Board Meeting Handout
Accounting for Commodities
February 4, 2026

Meeting Purpose

1. The Board will consider the staff's research on the accounting for commodities research project and determine whether to add a project to its technical agenda to improve the accounting for commodities.

Questions for the Board
1. Does the Board want to add a project to its technical agenda to improve the accounting for commodities?
2. If the answer to Question 1 is yes, does the Board:
(a) Have any feedback on the project scope or alternatives?
(b) Support the staff's recommendation to pursue Alternative 1?
(c) Request that the staff conduct research to obtain any additional information?

Background

Current Accounting for Commodities—GAAP

2. Commodities are typically accounted for under Topic 330, Inventory, and generally measured at the lower of cost or net realizable value (apart from entities that apply industry-specific guidance included in Topics 905, Agriculture, and Topic 940, Financial Services—Brokers and Dealers, and record at net realizable value or fair value). Inventory includes tangible assets that are held for sale in the ordinary course of business, in process of production for that sale, and to be consumed in the production of goods or services to be available for sale.

3. Entities use financial instruments to hedge the risks associated with the commodities and consider whether they qualify for either cash flow hedging or fair value hedging, depending on their circumstances.

4. Although the term *commodity* is used in the Codification, no Master Glossary definition of commodity currently exists.

Analysis of Agenda Criteria

5. The Board will evaluate whether to add a project to its technical agenda on the accounting of commodities based on the following agenda-decision criteria:

   (a) Is there an identifiable and sufficiently pervasive need to improve GAAP?

   (b) Are there technically feasible solutions, and are the expected benefits of those solutions likely to justify the expected costs of change?

   (c) Does the issue have an identifiable scope?

Potential Alternatives to Consider

6. The Board will consider the following potential alternatives to improve the accounting for commodities:

   (a) *Alternative 1: Fair Value Option for Tangible Commodities Inventory Held by Bank Holding Companies That Are Managed on a Fair Value Basis*. This option would be applicable only to commodities that are tangible. *Commodities* would be defined either through reference to the Commodity Exchange (CE) Act's legal definition of a commodity or through a direct definition in the Master Glossary that would likely use the CE Act's definition as a starting point (but not incorporate by reference the CE Act). Using this alternative also would require defining the term *bank holding company* or potentially using a separate term that current exists in the Master Glossary.

   (b) *Alternative 2: Optional Fair Value Measurement for Commodities Applicable to Broker-Trader Entities*. This solution is similar to Alternative 1 in that it seeks to provide an optional fair value measurement for tangible commodity inventories to certain entities but provides more flexibility than Alternative 1 regarding the population of entities and assets that would be affected because it would not be expected to narrowly define *broker-trader entities* or *commodities*. In addition, the alternative would not use the term *trading purposes* to define the assets within the scope of the project and, instead, would focus on the activities of the entity as a whole.

Feedback on 2025 Invitation to Comment

7. In response to the 2025 Invitation to Comment, *Agenda Consultation*, stakeholders provided feedback on the accounting for commodities. The following two questions were posed to stakeholders:

Question 53: Should financial institutions that hold physical commodities for trading purposes be permitted to apply the fair value option? Please explain, including whether and how providing an option would provide decision-useful information.

Question 54: Beyond financial institutions, are there other entities or industries that hold physical commodities for trading purposes that should be permitted to apply the fair value option to physical commodities? Please explain, including which types of entities or industries and whether and how providing an option would provide decision-useful information.

Overall Feedback and Prioritization

8. Twenty stakeholders responded to Question 53 and Question 54 or provided general feedback on accounting for physical commodities held for trading purposes. Some of those stakeholders, including almost all stakeholders in the banking industry, identified permitting the fair value option for physical commodities held for trading purposes as a top priority, while some identified it as a low priority because of a general lack of pervasiveness. However, many other stakeholders were neutral on priority.

9. Some stakeholders encouraged the Board not only to consider the fair value option for physical commodities held for trading purposes by financial institutions, but also to consider permitting it for all entities that hold physical commodities and executory contracts related to physical commodities and manage them on a fair value basis. Despite this, a few of those stakeholders noted that permitting the fair value option for physical commodities held for trading purposes by financial institutions is the most urgent issue that should be addressed.

