Statement of Financial Accounting Standards No. 100

Note: This Statement has been completely superseded

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FAS100 Summary

Accounting for Income Taxes—Deferral of the Effective Date of FASB Statement No. 96

an amendment of FASB Statement No. 96

December 1988

Financial Accounting Standards Board
of the Financial Accounting Foundation
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Statement of Financial Accounting Standards No. 100

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Paragraph Numbers

FAS 100: Accounting for Income Taxes—Deferral of the Effective Date of FASB Statement No. 96

an amendment of FASB Statement No. 96

FAS 100 Summary

This Statement amends FASB Statement No. 96, *Accounting for Income Taxes,* to defer the effective date of that Statement to fiscal years beginning after December 15, 1989.

INTRODUCTION

1. FASB Statement No. 96, *Accounting for Income Taxes,* was issued in December 1987. It requires an asset and liability approach for financial accounting and reporting for income taxes and supersedes APB Opinion No. 11, *Accounting for Income Taxes.* As issued, Statement 96 was effective for financial statements for fiscal years beginning after December 15, 1988, with earlier application encouraged.

2. The Board received requests to consider delaying the effective date of Statement 96 to give enterprises and their auditors more time to study, understand, and apply its provisions. The Board concluded that, for the reasons presented in the appendix to this Statement, it is appropriate to defer the effective date of Statement 96. However, the Board continues to encourage early application [1] of Statement 96.

STANDARDS OF FINANCIAL ACCOUNTING AND REPORTING

Amendment to Statement 96

3. The first sentence of paragraph 32 of Statement 96 is superseded by the following:

This Statement shall be effective for fiscal years beginning after December 15, 1989.

Effective Date

4. This Statement is effective upon issuance retroactive to December 15, 1988.

This Statement was adopted by the unanimous vote of the seven members of the Financial Accounting Standards Board.

Dennis R. Beresford, *Chairman*
Victor H. Brown
Raymond C. Lauver
James J. Leisenring
C. Arthur Northrop
A. Clarence Sampson
Robert J. Swieringa

Appendix: BACKGROUND INFORMATION AND BASIS FOR CONCLUSIONS

5. In January 1988, the FASB established the FASB Statement No. 96 Implementation Group to assist in identifying and considering issues encountered in implementing the provisions of Statement 96. As an outgrowth of the Group's discussions, the FASB identified specific implementation issues that it plans to incorporate, together with answers to those issues, in a Special Report that it expects to publish in the near future.

6. Some preparers of financial statements as well as auditors expressed concern about the degree of complexity involved in applying the provisions of Statement 96. They also expressed concern about having insufficient time to study and understand the forthcoming guidance on implementation issues before the required application of Statement 96 in the first quarter of fiscal years beginning after December 15, 1988. Implementing the Tax Reform Act of 1986 aggravated the difficulties of applying Statement 96 and concerns were expressed about the time needed to obtain necessary data for foreign operations.

7. The Board decided to delay the required initial adoption of Statement 96 to provide preparers and auditors of financial statements more time to study, understand, and apply the provisions of Statement 96 and the forthcoming guidance on implementation issues. The Board decided to defer the effective date for one full year, to fiscal years beginning after December 15, 1989.

8. The Board believes that the disadvantages to preparers from not having a deferral of the effective date outweigh the disadvantages to users from a one-year delay in the required adoption of Statement 96, including diversity in financial reporting resulting from the continued application of Opinion 11 by some enterprises. The Board believes that the deferral of the effective date of Statement 96 will not only facilitate the adoption of Statement 96 but also enhance consistent application of its provisions.

9. On October 13, 1988, the FASB issued an Exposure Draft, *Accounting for Income Taxes—Deferral of the Effective Date of FASB Statement No. 96,* which proposed deferring the effective date of Statement 96 for one year. The Board received letters of comment from more than 270 respondents, a large majority of whom supported the deferral.

10. Some respondents that favored a deferral of the effective date indicated that the deferral would provide the Board with an opportunity to reconsider various provisions of Statement 96. The Board decided to defer the effective date for reasons unrelated to requests to amend Statement 96.

11. A few respondents suggested that enterprises that have already adopted Statement 96 be permitted to revert temporarily to their former deferred tax accounting under Opinion 11, so that they could later readopt Statement 96 as of the delayed effective date. The Board believes that APB Opinion No. 20, *Accounting Changes,* precludes a reversion to the accounting under Opinion 11 because that accounting cannot be considered preferable to the accounting under Statement 96 in justifying the change in accounting principle. The Board concluded that the proposed reversion to accounting under Opinion 11 should continue to be prohibited.

12. The Board concluded that it could reach an informed decision on the basis of existing information without a public hearing and that the effective date specified in paragraph 4 is advisable in the circumstances.

Footnotes

FAS100, Footnote 1--If an enterprise chooses early application, it shall apply all of the provisions of Statement 96. Early application of only selected provisions is prohibited. An enterprise that has already applied the provisions of Statement 96 and issued interim or annual financial statements reflecting that application may not revert to accounting for income taxes under Opinion 11.