts for the ownership interest received using the equity method.

The partial gain shall be calculated as the amount described in (a) less the portion of that gain represented by the economic interest (which may be different from the voting interest) retained. For example, if Entity A exchanges an asset with a carrying value of $1,000 and a fair value of $2,000 for a 30 percent economic interest in Entity B, Entity A shall recognize a gain of $700 \(\left(\frac{$2,000 - $1,000}{\times 70\%}\right)\). Thus, the amount recorded for the ownership interest received is partially based on its fair value at the exchange date and partially based on the carryover amount of the asset(s) surrendered.
845-10-30-27 If the fair value of the nonfinancial asset or assets given up (or of the ownership interest received if the fair value of that asset is more readily determinable) is less than their carrying value, that difference shall be recognized as a loss.

845-10-45 Other Presentation Matters

**General Note**: The Other Presentation Matters Section provides guidance on other presentation matters not addressed in the Recognition, Initial Measurement, Subsequent Measurement, and Derecognition Sections. Other presentation matters may include items such as current or long-term balance sheet classification, cash flow presentation, earnings per share matters, and so forth. The FASB Codification also contains Presentation Topics, which provide guidance for general presentation and display items. See those Topics for general guidance.

Purchases and Sales of Inventory with the Same Counterparty

845-10-45-1 The classification of inventory as raw materials, work-in-process, and finished goods for purposes of the Purchases and Sales of Inventory with the Same Counterparty Subsections shall be the same classification that an entity uses for external financial reporting purposes.

845-10-50 Disclosure

**General Note**: The Disclosure Section provides guidance regarding the disclosure in the notes to financial statements. In some cases, disclosure may relate to disclosure on the face of the financial statements.
An entity that engages in one or more nonmonetary transactions during a period shall disclose in financial statements for the period all of the following:

- a. The nature of the transactions
- b. The basis of accounting for the assets transferred
- c. Gains or losses recognized on transfers.

In accordance with paragraph 845-10-50-1, entities shall disclose, in each period's financial statements, the amount of gross operating revenue recognized as a result of nonmonetary transactions. See Subtopic 505-50.

**Purchase and Sales of Inventory**

An entity shall disclose the amount of revenue and costs (or gains and losses) associated with inventory exchanges recognized at fair value.

**Implementation Guidance and Illustrations**

General Note: The Implementation Guidance and Illustrations Section contains implementation guidance and illustrations that are an integral part of the Subtopic. The implementation guidance and illustrations do not address all possible variations. Users must consider carefully the actual facts and circumstances in relation to the requirements of the Subtopic.

**General**

- Implementation Guidance

- Transfer of Pension Assets or Obligations in a Spinoff

Paragraph 845-10-30-10 does not permit gain or loss recognition for the spinoff of nonmonetary assets to owners of an entity. That prohibition also shall apply to pension-related assets or obligations transferred in a spinoff. The transition asset or obligation remaining in accumulated other comprehensive income and net gain or loss included in accumulated other comprehensive income shall be
allocated to each pension plan in proportion to the projected benefit obligations of the two pension plans. Prior service cost included in accumulated other comprehensive income shall be allocated to the pension plans based on the applicable individuals included in the employee groups covered. See paragraphs 715-30-55-124 through 55-127, which addresses the division of a pension plan. (The accounting treatment for a spinoff that involves a division of a pension plan should be similar to that for a spinoff involving a pension plan that was previously part of a larger pension plan.)

>> Summary of Guidance

845-10-55-2 The following table summarizes the guidance contained in this Subtopic.

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>> Illustrations

>> Example 1: Transfer of Pension Benefit Obligation or Plan Assets in Spinoff

845-10-55-3 This Example illustrates how an employer shall account for the transfer of a pension benefit obligation or plan assets to a spun-off entity's new pension plan.

