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Standards Update (ASU) intended to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and ...

Feb. 18, 2015

The [Financial Accounting Standards Board](#) (FASB) has issued an Accounting Standards Update (ASU) intended to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures (collateralized debt obligations, collateralized loan obligations, and mortgage-backed security transactions).

[FASB ASU No. 2015-02](#), *Consolidation (Topic 810): Amendments to the Consolidation Analysis*, focuses on the consolidation evaluation for reporting organizations (public and private companies and not-for-profit organizations) that are required to evaluate whether they should consolidate certain legal entities.

“Stakeholders were concerned that current guidance in certain consolidation situations does not provide useful information—resulting in users requesting supplemental deconsolidated financial statements to analyze the reporting company’s economic and operational results,” said FASB Chairman Russell G. Golden.

“This new standard simplifies consolidation accounting by reducing the number of consolidation models, providing incremental benefits to stakeholders. For example, specialized guidance for legal entities will be eliminated by removing the indefinite deferral for certain investment funds, and certain money market funds will no longer have to apply the guidance.”

In addition to reducing the number of consolidation models from four to two, the

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- Changing consolidation conclusions for public and private companies in several industries that typically make use of limited partnerships or VIEs.

The ASU will be effective for periods beginning after December 15, 2015, for public companies. For private companies and not-for-profit organizations, the ASU will be effective for annual periods beginning after December 15, 2016; and for interim periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period.

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