Financial Institutions That Hold Physical Commodities for Trading Purposes

10. Almost all stakeholders generally agreed that the Board should expand the fair value option to allow financial institutions that hold physical commodities for trading purposes to measure them at fair value for various reasons. Several stakeholders observed that there is an accounting mismatch between physical commodities (typically measured at the lower of cost or net realizable value) and the related derivative positions (typically measured at fair value through earnings) that entities enter into for hedging purposes They noted that this difference in measurement creates artificial volatility that obscures an entity's net economic exposure to changes in underlying commodity prices.

11. Stakeholders noted that entities may try to mitigate that accounting mismatch and volatility by applying fair value hedge accounting, but because of the specific identification criteria within Topic 815 and the basis differential (such as location or quality) that exists between the physical commodity and the hedging instrument, (a) applying the hedging model can

be complex and costly and (b) those items and transactions do not always qualify for hedge accounting. Several stakeholders noted that if physical commodities were measured at fair value, entities would not need to apply hedge accounting to manage the volatility in earnings, which would simplify the accounting.

12. Overall, many stakeholders stated that allowing the fair value option would better reflect the nature, economics, and future cash flows of physical commodities, more accurately portray an entity's risk management practices, and provide investors with more decision-useful information. Furthermore, several stakeholders noted that broker dealers that apply industry-specific guidance in Topic 940 often account for physical commodities at fair value as trading assets, so permitting all financial institutions to apply the fair value option would enhance consistency and comparability within that industry. Additionally, a few stakeholders observed that a fair value option would align the measurement of physical commodities under GAAP with guidance under IFRS Accounting Standards.

Other Entities or Industries Beyond Financial Institutions That Hold Physical Commodities for Trading Purposes

13. Many stakeholders noted that the fair value option should be expanded to all entities, regardless of industry, because, similar to financial institutions, nonfinancial institutions may routinely acquire physical commodities for trading purposes and use derivative instruments to hedge those exposures. Those stakeholders cited similar reasons as discussed above for financial institutions.

14. Stakeholders identified several entities and industries that the fair value option for physical commodities would be most relevant, such as energy, agriculture, metals, mining, power, and utilities. A few stakeholders noted potential challenges related to expanding the fair value option to entities outside financial institutions, such as challenges in defining the scope of entities that should qualify for the fair value option for physical commodities.

Other Feedback

15. Some stakeholders suggested that executory contracts that are managed on a fair value basis, such as those that provide for the right or obligation to transport and/or store physical commodities also should be permitted to elect the fair value option. Those stakeholders noted that it is not uncommon for entities to economically hedge their exposure to those arrangements but, similar to hedges of physical commodities, it has historically been challenging to achieve hedge accounting for those arrangements.

16. One stakeholder identified several areas that the Board would need to consider if it decides to add a project to permit the use of fair value, including what constitutes a commodity for purposes of the guidance, how to define when a commodity is held for trading purposes,

and whether gains and losses on commodities for which the fair value option has been elected should be presented gross or net in the income statement.

FINANCIAL ACCOUNTING STANDARDS BOARD

Board Meeting Handout

Agenda Consultation—Goodwill

February 4, 2026

Meeting Purpose

1. The purpose of the February 4, 2026 Board meeting is for the Board to decide whether to add a project to its technical agenda related to goodwill.

Questions for the Board
1. Does the Board want to add a project to its technical agenda on goodwill?
2. If the answer to Question 1 is yes, what would be the project's objective and scope?

Overview of Subsequent Accounting for Goodwill

2. There are several types of transactions that give rise to goodwill. The following table summarizes the recognition, initial measurement, and subsequent accounting for each type of transaction.

The staff prepares Board meeting handouts to facilitate the audience's understanding of the issues to be addressed at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect the views of the FASB or its staff. Official positions of the FASB are determined only after extensive due process and deliberations.

