Accounting Update

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Kevin Olvera
Assurance Partner

Brandy Arbuthnot
Tax Partner

DISCUSSION OUTLINE

- OVERVIEW OF THE REVENUE STANDARD
- OVERVIEW OF THE LEASE STANDARD
- MERGERS AND AQUISITIONS
- Q&A

Revenue Recognition ASC 606

EFFECTIVE DATES

Effective Dates:

- Public entities - First interim period within annual reporting periods beginning after December 15, 2017.
- Private entities – First interim period within annual reporting periods beginning after December 15, 2018.
- Early adoption is permitted for reporting periods beginning after December 15, 2016.

Applies to:

- Applies to all industries with certain specific transactions excluded: leases, insurance contracts, financial instruments, guarantees, certain nonmonetary exchanges.

METHODS OF ADOPTION

Application Guidance: 2 ways

- ASC 606 is required to be applied retrospectively by one of the following methods:
  - Retrospective application to each reporting period presented in accordance with ASC 250-10-45-5 through 45-10 (i.e. full restatement of comparative figures).
  - Modified retrospective with one or more practical expedients (i.e., completed contracts, use of hindsight for variable consideration, etc.), reflected as a cumulative effect in retained earnings at beginning of period of adoption.
  - Cumulative effect of change at adoption date (disclose effect of applying new standard).

THE FIVE STEP MODEL

Core Principle:

Recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity *expects to be entitled* in exchange for those goods or services.

Steps to Apply the Core Principle Are:

STEP 1:	STEP 2:	STEP 3:	STEP 4:	STEP 5:
Identify The Contract	Identify Separate Performance Obligations	Determine Transaction Price	Allocate Transaction Price to Performance Obligations	Recognize Revenue Once Performance Obligation Satisfied

OVERVIEW OF THE FIVE STEP MODEL

STEP 1:

STEP 1:	STEP 2:	STEP 3:	STEP 4:	STEP 5:
Identify the Contract	Identify Separate Performance Obligations	Determine Transaction Price	Allocate Transaction Price to Performance Obligations	Recognize Revenue Once Performance Obligation Satisfied

STEP 1: IDENTIFY THE CONTRACT

Points to Note:

- Contracts can be written, oral, or implied by the entity's business practices.
- Contracts with customers must meet ALL the following criteria:

(i)	The parties to the contract must approve it and be committed to perform their respective obligations.
(ii)	Each party's rights regarding goods and services to be transferred can be identified.
(iii)	The payment terms for goods and services to be transferred can be identified.
(iv)	The contract must have commercial substance.
(v)	It is probable that the entity will collect the consideration it is entitled to.

- Must consider all facts and circumstances.
- Reassessment required in certain circumstances.

Self-Pay

- Current Practice
  - Gross charges, net of self-pay discounts recorded as contractual adjustments
  - Bad debt expenses recorded and presented separately as a reduction of patient service revenue
- New Guidance
  - Record revenue at the amount the entity expects to be entitled to (i.e., net patient service revenue)
  - Bad debt expense presented as an operating expense
  - Use judgement when determining what constitutes bad debt versus implicit price concessions
- No change in charity care guidance

Self-Pay: Implementation issues

- Enforceable contract?
- Commitment from the patient to perform under the contract?
- Determining collectability?
- Do the uncollectible amounts constitute a price concession (both uninsured or balances arising from co-pays and deductibles)?
- How to account for subsequent changes in price?

Self-Pay: Example

1. Uninsured	Hospital provides services to an uninsured patient.
Assessment	Hospital does not determine whether the patient is committed to perform his/her obligations.
Step 1	Criteria in Step 1 not met

Assessment	Hospital assesses patient's ability to pay as probable and classifies patient as self-pay.
Price	Hospital charges the standard rate at $10,000 but estimates transaction price to be $1,000 in Step 3.
Step 1	Criteria in Step 1 are met.

Self-Pay: Transaction Price

Contract price:	$10,000
Implicit price concession:	$9,000
Transaction price:	$1,000

Entity now expects to collect $1,100 → **Change in transaction price**

Entity now expects to collect $900 → **Change in transaction price (or bad debt)**

STEP 2:

STEP 1:	STEP 2:	STEP 3:	STEP 4:	STEP 5:
Identify the Contract	Identify Separate Performance Obligations	Determine Transaction Price	Allocate Transaction Price to Performance Obligations	Recognize Revenue Once Performance Obligation Satisfied

STEP 2: IDENTIFY SEPARATE PERFORMANCE OBLIGATIONS

Definition of Performance Obligation:

- A performance obligation is a promise to provide goods or services (or a bundle of goods or services) that are either:

  a) Distinct

  b) Homogenous, and both:

     – Each distinct good or service is a performance obligation satisfied over time, and

     – The same method would be used to measure the entity's progress towards complete satisfaction of the performance obligation to transfer each distinct good or service to the customer.

