

Statement of Financial Accounting Standards No. 103

Note: This Statement has been completely superseded

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

(an amendment of FASB Statement No. 96)

December 1989



Financial Accounting Standards Board
of the Financial Accounting Foundation
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Statement of Financial Accounting Standards No. 103

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

an amendment of FASB Statement No. 96

December 1989

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FAS 103: Accounting for Income Taxes—Deferral of the Effective Date of FASB Statement No. 96

an amendment of FASB Statement No. 96

FAS 103 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, 1991.

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.
2. FASB Statement No. 100, *Accounting for Income Taxes—Deferral of the Effective Date of FASB Statement No. 96*, was issued in December 1988. Statement 100 deferred the effective date of Statement 96 to fiscal years beginning after December 15, 1989 in order to provide preparers and auditors of financial statements more time to study, understand, and apply the provisions of Statement 96 and the guidance on implementation of that Statement that was being developed at the time Statement 100 was issued.¹
3. The Board is considering requests to amend certain provisions of Statement 96 and has concluded that, for reasons discussed in the appendix to this Statement, required adoption of Statement 96 should be further delayed. Early application² continues to be permitted.

STANDARDS OF FINANCIAL ACCOUNTING AND REPORTING

Amendment to Statement 96

4. The first two sentences of paragraph 32 of Statement 96 are superseded by the following:

This Statement shall be effective for fiscal years beginning after December 15, 1991. Earlier application is permitted.

Supersession of Statement 100

5. This Statement supersedes FASB Statement No. 100, *Accounting for Income Taxes—Deferral of the Effective Date of FASB Statement No. 96*.

Effective Date

6. This Statement is effective upon issuance retroactive to December 15, 1989.

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

7. Since the issuance of Statement 96 in December 1987, the Board has received (a) requests for about 20 different limited-scope amendments to that Statement, (b) requests to change the criteria for recognition and measurement of deferred tax assets to anticipate, in certain circumstances, the tax consequences of future income, and (c) requests to reduce complexity by changing requirements for scheduling and consideration of tax-planning strategies.

8. The Board has been considering those requests in a series of Board meetings that began in March 1989. Due to the uncertainty about the effects of those possible amendments to Statement 96, the Board agreed, at its July 12, 1989 meeting, to issue an Exposure Draft that would propose delaying the earliest required application of Statement 96 for a minimum of nine months.

9. On October 19, 1989, 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 additional year. The Board received comment letters from more than 120 respondents, a large majority of whom supported the deferral.

10. A majority of respondents also supported the proposed one-year length of the deferral period. However, many respondents expressed concerns about whether a one-year deferral period would provide sufficient time for the Board to complete its consideration of requests for amendments to Statement 96, complete due process for amendments, if any, that might result from that consideration, and provide time for preparers and auditors to study and understand any changes made.

11. The Board concluded that deferral was necessary and that a two-year deferral, to fiscal years beginning after December 15, 1991, was appropriate. Individual Board members support those decisions to various degrees and for various reasons that include the following:

- a. A one-year deferral would not provide sufficient time to complete consideration of requests to amend Statement 96 to reduce complexity, to complete due process on any amendment that might result from that consideration, and, whether or not an amendment is made, for preparers and auditors to prepare to adopt Statement 96.
- b. A two-year deferral period would provide time for the Board to reconsider its tentative decision to eliminate from further separate consideration the requests to amend Statement 96 to change the criteria for recognition and measurement of deferred tax assets.
- c. Despite a belief that Statement 96 is superior to any of the alternatives proposed and should be implemented at the earliest opportunity, the Board's extensive consideration of requests to amend Statement 96 during the past year and its announced intention to defer the effective date and to continue that consideration caused many preparers to delay preparations to adopt Statement 96 and make it impractical to retain the previously established effective date.
- d. The disadvantages to preparers and auditors that would be caused by required adoption of Statement 96 prior to final resolution of whether to amend that Statement outweigh the disadvantages to users from a further delay in the required adoption of the new standard, including the diversity in financial reporting resulting from the continued application of Opinion 11 by many enterprises.

12. As with the Exposure Draft for Statement 100, a few respondents suggested that enterprises that have already adopted Statement 96 be permitted to revert temporarily to their

former income tax accounting prescribed by Opinion 11, so that they could later readopt Statement 96 as of the delayed effective date. The Board believes that the asset and liability approach of Statement 96 is superior to the deferral method of accounting for income taxes of Opinion 11. The Board decided that a reversion to the accounting under Opinion 11 should continue to be prohibited because APB Opinion No. 20, *Accounting Changes*, precludes an accounting change to a less preferable accounting principle.

13. 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 6 is advisable in the circumstances.

Footnotes

FAS103, Footnote 1—The FASB Special Report, *A Guide to Implementation of Statement 96 on Accounting for Income Taxes*, was issued in March 1989.

FAS103, Footnote 2—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.