845-10-55-4 An employer (Entity A) incorporates a division (Entity B) and subsequently spins it off to the owners of the entity. The new entity assumes Entity A's projected benefit obligation under its pension plan (Old Plan) for the employees that are transferred as part of the spinoff. The accumulated benefit obligation for those employees ($30,000) is fully vested at the date of the spinoff. The portion of the projected benefit obligation attributable to the future compensation levels for those employees is $6,000. No plan assets are transferred to the new entity's pension plan (New Plan).

845-10-55-5 The following Cases illustrate two scenarios:

• a. Accounting for a transfer of a pension benefit obligation only (Case A)

• b. Accounting for a transfer of a plan assets and a pension benefit obligation (Case B).

>> Case A: Accounting for a Transfer of a Pension Benefit Obligation

845-10-55-6 The following is the funded status of the pension plans immediately before and after the spinoff.
845-10-55-7 The journal entries to account for the spinoff are as follows.

- Entity A
  - To record the transfer of a pension benefit obligation and net deferred amounts from Entity A to Entity B

- Entity B
  - To record the receipt of a pension benefit obligation and net deferred amounts from Entity A (Entity B should not recognize the effects of assuming the pension benefit obligation as the cost of either a pension plan amendment or an initiation of a pension plan that is subject to amortization.)

Case B: Accounting for a Transfer of a Pension Benefit Obligation and Plan Assets

845-10-55-8 In this Case, the plan assets ($28,000) are also transferred to the New Plan. The following is the funded status of the pension plans immediately before and after the spinoff.

845-10-55-9 The journal entries to account for the spinoff are as follows.

- Entity A
  - To record the transfer of plan assets, a pension benefit obligation, and net deferred amounts from Entity A to Entity B

- Entity B
  - To record the receipt of plan assets, a pension benefit obligation, and net deferred amounts from Entity A (Entity B should not recognize the effects of assuming the pension benefit obligation as the cost of either a pension plan...
Purchases and Sales of Inventory with the Same Counterparty

> Illustrations

845-10-55-10 The application of the indicators (see paragraph 845-10-25-4) depends on the relative facts and circumstances and requires significant judgment. The assessment of that judgment in a given fact pattern is based on the assumed facts; accordingly, judgment will vary in differing fact patterns.

> Example 1: Sale and Purchase of Inventory Between Two Oil Entities

845-10-55-11 This Example illustrates the following:

• a. Whether the described transaction shall be viewed as a single exchange transaction as discussed in paragraphs 845-10-25-4 through 25-5

• b. Whether the nonmonetary exchange of inventory within the same line of business shall be recognized at fair value as discussed in paragraphs 845-10-30-15 through 30-16.

845-10-55-12 Oil Entity A produces heavy crude oil (dense, viscous crude oil) in California and has refining operations in other parts of the United States including West Texas. Given its supply-chain management needs, Entity A would like to acquire West Texas intermediate crude oil in the most cost-efficient manner.

845-10-55-13 As part of its analysis in determining the most cost-efficient approach to acquiring West Texas intermediate crude oil, Entity A uses the following available information regarding the current oil needs (demand) and excess oil capacity (supply) of the various oil entities.

845-10-55-14 Entity A enters into an arrangement to sell Entity B a specified quantity of its California production and enters into a separate arrangement at the same time to purchase a specified quantity of Entity B's sweet crude oil production in Oklahoma. Also at the same time, Entity A enters into an arrangement to sell Entity C the sweet crude oil in Oklahoma purchased from Entity B, and enters into a separate arrangement at the same time to acquire a specified quantity and quality of West Texas intermediate crude oil from Entity C for its West Texas refining operations.

845-10-55-15 Entity A issues invoices and purchase orders for each transaction and each is gross-cash settled at market prices. Although the quantities differ, there
is an insignificant difference in total value of oil being exchanged in each transaction. Entity A would not sell its inventory to Entity B or Entity C without an understanding that the counterparty will perform. Entity A considers all crude oil to be the same class of inventory (that is, raw materials) for purposes of financial reporting. Entity A does not account for these arrangements as derivatives; therefore, the guidance in Subtopic 815-10 is not applicable.