STEP 3:

STEP 1: **Identify the Contract**

STEP 2: Identify Separate Performance Obligations

STEP 3: Determine Transaction Price

STEP 4: Allocate Transaction Price to Performance Obligations

STEP 5: Recognize Revenue Once Performance Obligation Satisfied

STEP 3: DETERMINE TRANSACTION PRICE

Definition of Transaction Price:

- The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer.
  - Excluding amounts collected on behalf of third parties – e.g. sales taxes etc.
- The consideration promised in a contract with a customer can vary in terms of nature and timing, and this affects the determination of the transaction price.
- Specific consideration is given to:

(i)	Customer's credit risk (where appropriate)
(ii)	Variable consideration (including constraints on estimates of variable consideration)
(iii)	The existence of a significant financing component in the contract
(iv)	Non-cash consideration
(v)	Consideration payable to a customer

Portfolio Approach

- Healthcare entities may use a portfolio approach to account for patient contracts as a collective group rather than each individual contract as long as the financial statement effects are not expected to materially differ from the individual contract approach AND the contracts are similar with similar classes of customers.
- Judgement is used
  - Type of service, payor, patient responsibility (uninsured self-pay, co-pay, deductible, timing of the service, etc), system, locations, reliability of data, controls.
  - Type of system, data, Healthcare entities may not apply to a certain segment of the group (i.e. significant balances) and not another.

Third-party Estimates

- Expected value versus most likely value –
- An entity shall estimate an amount of variable consideration by using either of the following methods, depending on which method the entity expects to better predict the amount of consideration to which it will be entitled.
  - Expected value method – sum of probability weighted amounts in a range of possible consideration amounts.
  - Most likely amount method – single most likely amount in a range of possible consideration amounts (the single most likely outcome).

STEP 4:

STEP 1:	STEP 2:	STEP 3:	STEP 4:	STEP 5:
Identify the Contract	Identify Separate Performance Obligations	Determine Transaction Price	Allocate Transaction Price to Performance Obligations	Recognize Revenue Once Performance Obligation Satisfied

STEP 4: ALLOCATE TRANSACTION PRICE TO PERFORMANCE OBLIGATIONS

- An entity allocates/splits the transaction price (determined in Step #3) between its performance obligations (identified in Step #2).
- The allocation is based on the relative ‘standalone selling prices’ of each identified performance obligation, being:
  - ‘The price at which an entity would sell a promised good or service separately to a customer’.
- Specific consideration is given to:

(i)	Determining the Standalone Selling Price of a Performance Obligation
(ii)	Methods of Determining the Standalone Selling Price
(iii)	Discounts – Determining Allocation

PRINCIPAL VS AGENT

When another party is involved in providing goods or services to a customer, an entity that is a principal obtains control of:

- A good or service from the other party that it then transfers to the patient;
- A right to a service that will be performed by another party, which gives the entity the ability to direct that party to provide the service to the patient on the entity's behalf; or
- A good or service from the other party that it combines with other goods or services to provide the specified good or service to the patient.

STEP 5:

STEP 1:	STEP 2:	STEP 3:	STEP 4:	STEP 5:
Identify the Contract	Identify Separate Performance Obligations	Determine Transaction Price	Allocate Transaction Price to Performance Obligations	Recognize Revenue Once Performance Obligation Satisfied

STEP 5: RECOGNIZE REVENUE

- The principle of revenue recognition has moved from a 'transfer of risks and rewards' to 'the transfer of control of the goods or services to the customer'.
  - The transfer of risks and rewards is now simply an indicator for revenue recognition.
- For healthcare entities, this may result in a significant change in:
  - The amount of revenue recognized, and/or
  - The timing of revenue recognition.

New Definition of Revenue

- Revenue: Inflows or other enhancements of assets of an entity or settlements of its liabilities (or a combination of both) from delivering or producing goods, rendering services, or other activities that constitute the entity's ongoing major or central operations.

STEP 5: RECOGNIZE REVENUE

Indicators to be considered when determining whether control has been transferred to the customer include:

(i)	Is there a present right to payment for the service?
(ii)	Has service been performed?
(iii)	Have the significant risks and rewards of ownership been transferred?
(iv)	Has there been acceptance of the service by the customer?