Transaction	Recognition and Initial Measurement	Subsequent Measurement
Business combinations	An acquirer recognizes goodwill as of the acquisition date, measured as the excess of (1) over (2): (1) The aggregate of (a) the consideration transferred measured in accordance with Section 805-30-30, Business Combinations—Goodwill or Gain form Bargain Purchases, Including Consideration Transferred—Initial Measurement, which generally requires acquisition-date fair value, (b) the fair value of any noncontrolling interest in the acquiree, and (c) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree. (2) The net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with Topic 805, Business Combinations.	Impairment model under Topic 350, Intangibles—Goodwill and Other. Private companies can elect one or both of the following: (1) The accounting alternative to amortize goodwill. (2) The accounting alternative for a goodwill impairment triggering event evaluation.
Acquisitions by a not-for-profit organization (NFP)	Goodwill can be recognized if the operations of the acquiree will not be predominantly supported by contributions and returns on investments. Goodwill acquired is initially measured as of the acquisition date in a way very similar to that acquired in a business combination, which is the excess of (1) over (2): (1) The aggregate of (a) the consideration transferred measured at its acquisition-date fair value, (b) the fair value of any noncontrolling interest in the acquiree, and (c) in an acquisition by an NFP achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree. (2) The net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with Subtopics 805-20, Business Combinations—Identifiable Assets and Liabilities, and Any Noncontrolling Interest, and 958-	Impairment model under Topic 350. NFPs can elect one or both of the following: (1) The accounting alternative to amortize goodwill. (2) The accounting alternative for a goodwill impairment triggering event evaluation.

Transaction	Recognition and Initial Measurement	Subsequent Measurement
	805, Not-for-Profit Entities—Business Combinations.	
Transactions between entities under common control	The transferred goodwill is recorded at the ultimate parent's historical cost.	Impairment model under Topic 350. Private companies and NFPs can elect one or both of the following: (1) The accounting alternative to amortize goodwill (2) The accounting alternative for a goodwill impairment triggering event evaluation.
Joint venture formations	A joint venture should recognize goodwill, if any, upon formation, measured as the excess of (1) over (2): (1) The formation-date fair value of the joint venture as a whole. The formation-date fair value of the joint venture as a whole should equal the fair value of 100 percent of the joint venture's equity (net assets) immediately following formation (including any noncontrolling interest in the net assets recognized by the joint venture). (2) The net of the formation-date amounts of the identifiable assets and liabilities recognized by the joint venture and measured in accordance with Subtopic 805-20.	Impairment model under Topic 350. Private companies and NFPs can elect one or both of the following: (1) The accounting alternative to amortize goodwill (2) The accounting alternative for a goodwill impairment triggering event evaluation.
Fresh-start reporting	If any portion of the reorganization value cannot be attributed to specific tangible or identified intangible assets of the emerging entity, those amounts are reported as goodwill.	Impairment model under Topic 350. Private companies and NFPs can elect one or both of the following: (1) The accounting alternative to amortize goodwill (2) The accounting alternative for a goodwill impairment triggering event evaluation.
Pushdown accounting	The acquiree should reflect in its separate financial statements the new basis of accounting established by the acquirer for the individual assets and liabilities of the acquiree by applying the guidance in other Subtopics of Topic 805 (or would have been established by the acquirer had the acquirer applied the	Impairment model under Topic 350. Private companies and NFPs can elect one or both of the following: (1) The accounting alternative to amortize goodwill

Transaction	Recognition and Initial Measurement	Subsequent Measurement
	guidance in other Subtopics of Topic 805). An acquiree should recognize goodwill that arises because of the application of pushdown accounting in its separate financial statements.	(2) The accounting alternative for a goodwill impairment triggering event evaluation.
Equity method investment	An equity method investor recognizes the difference between the cost of the investment and the proportional fair value of the assets and liabilities of the investee as equity method goodwill.	Impairment model under Topic 323, Investments—Equity Method and Joint Ventures. Equity method goodwill is not amortized. Private companies and NFPs can elect the accounting alternative to amortize equity method goodwill.

3. Appendix A of this handout provides a list of key dates and standard-setting efforts related to goodwill.

Agenda Consultation Feedback

4. In January 2025, the Board issued an Invitation to Comment, *Agenda Consultation* (2025 ITC), that gave stakeholders the opportunity to provide feedback on its future standard-setting agenda. The Board included the following question in its ITC on goodwill:

> The FASB has previously encountered challenges in identifying improvements to the subsequent accounting for goodwill that are cost-beneficial. If the FASB were to pursue a project on the subsequent accounting for goodwill, what improvements should be considered? Please provide specifics on how those improvements would be more cost beneficial than the current impairment model.

5. Appendix B of the handout includes a summary of the 2025 ITC stakeholder feedback (which was provided for the October 8, 2025 Board meeting) on the subsequent accounting for goodwill.