845-10-55-16 Based on an evaluation of the circumstances, Entity A's inventory purchase and sales transactions with Entity B were entered into in contemplation of one another because the sole purpose of selling inventory was to procure inventory from the same counterparty in the most cost-efficient manner. While it is a matter of judgment as to whether Entity A entered into its inventory purchase and sales transactions with Entity B in contemplation of one another, certain factors support this assessment. For instance, the transaction to sell inventory was entered into simultaneously with the transaction to purchase inventory. In addition, the sole purpose of selling heavy crude oil inventory is to facilitate the purchase of sweet crude oil inventory. Although the purpose of a transaction is not explicitly identified as an indicator in the consensus guidance, it is nevertheless relevant to the assessment of whether the inventory transactions were entered into in contemplation of one another. While the inventory transactions were not settled on a net basis nor were they entered into at off-market prices, the other indicators, together with the specific facts and circumstances described above, provide persuasive evidence that the transactions were entered into in contemplation of one another. Therefore, although each transaction was separately documented and gross-cash settled at market prices, the inventory transactions should be deemed a single exchange between Entity A and Entity B for purposes of applying the guidance in the Purchases and Sales of Inventory with the Same Counterparty Subsections. From the perspective of Entity A, an analysis of the inventory purchase and sales transactions between Entity A and Entity C would result in the same conclusion as the analysis of the transactions between Entity A and Entity B.

845-10-55-17 Entity A would recognize the single exchange transactions with both Entity B and Entity C at carryover basis because, from Entity A's perspective, the same class of inventory (raw materials for raw materials) was surrendered and received.

>> Example 2: Sale and Purchase of Inventory Between Auto Dealers

845-10-55-18 This Example illustrates the following:

• a. Whether the described transaction shall be viewed as a single exchange transaction as discussed in paragraphs 845-10-25-4 through 25-5

• b. Whether the nonmonetary exchange of inventory within the same line of business shall be recognized at fair value as discussed in paragraphs 845-10-30-15 through 30-16.

845-10-55-19 Dealer A in Suburb X has an excess inventory of cars relative to near-term expected demand and does not have enough pickup trucks to meet near-term expected demand. Dealer B in Suburb Y has an excess inventory of pickup trucks and not enough cars to meet near-term expected demand. Dealer A negotiates an arrangement to sell a specified number of cars to Dealer B and,
although not committed to do so, Dealer B may deliver pickup trucks of equivalent value at wholesale prices to Dealer A. Dealer A must purchase pickup trucks from Dealer B if Dealer B chooses to deliver the trucks the following week. Historically, Dealer B has always delivered the trucks to Dealer A under these types of arrangements. At the time Dealer A delivers its cars to Dealer B, Dealer A believes Dealer B will ship the trucks the following week. Each transaction is separately documented and gross-cash settled at wholesale prices on the date of delivery.

845-10-55-20 Based on an evaluation of the circumstances, Dealer A's inventory sales transaction was entered into in contemplation of a reciprocal inventory purchase transaction from Dealer B because, as a condition of selling inventory to Dealer B, Dealer A must accept delivery of trucks from Dealer B at a later date, if Dealer B chooses to make such a delivery. Consistent with past history, when Dealer A enters into this kind of arrangement with Dealer B, Dealer A fully expects to purchase the trucks. Therefore, the sale of the cars should be considered combined with the purchase of the trucks.