OTHER CONSIDERATIONS

AICPA Healthcare Taskforce – Areas of Focus

- Self-pay patients
  - Implicit price concessions
  - Application of a portfolio approach
  - Medicaid spending
- Third-party payors
  - Third-party settlement estimates
- Principal versus Agent
- CCRCs
  - Various issues regarding entrance and other fees, contract costs, etc.
- Disclosures

Continuing Care Retirement Communities ("CCRC")

- Identifying and satisfying the performance obligation(s) and recognizing the monthly/periodic fees and nonrefundable entrance fees under Type A or "life care" contracts for continuing care retirement communities.
- Identifying the performance obligation(s) and recognizing the performance obligation(s) to provide future services and use of facilities.
- Significant financing components.

Disclosures

- Disclose sufficient information to enable user of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.
- A healthcare entity should also consider whether these matters are impacted by factors such as geographical considerations, market or type of customer, types of contracts, and whether the healthcare entity has operating segments or service lines.
- For each significant third-party payor, provide a summary of activity for each operating period. The summary would distinguish settlements relating to prior years from those relating to the current year's activity and would identify current-year changes to settlement amounts estimated in prior periods

LEASES

Leases

- WHY?!?!?
- Introduction
- Lessee Accounting and Presentation
- Lessor Accounting and Presentation
- Implementation Considerations

Leases – WHY!?!?!

- Enhanced Transparency - Off Balance Sheet Financing – Estimated over $1.5 Trillion off balance sheet financing for publicly traded companies in the US
- Consistency with IFRS and US GAAP – There are significant differences, but key objectives met
- Consistency amongst leases

Leases (Topic 842)

Introduction

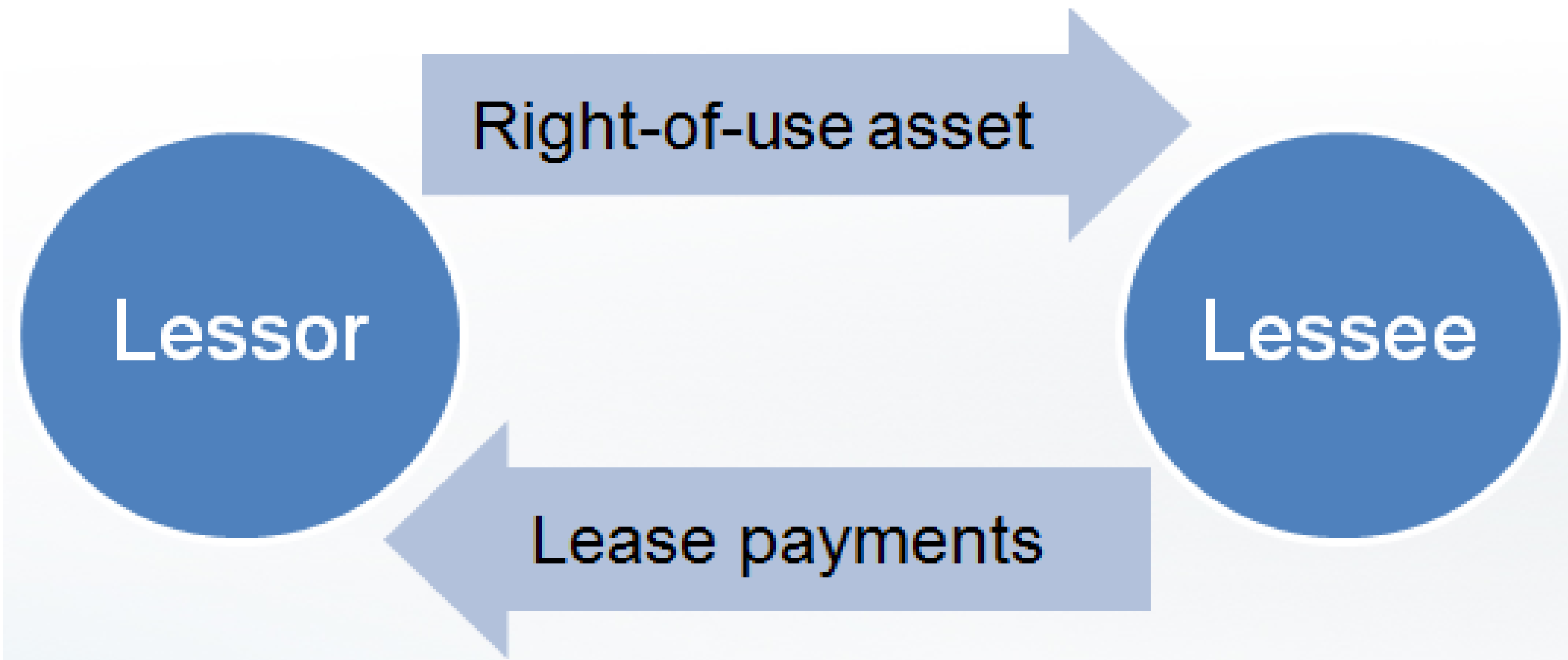
- ASU 2016-02, *Leases (Topic 842)* issued February 2016
- Dual approach for lessees and lessors