6. Thirty-one[1] respondents provided feedback on the accounting for goodwill. As demonstrated in Appendix B, comment letter respondents provided mixed views on (a) whether the Board should undertake standard-setting efforts in this area and (b) how the issues should be resolved.

[1] The number of respondents that provided feedback on accounting for goodwill is 1 more than the 30 respondents identified in Appendix B because a respondent submitted a letter after August 29, 2025, the cutoff date of the summary. That letter was not included in the number of comment letters received in the handout provided for the October 8, 2025 Board meeting.

Key Challenge and Potential Paths Forward

7. On the basis of feedback received, the key challenge with respect to goodwill is the operationality and the complexity of subsequent measurement.

8. Respondents to the 2025 ITC suggested a number of potential solutions to address the challenges of accounting for goodwill. On the basis of that feedback and giving weight to those solutions that were most frequently supported, the staff has identified the following potential paths forward to address the challenges identified by stakeholders:

   (a) *Potential Path 1:* Require goodwill to be amortized after initial recognition. Under this path, the Board would develop an amortization model to be used when subsequently measuring goodwill.

   (b) *Potential Path 2:* Extend the PCC alternative to amortize goodwill to all entities. Under this path, the Board would extend the accounting alternative for amortizing goodwill which is available to private companies and NFPs to public business entities.

   (c) *Potential Path 3:* Provide entities with an option to write off goodwill after initial recognition. The Board would provide entities with an option to write off goodwill immediately after its recognition.

   (d) *Potential Path 4:* Enhance disclosures related to goodwill.

   (e) *Potential Path 5:* Provide targeted improvements to simplify the current impairment model. The Board would address key challenges in the subsequent accounting for goodwill by developing targeted improvements to simply the accounting.

Analysis of Agenda Criteria

9. To assist the Board in making an agenda decision, the staff has provided the Board with an analysis of the Board's agenda decision criteria applied to a potential project on goodwill. The Board's agenda decision criteria are:

   (a) There is an identifiable and sufficiently pervasive need to improve GAAP.

   (b) The issue has an identifiable scope.

   (c) There are technically feasible solutions, and the expected benefits of those solutions are likely to justify the expected costs of change.

Appendix A—Key Dates and Standard-Setting Efforts Related to Goodwill

Year	Document Issued	Description
1970	APB Opinion No. 17, *Intangible Assets*	Opinion 17 required goodwill to be amortized over a period that does not exceed 40 years.
2001	FASB Statement No. 142, *Goodwill and Other Intangible Assets*	Statement 142 (later codified into Subtopic 350-20, Intangibles—Goodwill and Other—Goodwill) removed the guidance to amortize goodwill and, instead, required goodwill to be tested at least annually for impairment. Statement 142 included a two-step test that was developed to identify whether goodwill was impaired.
2011	Accounting Standards Update No. 2011-08, *Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment*	Update 2011-08 permitted an entity to first assess qualitative factors to determine whether it was necessary to perform the two-step goodwill impairment test, which is referred to as Step 0.
2014	Accounting Standards Update No. 2014-02, *Intangibles—Goodwill and Other (Topic 350): Accounting for Goodwill—a* consensus of the Private Company Council	Update 2014-02 simplified the subsequent accounting for goodwill for private companies by providing an accounting alternative. The amendments provided private companies with the option to: 1. Amortize goodwill over 10 years or less 2. Test impairment only upon a triggering event at the entity level or reporting unit level 3. Eliminate Step 2 of the goodwill impairment test.
2017	Accounting Standards Update No. 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*	Update 2017-04 eliminated Step 2 of the goodwill impairment test for all entities.
2018		The Board added to its technical agenda a broad project to revisit the subsequent accounting for goodwill. As part of the project's outreach efforts, the FASB issued an ITC on the project in 2019. After reviewing stakeholder feedback and the staff's analysis, some Board members were concerned that the amortization-with-impairment approach did not sufficiently rebalance the expected benefits and expected costs in a way that created a compelling case for change. The project was removed from the technical agenda in 2022.
2019	Accounting Standards Update No. 2019-06, *Intangibles—Goodwill*	Update 2019-06 extended the scope of the accounting alternative provided in Update 2014-02 to NFPs.

Year	Document Issued	Description
	and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958): Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities	
2021	Accounting Standards Update No. 2021-03, *Intangibles—Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events*	Update 2021-03 provided an additional accounting alternative for private companies and NFPs to perform the goodwill impairment triggering event evaluation as of the end of the reporting period, whether the reporting period is an interim or annual period, rather than monitor for goodwill impairment triggering events during the reporting period.