845-10-55-21 While it is a matter of judgment as to whether Dealer A entered into its inventory sales transaction in contemplation of the inventory purchase transaction, certain factors support this assessment. For instance, a transaction to sell cars to Dealer B was entered into with an anticipated transaction to purchase trucks from Dealer B (if Dealer B chooses to deliver the trucks) simultaneously. Even though the transaction to purchase trucks depended on whether Dealer B chose to deliver, Dealer A believed that there was a high degree of certainty that Dealer B would deliver. In addition, because the inventory pricing is at wholesale, it indicates that these transactions were not on the same terms as transactions with their typical retail customers. While this last factor is not related to a specific indicator (see guidance in paragraph 845-10-25-4), it is relevant in assessing the nature of the relationship between Dealer A and Dealer B in the context of the purchase and sales transactions. While Dealer A and Dealer B did not agree to net-settle the inventory transactions, the expectation of a reciprocal purchase transaction from Dealer B in the context of the relationship between Dealer A and Dealer B indicates that the sale transaction by Dealer A to Dealer B was entered into in contemplation of the purchase transaction from Dealer B. Therefore, although each transaction was separately documented and gross-cash settled, these inventory transactions should be deemed a single exchange for purposes of applying the Purchases and Sales of Inventory with the Same Counterparty Subsection of Section 845-10-30.

845-10-55-22 When evaluating the inventory transactions as a single nonmonetary exchange, Dealer A would recognize the transactions at carryover basis because the same class of inventory is being exchanged (finished goods exchanged for finished goods).

Example 3: Sale and Purchase of Inventory Between Two Manufacturers

845-10-55-23 This Example illustrates the following:

• a. Whether the described transaction shall be viewed as a single exchange transaction as discussed in paragraphs 845-10-25-4 through 25-5
b. Whether the nonmonetary exchange of inventory within the same line of business shall be recognized at fair value as discussed in paragraphs 845-10-30-15 through 30-16.

845-10-55-24 Multinational Manufacturer A has a longstanding business relationship with multinational Manufacturer B, whereby each manufacturer will buy and sell inventory from the other on an as-needed basis at market prices. Manufacturer A sells materials to Manufacturer B based on a purchase order from Manufacturer B. Two days later, Manufacturer B sells materials to Manufacturer A based on a separate purchase order from Manufacturer A. Neither transaction was predicated on the occurrence of the other transaction occurring through either an implied arrangement or a contractual arrangement, and, historically, Manufacturer A has sold twice as much in value to Manufacturer B as Manufacturer B has sold to Manufacturer A. Both of these inventory transactions are gross-cash settled at market prices.

845-10-55-25 Based on an evaluation of the circumstances, Manufacturer A's inventory purchase and sales transactions were not entered into in contemplation of one another.

845-10-55-26 This assessment is supported by reciprocal inventory purchase and sales transactions not being negotiated between the two counterparties at the same time. In addition, there is no correlation between the value of goods delivered to Manufacturer B and the value of goods received from Manufacturer B. Although this last factor is not explicitly identified in the guidance in this Subtopic, it further strengthens the assessment that the inventory transactions were not entered into in contemplation of one another. Consequently, the inventory purchase and sales transactions would not be deemed a single exchange for purposes of applying the Purchases and Sales of Inventory with the Same Counterparty Subsection of Section 845-10-30 and would be considered separate monetary transactions subject to the guidance in other relevant generally accepted accounting principles (GAAP).

Exchanges Involving Monetary Consideration

> Illustrations

> > Example 1: Monetary Exchange of a Nonfinancial Asset for a Noncontrolled Ownership Interest

845-10-55-27 This Example illustrates the guidance in paragraph 845-10-25-9.

845-10-55-28 Entity A transfers its ownership of an individual nonfinancial asset (or assets) to a newly created entity (Entity B) in exchange for an ownership interest in Entity B that will be accounted for by the equity method and monetary consideration. The monetary consideration received exceeds the fair value of the portion of the surrendered nonfinancial asset that has been sold in the exchange. The excess monetary consideration is funded by proceeds from nonrecourse financing within the newly created entity. Subsequent to the transfer, Entity A does not control Entity B. The specifics of the transaction are as follows:
• a. Entity A owns equipment with a book basis of $100 and an appraised value of $400.