- Effective dates (early adoption permitted):

Public Business Entities	All Other Entities
FYs beginning after 12/15/18 (and interim periods within)	FYs beginning after 12/15/19 (interim periods within FYs beginning after 12/15/20)

Leases (Topic 842)

A lease contract conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration



Leases (Topic 842)

Scope

- Applies to all leases and subleases, except:
  - Leases of intangible assets (Topic 350)
  - Leases for exploration or use of certain natural resources (Topics 930 & 932)
  - Leases of biological assets (Topic 905)
  - Leases of inventory (Topic 330)
  - Leases of assets under construction (Topic 360)
- Scope exception for short-term leases (term less than 12 months)
- Separation of non-lease components

Leases (Topic 842)

Lessees

- Right of use model - recognize ROU asset and lease liability at inception for all leases
  - Optional exemption for leases with terms < 12 months
- Classify all leases as finance or operating (5 criteria)
  - Finance lease - lessee effectively obtains control of underlying asset
  - Operating lease - lessee does not effectively obtain control of underlying asset
- Similar balance sheet impact; different income statement and cash flow results

Identifying a Lease

- Identify the asset
  - Implicit and Explicit
  - Substitution Rights
  - Portion of assets
- Control
  - Customer controls the use of the identified asset for a period of time
- Multiple Element Arrangements

Leases (Topic 842)

Lease Classification

Five criteria for finance lease (lessee) / sales-type lease (lessor):

1. Transfer of ownership of underlying asset to lessee by end of lease term
2. Option to purchase underlying asset that lessee is reasonably certain to exercise
3. Lease term = major part of remaining economic life of underlying asset
4. Sum of PV lease payments and PV any residual value guaranteed by lessee ≥ substantially all of the FV of underlying asset
5. Underlying asset is of such a specialized nature that it is expected to have no alternative use to lessor at end of lease term

If one or more of the above are met, classify as finance/sales-type lease.

Leases (Topic 842)

Short-Term Leases

Two criteria for short-term leases:

- Lease term of 12 months or less
- No option to purchase underlying asset that lessee is reasonably certain to exercise

If short-term lease, lessee can elect not to apply recognition requirements (no balance sheet gross-up for ROU asset and related lease liability)

- Recognize lease payments in P&L on straight-line basis
- Recognize variable lease payments as they are incurred

Accounting policy must be made by class of underlying asset and be disclosed

Leases (Topic 842)

Lease Term and Payments: Retail Store

- Retailer enters into a 5-year lease agreement with a mall operator that includes three 5-year renewal options. Rent payments are $5,000/month plus 1% of sales during the initial term, with base rent growing 10% in each renewal period.

- Retailer incurs costs of $100,000 installing leasehold improvements to customize space to its brand requirements. LHI has a useful life of 8 years.

Leases (Topic 842)

Lease Term and Payments: Retail Store

- The existence of significant leasehold improvements with a useful live longer than the base lease term indicates that Retailer would incur an economic loss from not exercising the first renewal option.

Lease term is 10 years, base term plus one renewal period.

- Percentage rent is variable, and thus is not included in lease payments. Instead expensed as incurred.

Lease payments total $126,000 ($60k for base + $66k for renewal).

