

## 865 Extraordinary Accounting

### 10 Overall

#### 00 Status

**00-1** The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
865-10-00 through 865-10-65	Added	Accounting Standards Update No. 2019-07	06/30/2019

#### 05 Overview and Background

**05-1** The Extraordinary Accounting Topic provides guidance on the accounting and reporting for activities of enhanced individuals that affect businesses.

#### 15 Scope

**15-1** The guidance in this topic applies to all reporting and legal entities that can be subject to an extraordinary event. An extraordinary event is classified as such if an enhanced individual is materially involved in any stage between the event's inception and conclusion.

**15-2** This topic has made it necessary for entities to determine what environment they reside in. The environments are as follows:

- Super
- Non-Super

**15-3** Environments are selected based on the geographic location the entity is located in. According to the classification of the chosen enhanced individual that resides over the geographic location, a designation of Super or Non-Super will be made. For example, Batman is the chosen enhanced individual for the city of Gotham and as he is classified as Non-Super, all entities doing business in Gotham are subject to the Non-Super accounting requirements.

## 20 Glossary

Enhanced Individual – An individual with innate abilities and/or sophisticated technology which provides them with a means to exhibit inhuman capabilities.

Extraordinary Event – An event in where an enhanced individual is materially involved in any stage between the event's inception and conclusion.

Extraordinary Loss – A cost incurred as a result of an extraordinary event that doesn't provide a benefit to the company

Extraordinary Gain – A benefit received as a result of an extraordinary event.

Involuntary Conversion – The mandatory and uncontrollable liquidation of a company's asset. Common instances of involuntary conversions are loss of assets due to fire, natural disaster, theft, or government intervention.

Non-Super Environment – A geographic location that is materially affected by those with low and/or non-destructive innate abilities and/or sophisticated technology that could be classified as inhuman.

Super Environment - A geographic location that is materially affected by those with high destructive innate abilities and/or sophisticated technology that could be classified as inhuman.

## 25 Recognition

### > *Super Environment*

**25-1** An entity shall recognize a gain or loss in the period that an extraordinary event, no matter what enhanced individual is involved, occurs within income from continuing operations.

### > *Non-Super Environment*

**25-2** An entity shall recognize a gain or loss in the period that an extraordinary event occurs within income from continuing operations if the enhanced individual is associated with a non-super environment.

**25-3** If the enhanced individual is associated with a super environment and the extraordinary event occurs in a non-super environment, the gain or loss shall be deferred into other comprehensive income over five years and will be recognized within income from continuing operations ratably.

### **30 Initial Measurement**

**30-1** An entity shall include all costs incurred and the fair value of all assets subject to an involuntary conversion in the loss recorded in accordance with paragraphs 865-10-25-1 through 25-3.

**30-2** Similarly, an entity shall include the fair value of all benefits received in the gain recorded in accordance with paragraphs 865-10-25-1 through 25-3.

### **35 Subsequent Measurement**

**35-1** An entity shall reassess the fair value of a loss or benefit recorded only if there has been a change in the classification of an enhanced individual or geographic location into a new environment (either super or non-super).

**35-2** If a classification change occurs, the entity must evaluate all extraordinary events that have occurred in the current period and all comparative periods and record any changes retroactively.