• b. Entity B, previously unrelated to Entity A, creates a new **subsidiary**, Entity X, and transfers cash of $60 to Entity X.

• c. Entity A transfers the equipment to Entity X in exchange for shares of Entity X stock that represent a 40 percent ownership interest in Entity X. Simultaneously, Entity X borrows $300 with recourse to only the equipment and pays Entity A $360 cash.

Paragraph 845-10-25-10 requires that if Entity A has no actual or implied commitment, financial or otherwise, to support the operations of Entity B in any manner, a gain of $260 shall be recognized. The investor's basis in the new entity shall be no less than zero. The gain calculation is illustrated as follows.

- Specific facts and circumstances may affect gain recognition and that it would be impractical to consider all possible variations of the basic transaction described above.

**Example 2: Exchanges of Real Estate Involving Monetary Consideration**

845-10-55-29 This Example illustrates the guidance in Section 360-20-40.

845-10-55-30 Entity A transfers real estate with a fair value of $2,000,000 (Entity A's net book value of $1,500,000) to Entity B and receives $400,000 cash, a $400,000 note from Entity B payable to Entity A, and real estate with a fair value of $1,200,000 (Entity B's net book value of $800,000). The specifics of the transaction are as follows:

• a. The initial investment requirement for full accrual profit recognition under paragraph 360-20-40-18 is 20 percent.

• b. The terms of the note from Entity B to Entity A would satisfy the continuing investment provisions necessary for application of the full accrual method. The interest rate on the note from Entity B is a market rate, and the note is considered fully collectible.

• c. The values of the real estate transferred by both parties are readily determinable and clearly realizable at the exchange date.

• d. Neither party has any continuing involvement with the real estate transferred to the other.

845-10-55-31 The computation of allocation by both Entity A and Entity B is as follows:
• a. The monetary portion of the transaction is as follows.

  o For this example, the monetary portion of the transaction is the exchange of $400,000 cash and a $400,000 note for real estate with a fair value of $800,000 ($2,000,000 x 40%).

• b. The nonmonetary portion of the transaction is as follows.

  o For this Example, the nonmonetary portion of the transaction is the exchange of real estate with a fair value of $1,200,000 for similar real estate with a fair value of $1,200,000 ($2,000,000 x 60%).

845-10-55-32 The accounting by Entity A (the receiver of monetary consideration) is as follows.

845-10-55-33 The nonmonetary portion of the transaction does not qualify for gain recognition because the exchange involves similar real estate. The accounting basis of the new property equals $900,000 ($1,500,000 total net book value of the real estate exchanged less the $600,000 pro rata portion of net book value sold).

845-10-55-34 The monetary portion of the transaction qualifies for full accrual profit recognition because the cash down payment of $400,000 and the $400,000 note meet the criteria in paragraphs 360-20-40-10 through 40-12 for a buyer's initial and continuing investment when applied to the monetary portion of the transaction. Accordingly, a gain of $200,000 ($800,000 total monetary consideration less $600,000 [$1,500,000 total net book value x 40%] pro rata portion of net book value) would be recorded at the date of sale.

845-10-55-35 The accounting by Entity B (the payer of monetary consideration) is as follows.

845-10-55-36 The nonmonetary portion of the transaction does not qualify for gain recognition because the exchange involves similar real estate. The accounting basis of the new property equals $1,600,000 ($800,000 net book value of the real estate exchanged plus $800,000 total monetary consideration paid).

845-10-55-37 The monetary portion of the transaction represents an acquisition of real estate for the monetary consideration paid of $800,000.
845-10-60  Relationships

**General Note:** The Relationships Section contains links to guidance that may be helpful to, but not required by, a user of the Subtopic. This Section may not be all-inclusive. The relationship items are organized according to the Topic structure in the Codification.