Leases (Topic 842)

Lessee Disclosures

- Contractual details (lease term, contingent rentals, options, etc.) and related accounting judgments*
- Information about significant leases that have not yet commenced
- Information about lease liabilities separately for operating and finance leases:
  - Maturity analyses of undiscounted lease payments
  - Weighted-average remaining lease term
  - Weighted-average discount rate
  - Cash flows and supplemental noncash information
- Amounts related to lease cost (including any amounts capitalized) and related cash flows, separately for operating and finance leases
- If practical expedients related to short-term leases and separation of lease and non-lease components elected, disclose that fact and related details
- No specific format required; ASU provides tabular example
- Judgment required to determine level of aggregation or disaggregation

** Also disclose this information about subleases if applicable*

BDO

Lessee Accounting Example

- Facts:
  - 10-year lease, option to extend 5 years
  - LP = $50K/year (initial term); $55K/year (optional period)
  - No significant economic incentive to exercise option to extend, therefore, lease term = 10 years
  - Payments due at beginning of each year
  - Initial direct costs (IDC) = $15K
  - Lessee's incremental borrowing rate = 5.87%
  - PV of remaining LP after payment of 1st year rental & IDC = $342,017

Lessee Accounting Example (Continued)

- Journal entry to record lease assets & liabilities at commencement:

Right-of-use asset	407,017	
Lease liability		342,017
Cash (lease payment for year 1)		50,000
Cash (initial direct costs)		15,000

Lessee Accounting Example (Continued)

- Journal entry to recognize lease expense during 1st year, if Financing:

Interest expense	20,076 [1]	
Lease liability		20,076
Amortization expense	40,702 [2]	
Right-of-use asset		40,702

1. Calculated as (5.87% × 342,017)
2. Calculated as (407,017 ÷ 10)

Lessee Accounting Example (Continued)

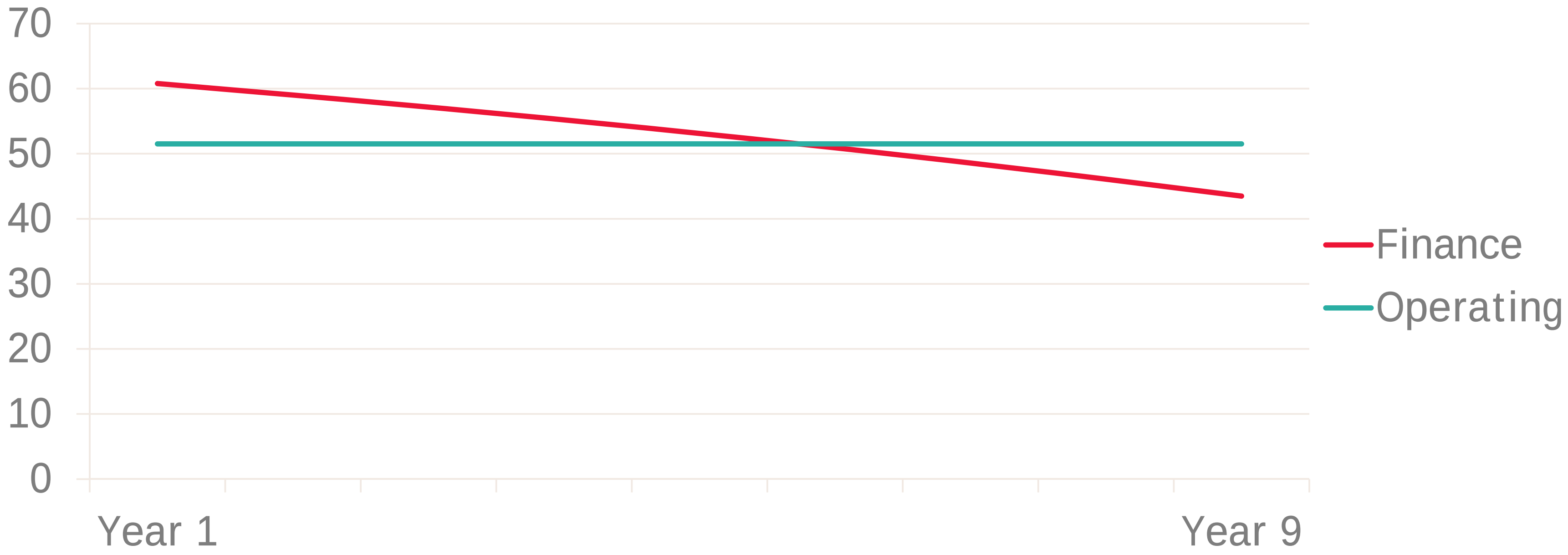
- Journal entry to recognize lease expense during 1st year, if Operating:

Lease expense	51,500 [1]	
Lease liability		20,076 [2]
Right-of-use asset		31,424 [3]

1. Calculated as [(500,000+15,000) ÷ 10]
2. Calculated as (5.87% × 342,017)
3. Calculated as (51,500-20,076)

Lessee accounting example (Continued)

