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Standards Update (ASU) that clarifies the definition of a business. The ASU affects all companies and other reporting organizations that must determine whether they have ...

Jan. 16, 2017

The Financial Accounting Standards Board (FASB) has issued an Accounting Standards Update ([ASU](#)) that clarifies the definition of a business. The ASU affects all companies and other reporting organizations that must determine whether they have acquired or sold a business.

The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The new standard is intended to help companies and other organizations evaluate whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses.

“Stakeholders expressed concerns that the definition of a business is applied too broadly and that many transactions recorded as business acquisitions are, in fact, more akin to asset acquisitions,” stated FASB Chairman Russell G. Golden. “The new standard addresses this by clarifying the definition of a business while reducing the cost and complexity of analyzing these transactions.”

The amendments in the ASU provide a more robust framework to use in determining when a set of assets and activities is a business. They also provide more consistency in applying the guidance, reduce the costs of application, and make the definition of a business more operable.

For public companies, the ASU is effective for annual periods beginning after December 15, 2017, including interim periods within those periods. For all other companies and organizations, the ASU is effective for annual periods beginning after

December 15, 2018, and interim periods within annual periods beginning after

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