### General

> **Other Expenses**

**845-10-60-1**  For guidance on accounting for contributions made, see Subtopic 720-25.

### Barter Transactions

> **Revenue Recognition**

**845-10-60-2**  For guidance on accounting for advertising barter transactions, see Subtopic 605-20.

### Exchanges Involving Monetary Consideration

> **Property, Plant, and Equipment**

**845-10-60-3**  For guidance on the accounting for the monetary portion of boot received, see Subtopic 360-20-40.

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### 845-10-75  XBRL Elements

**General Note:** This section contains a list of XBRL elements that reference paragraphs in this Subtopic. For additional details regarding changes to the development version of the US GAAP Financial Reporting Taxonomy, refer to the
FASB taxonomy review and comment system on the FASB web site.

- **Co-venturer [Member]**

  **Element Name:** CoVenturerMember

  - This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
    - Corporate Joint Venture

- **Corporate Joint Venture [Member]**

  **Element Name:** CorporateJointVentureMember

  - This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
    - Corporate Joint Venture

- **Nonmonetary Transaction Type [Axis]**

  **Element Name:** NonmonetaryTransactionTypeAxis

  - This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
    - 845 Nonmonetary Transactions > 10 Overall > 50 Disclosure > General, 50-1
  - This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
    - 505 Equity > 50 Equity-Based Payments to Non-Employees > 50 Disclosure > General, 50-2
    - 605 Revenue Recognition > 20 Services > 50 Disclosure > General, 50-1

- **Nonmonetary Transaction Type [Domain]**

  **Element Name:** NonmonetaryTransactionTypeDomain

  - This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
    - 845 Nonmonetary Transactions > 10 Overall > 50 Disclosure > General, 50-1(a)
  - This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
    - 505 Equity > 50 Equity-Based Payments to Non-Employees > 50 Disclosure > General, 50-2
    - 605 Revenue Recognition > 20 Services > 50 Disclosure > General, 50-1
• Nonmonetary Transaction, Basis of Accounting for Assets Transferred

Element Name: NonmonetaryTransactionBasisOfAccountingForAssetsTransferred

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
  - 845 Nonmonetary Transactions > 10 Overall > 50 Disclosure > General, 50-1(b)

• Nonmonetary Transaction, Gain (Loss) Recognized on Transfer

Element Name: NonmonetaryTransactionGainLossRecognizedOnTransfer

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
  - 845 Nonmonetary Transactions > 10 Overall > 50 Disclosure > General, 50-1(c)

• Nonmonetary Transaction, Gross Operating Revenue Recognized

Element Name: NonmonetaryTransactionGrossOperatingRevenueRecognized

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
  - 845 Nonmonetary Transactions > 10 Overall > 50 Disclosure > General, 50-1

• Nonmonetary Transaction, Name of Counterparty

Element Name: NonmonetaryTransactionNameOfCounterparty

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
  - 845 Nonmonetary Transactions > 10 Overall > 50 Disclosure > General, 50-1(a)

• Nonmonetary Transaction, by Type [Table]

Element Name: NonmonetaryTransactionByTypeTable

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
  - 845 Nonmonetary Transactions > 10 Overall > 50 Disclosure > General, 50-1
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
  - 505 Equity > 50 Equity-Based Payments to Non-Employees > 50 Disclosure > General, 50-2
• Nonmonetary Transactions Disclosure [Text Block]

Element Name: NonmonetaryTransactionsDisclosureTextBlock

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
  - 845 Nonmonetary Transactions > 10 Overall > 50 Disclosure > General, 50-1
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
  - 505 Equity > 50 Equity-Based Payments to Non-Employees > 50 Disclosure > General, 50-2
  - 605 Revenue Recognition > 20 Services > 50 Disclosure > General, 50-1

• Subsidiaries [Member]

Element Name: SubsidiariesMember

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
  - Subsidiary

845-10-S00 Status

**General Note:** The Status Section identifies changes to this Subtopic resulting from Accounting Standards Updates. The Section provides references to the affected Codification content and links to the related Accounting Standards Updates. Nonsubstantive changes for items such as editorial, link and similar corrections are included separately in Maintenance Updates.