- Total lease expense recognized over life of lease – Operating vs. Finance
- (in $000s, approximate)



Leases (Topic 842)

Lessors

- Classify all leases as sales-type, direct finance, or operating (similar to existing U.S. GAAP) based on same criteria as lessees, plus a few others
  - Sales-type lease - transfers all risks and rewards, plus control of underlying asset, to lessee
  - Direct financing - transfers risks and rewards but not control
  - Operating - does not transfer risks and rewards or control
- Subsequent accounting is consistent with existing U.S. GAAP*
- Control principle aligned with new revenue standard

* Leveraged lease treatment no longer available for new leases

Lessor Accounting

	Sales-Type Lease
Initial measurement	Net investment in the lease • Lease receivable + unguaranteed residual asset Selling Profit (Loss) • Difference between fair value of the underlying asset and its book value Initial Direct Costs • Expense immediately if underlying asset's FV does not equal book value • Defer if underlying asset's FV equals book value The underlying asset is derecognized
Subsequent measurement	Net Investment • Reduced by payments received, net of interest and accretion. • Assessed for impairment under ASC 310. Other, as applicable • Variable lease payments • Impairment of net investment

Lessor Accounting

Direct Financing Lease

Initial measurement	Net investment in the lease • Lease receivable + unguaranteed residual asset - deferred selling profit Selling Loss (if applicable) • Difference between fair value of the underlying asset and its book value • Note: selling profit and IDCs are deferred The underlying asset is derecognized
Subsequent measurement	Net Investment • Reduced by payments received, net of interest and accretion. • Assessed for impairment under ASC 310. Other, as applicable • Variable lease payments • Impairment of net investment

Lessor Accounting

Operating Lease

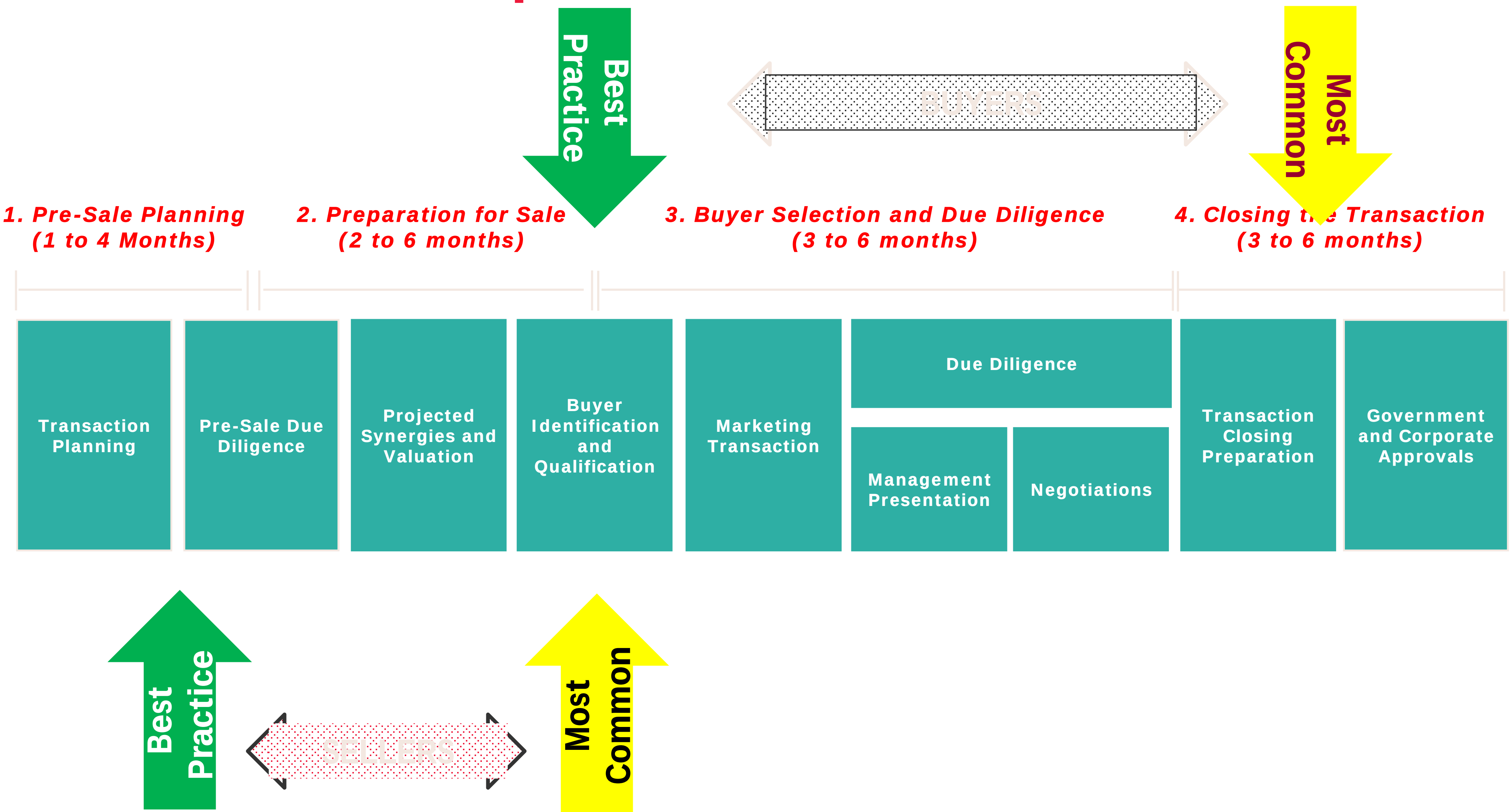
Initial measurement	Underlying asset • Continue to recognize underlying asset Initial direct costs • Expensed over the lease term on the same basis as lease income
Subsequent measurement	Underlying asset • Impairment: refer to ASC 360 guidance Lease Income • Recognized on a straight line basis unless another systematic basis is more representative