### **50 Disclosure**

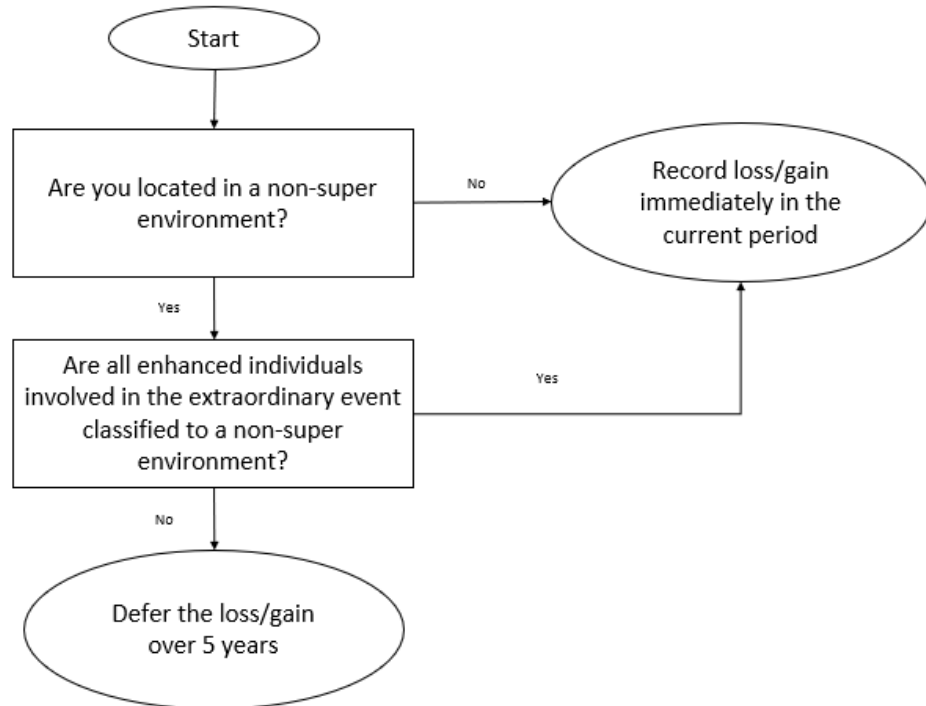
**50-1** The entity shall include within a separate component of the income from continuing operations the amounts recorded as losses and/or gains related to extraordinary events.

**50-2** The entity shall include a reconciliation within the financial statements or notes to the financial statements detailing the following:

- The number of extraordinary events
- The names of the enhanced individuals associated with the extraordinary events
- The costs/benefits associated with each enhanced individual

## 55 Implementation Guidance & Illustrations

**55-1** The following flowchart depicts the decision process to follow when considering whether to record immediately or defer the loss/gain related to an extraordinary event:



### > Scenario A

**55-2** A merchandising company operates solely in the city of Gotham. They have several locations in and around the city. Gotham has been declared a non-super environment. Bane, a known villainous enhanced individual, attempts to rob a bank next to one of the stores owned by the company. Batman and Robin intervene and in the process the store owned by the company sustains major damage, in the amount of \$30,000. Bane, Batman, and Robin are all associated with a non-super environment. Assuming the company will receive insurance proceeds of \$10,000, the accounting treatment would be the following:

Extraordinary Loss	20,000
Insurance Receivable	10,000
PPE	30,000

**55-3** The same entry would be recorded for a company located in a super-environment, such as New York where Spiderman, Iron Man, and the Fantastic Four resides, no matter what enhanced individual caused the damage, super-powered or otherwise.

**> Scenario B**

**55-4** Assume the same facts as Scenario A, however, Star Sapphire (an enhanced individual associated with a super environment and enemy of the Green Lantern) was the one to cause the damage in Gotham, the accounting treatment at the date of the extraordinary event would be the following:

Unrecognized Extraordinary Loss - OCI	20,000
Insurance Receivable	10,000
PPE	30,000

Assuming that the event occurred on June 30<sup>th</sup>, the entry recorded at year end to capture the half of a year's recognition would be the following:

Extraordinary Loss	2,000
Unrecognized Extraordinary Loss - OCI	2,000

**65 Transition and Open Effective Date Information**

**65-1** The following represents the transition and effective date information related to Accounting Standards Updates No. 2019-07, Extraordinary Accounting (Topic 865):

- All entities shall apply the pending content that links to this paragraph for financial statements issued for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Earlier application is permitted.
- In the financial statements in which an entity first applies the pending content that links to this paragraph, the entity shall recognize and measure losses and gains resulting from extraordinary events within the scope of the pending content that links to this paragraph that exist at the application date. An entity shall apply the pending content that links to this paragraph retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment into equity. The application date shall be the beginning of the reporting period in which the entity first applies the pending content that links to this paragraph.