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Derecognition

Stakeholders are encouraged to review and provide comment on the proposed chapter by Feb. 21, 2023.

Nov. 22, 2022



The Financial Accounting Standards Board (FASB) issued a [proposed new chapter](#) of its Conceptual Framework on Nov. 22 related to the recognition and derecognition of an item in financial statements.

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the rest of the framework in that it establishes concepts that the FASB would use in developing standards of financial accounting and reporting. It would provide the board with a framework for developing standards that meet the objective of financial reporting and enhance the understandability of information for existing and potential investors, lenders, donors, and other resource providers of a reporting entity.

The proposed chapter sets forth recognition and derecognition criteria and guidance on when an item should be incorporated into and removed from financial statements. Stakeholders are asked to provide input on three proposed recognition criteria an item should meet to be recognized in financial statements, subject to the pervasive cost constraint and materiality considerations.

Those proposed criteria are:

- a. *Definitions*: The item meets the definition of an element of financial statements.
- b. *Measurability*: The item is measurable and has a relevant measurement attribute.
- c. *Faithful Representation*: The item can be depicted and measured with faithful representation.

The FASB also seeks stakeholder input on whether derecognition—the process of removing an item from financial statements of a reporting entity as an asset, liability, or equity—should occur when an item no longer meets any one of the recognition criteria.

The [proposed chapter](#), including information on how to submit comments, is available at www.fasb.org.

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