Other Considerations

- EBITDA
- Covenants
- Impairment
- Modifications – change in lease type
- Components
- Inception of the lease versus conception

MERGERS AND ACQUISITIONS

The Actual Transaction — When Should a Buyer or Seller Start to Prepare?



Key Issues in Healthcare M&A - Part of preparing

- *Availability of historical financial information*—At least three years of *audited* financials are essential
- *Payer mix (providers)*—Commercial ↑, Medicare ↕, Medicaid ↓
- Deferred capex—can be significant
- *Stranded assets*—FMV < book value
- *Regulatory oversight*—Increasing FTC oversight of provider and payer transactions (e.g. Hershey-Pinnacle, Aetna-Humana)
- *Tax considerations*—Not-for-profit property tax exemption under increasing scrutiny (e.g. the Morristown case); The Affordable Care Act added IRC Section 501(r) containing 4 community benefit requirements to IRC Section 501(c)(3)
- *Future governance model*—Co-CEO model common, although can be less than ideal; and board structure
- *Compatibility of IT and other systems*—Interoperability could entail major future capex

Key Issues in Healthcare M&A

- Revenue recognition, incl. methodology for contractual allowances and bad debt
- Billing and collection practices for major payors
- Accounts receivable estimates
- Hindsight analysis comparing cash collections to net revenue and A/R
- Accounting for other types of revenue
    - Disproportionate share ("DSH") payments
    - Provider Taxes - (California) Quality Assurance Fees ("QAF")
    - Electronic Medical Records ("EMR")
- Aligning financial statement activity to KPIs such as payor mix, admissions, ALOS, avg. daily census, procedure mix, case mix index, outpatient statistics
- Self-insurance
    - Medical Malpractice, Workers Comp, Employee Health
    - Incurred But Not Reported ("IBNR")
    - Reinsurance ("Stop Loss")
- Defined Benefit Plans (aka Pensions)
- Ownership Structure
- Recovery Audit Contractor ("RAC") Audits

Employment Tax Considerations in M&A, Reorganizations and Divestures

- Due Diligence - Employment taxes are increasingly a focus of exam initiatives and can trigger significant liability issues
  - Buyer side: Review to identify liability issues before transaction closes
  - Seller side: Pre-deal process reviews to identify potential issues and remediate before they are identified during the transaction
- Transaction issues - Employees moving between EINs can trigger employment tax compliance obligations and savings/refund opportunities
  - Compliance obligations
    - Notification to state DOLs of acquisition of employees (SUTA dumping)
    - Form W-2 and information reporting options and obligations
    - Form 941 Schedule D and state withholding tax reconciliations
    - Vendor coordination
    - Account terminations (Seller)
  - Savings/refund opportunities (Buyer)
    - Successor wage base carryover opportunities (FUTA, SUTA, and Social Security)
    - State unemployment tax rates savings opportunities and obligations

Tax Considerations
Ordinary Income under Section 751(c)

- Under section 751(c), the term “unrealized receivables” includes, to the extent not previously includible in income under the method of accounting used by the partnership, any rights (contractual or otherwise) to payment for:
  1) goods delivered, or to be delivered, to the extent the proceeds therefrom would be treated as amounts received from the sale or exchange of property other than a capital asset, or
  2) services rendered, or to be rendered.