General

845-10-S00-1 No updates have been made to this subtopic.
General Note: The Initial Measurement Section provides guidance on the criteria and amounts used to measure a particular item at the date of initial recognition.

General

> Exchanges of a Nonfinancial Asset for a Noncontrolling Ownership Interest

845-10-S30-1 See paragraph 845-10-S99-2, SEC Observer Comment: Accounting by a Joint Venture for Businesses Received at Its Formation, for SEC Staff views on the application of purchase accounting in the formation of new joint venture.

845-10-S30-2 See paragraph 845-10-S99-3, SEC Observer Comment: Interpretation of Subtopic 845-10, for SEC Staff views on exchanges of nonfinancial assets for a noncontrolling ownership interest.

> Transfers of Nonmonetary Assets by Promoters or Shareholders

845-10-S30-3 See paragraph 845-10-S99-1, SAB Topic 5.G, for SEC Staff views on transfers of nonmonetary assets by promoters or shareholders before an initial public offering.

General Note: As more fully described in the Notice to Constituents, the Codification includes selected SEC and SEC Staff content for reference by public companies. The Codification does not replace or affect how the SEC or SEC Staff issues or updates SEC content. SEC Staff content does not constitute Commission-approved rules or interpretations of the SEC.

General

> SEC Staff Guidance

>> Staff Accounting Bulletins
SAB Topic 5.G, Transfers of Nonmonetary Assets by Promoters or Shareholders

845-10-S99-1  The following is the text of SAB Topic 5.G, Transfers of Nonmonetary Assets by Promoters or Shareholders.

• Facts: Nonmonetary assets are exchanged by promoters or shareholders for all or part of a company's common stock just prior to or contemporaneously with a first-time public offering.

• Question: Since paragraph 4 of APB Opinion 29 states that Opinion 29 [paragraph 845-10-15-4] is not applicable to transactions involving the acquisition of nonmonetary assets or services on issuance of the capital stock of an enterprise, what value should be ascribed to the acquired assets by the company?

• Interpretive Response: The staff believes that transfers of nonmonetary assets to a company by its promoters or shareholders in exchange for stock prior to or at the time of the company's initial public offering normally should be recorded at the transferors' historical cost basis determined under GAAP.

• The staff will not always require that predecessor cost be used to value nonmonetary assets received from an enterprise's promoters or shareholders. However, deviations from this policy have been rare applying generally to situations where the fair value of either the stock issued FN3 or assets acquired is objectively measurable and the transferor's stock ownership following the transaction was not so significant that the transferor had retained a substantial indirect interest in the assets as a result of stock ownership in the company.

  o FN3 Estimating the fair value of the common stock issued, however, is not appropriate when the stock is closely held and/or seldom or ever traded.

Comments Made by SEC Observer at Emerging Issues Task Force (EITF) Meetings

SEC Observer Comment: Accounting by a Joint Venture For Businesses Received at Its Formation

845-10-S99-2  The following is the text of SEC Observer Comment: Accounting by a Joint Venture for Businesses Received at Its Formation.

• The SEC staff will object to a conclusion that did not result in the application of Topic 805 to transactions in which businesses are contributed to a newly formed, jointly controlled entity if that entity is not a joint venture. The SEC staff also would object to a conclusion that joint control is the only defining characteristic of a joint venture.

SEC Observer Comment: Interpretation of Subtopic 845–10

845-10-S99-3  The following is the text of SEC Observer Comment: Interpretation of Subtopic 845–10.
• The SEC staff will require registrants to account for the exchange of consolidated businesses, even if in the same line of business, as a fair value transaction under the guidance of Topic 805. The SEC staff believes that Topic governs the acquisition of a consolidated business when acquired for nonmonetary assets, including equity method investments.