Appendix B—Agenda Consultation Feedback Summary

B1. Included in this appendix is an extract from the Board meeting handout for the October 8, 2025 Board meeting that discussed feedback received on the 2025 ITC related to the subsequent accounting for goodwill.

Goodwill

Question 25: The FASB has previously encountered challenges in identifying improvements to the subsequent accounting for goodwill that are cost beneficial. If the FASB were to pursue a project on the subsequent accounting for goodwill, what improvements should be considered? Please provide specifics on how those improvements would be more cost beneficial than the current impairment model.

174. Thirty stakeholders directly responded to Question 25 or provided general feedback on goodwill. Many of those stakeholders stated that goodwill should be a low priority to address because stakeholders' views have not materially changed since the topic was last considered by the Board. However, some stakeholders—primarily preparers—identified goodwill as a top priority, while some other stakeholders were neutral on priority, noting they would not be opposed if the Board addressed the topic because the application of the current guidance is complex and costly. Many stakeholders commented on the subsequent accounting for goodwill.

175. Stakeholders that identified goodwill as a low priority cited the following reasons:

(a) The Board may experience the same challenges as it did during the goodwill project that it removed from its technical agenda in June 2022.

(b) Performing goodwill valuations will become more cost effective through the continued development of artificial intelligence valuation models.

(c) The current accounting is operating as intended. There is no significant diversity in practice or there are no significant challenges in applying the guidance

(d) Different accounting requirements, such as amortization or immediate expense of goodwill, would (i) be inappropriate because goodwill is not a wasting asset, (ii) lead to additional non-GAAP disclosures, (iii) create comparability issues, (iv) distort effective tax rates, (v) be inconsistent with the measurement of other assets, and (vi) cause divergence from IFRS Standards.

176. Stakeholders that identified goodwill as a top priority stated the following reasons:

(a) There are operational complexities and costs for preparers related to (i) the allocation of goodwill and impairment testing at the reporting unit level and (ii) impairment testing when there are no indicators.

(b) The current accounting does not provide decision-useful information to investors because impairments are rare and lenders ignore goodwill in lending decisions since it is not highly liquid.

(c) The current accounting does not reflect the underlying economic value of goodwill over time because (i) it becomes difficult to distinguish the value initially attributed to goodwill from returns generated through organic development or other acquisitions, (ii) goodwill decreases in value as business strategies change, and (iii) goodwill is a wasting asset and it is not accounted for as such.

177. Stakeholders provided various solutions to simplify the guidance, reduce costs for preparers, and provide more decision-useful information to investors, such as the following:

(a) **Require or permit amortization of goodwill.** Stakeholders provided mixed feedback about whether (i) amortization should be required, (ii) a specific amortization period should be required, and (iii) impairment testing should continue to be required.

(b) **Extend the accounting alternative for all companies.** Several stakeholders suggested aligning the guidance for all companies with the goodwill amortization guidance currently available to private companies and NFPs under the accounting alternative in Subtopic 350-20, Intangibles—Goodwill and Other—Goodwill.

(c) **Immediately expense goodwill.** A few stakeholders suggested that the Board allow entities to immediately expense or reduce equity for goodwill at acquisition.

(d) **Change impairment testing requirements.** For example, (i) allow goodwill to be tested at the operating segment or reporting entity level, (ii) reduce the testing frequency, or (iii) require impairment testing only upon a triggering event without requiring qualitative considerations.

(e) **Improve disclosures.** A few stakeholders stated that even if the Board decides not to change the current accounting model, enhanced disclosures are needed about (i) business combinations, including the nature of the acquired goodwill, and (ii) impairments. Another stakeholder noted that disclosures may be necessary if the current guidance is changed.

(f) **Monitor the IASB's project on Business Combinations—Disclosures, Goodwill and Impairment.** A few stakeholders noted that similar disclosures may be beneficial under GAAP.

Other Feedback

178. One stakeholder noted that there is currently a lack of specific guidance on how to measure goodwill impairment when a reporting unit has a negative carrying value. This has raised questions and resulted in diversity in practice about (a) whether impairment testing is required and (b) the valuation method that should be used to calculate impairments. Therefore, that stakeholder recommended that the Board clarify the guidance to reduce this diversity in practice.