Tax Considerations
Ordinary Income under Section 751(c)

- If the partnership has a service agreement that is not cancelable by the party for whom the services are to be performed, it is now settled that payments with respect thereto are unrealized receivables.

  United States v. Woolsey, 326 F2d 287 (5th Cir. 1963); *Blacketor v. United States*, 204 Ct. Cl. 897 (1974); *John W. Ledoux*, 77 TC 293 (1981) , aff'd per curiam, 695 F2d 1320 (11th Cir. 1983); Rev. Rul. 79-51, 1979-1 CB 225; and *Roth v. Commissioner*, 321 F2d 607 (9th Cir. 1963)

- Payments attributable to the value of service contracts that are cancelable at will or upon thirty or sixty days' notice have been excluded from the definition of "unrealized receivables."

  Charles F. Phillips, 40 TC 157 (1963); *Harlan E. Baxter*, 28 TCM 487 (1969), aff'd, 433 F2d 757 (9th Cir. 1970); and *Miller v. United States*, 181 Ct. Cl. 331 (1967)

Tax Considerations
Ordinary Income under Section 751(c)

- Based on the foregoing:
  - Sale of a partnership interest holding a non-cancellable management contract is likely to generate ordinary income under section 751(c)
  - Sale of assets including a non-cancellable management contract is likely to generate capital gain under normal income tax accounting principles.

- *Before deciding to structure an asset sale, however, consider section 197(f)*

Tax Considerations
Anti-Churning Rules under Section 197(f)

- Under section 197(f)(9), The term “amortizable section 197 intangible” shall not include any goodwill or going concern value (or for which depreciation or amortization would not have been allowable but for this section) and which is acquired by the taxpayer after the date of the enactment of this section, if
    1. the intangible was held or used at any time on or after July 25, 1991, and on or before such date of enactment by the taxpayer or a related person,
    2. the intangible was acquired from a person who held such intangible at any time on or after July 25, 1991, and on or before such date of enactment, and, as part of the transaction, the user of such intangible does not change, or
    3. the taxpayer grants the right to use such intangible to a person (or a person related to such person) who held or used such intangible at any time on or after July 25, 1991, and on or before such date of enactment.

Tax Considerations

Anti-Churning Rules under Section 197(f)

- Notwithstanding the foregoing rule, section 197(f)(9)(E) provides:

  > With respect to any increase in the basis of partnership property under section 732, 734 , or 743, determinations under this paragraph shall be made at the partner level and each partner shall be treated as having owned and used such partner's proportionate share of the partnership assets.

- Consequently, an acquisition of a partnership interest may avoid the anti-churning rules.
- Taxpayers may therefore be faced with a conundrum:
  - The purchase of a partnership interest may create ordinary income to the selling member and an amortizable asset to the purchaser
  - The purchase of assets may create capital gain to the seller but a non-amortizable asset to the purchaser

Investor Accounting

Consolidation Accounting (ASC 810)

- Variable Interest Entities (VIE)
- Voting Interest Entities
  - C-Corps
  - LP's and Similar

If not consolidated, then what?

- Equity Method Accounting, including JVs
- Debt and Equity Securities
- Cost Method
- Derivative Instruments
- Other

Applying ASC 810 VIE Guidance

Applying ASC 810 VIE consolidation guidance involves the following steps:

Step 1 Determine if the reporting enterprise's arrangement with another entity is within the scope of ASC 810 VIE guidance.

Step 2 Determine whether the reporting enterprise holds a variable interest in the entity.

Step 3 Determine whether the entity is a VIE.

Step 4 Determine whether the reporting enterprise is the primary beneficiary of the entity.

Potential Variable Interests

There are many types of variable interests. For example:

- Equity interests
- Beneficial interests
- Debt interests
- Guarantees (for instance, on the residual value of leased property or debt of the entity, in which the guarantor is exposed to negative variability in the entity's assets or liabilities)
- Certain purchase options at other than fair value (commonly held by a lessee, they provide the lessee with the right to receive positive variance in the fair value of leased property by purchasing the property at a fixed price below the future fair value of the property).
- Licensing or royalty arrangements
- Put and call options to sell or purchase assets, liabilities or equity of the entity
- Management or service contracts
- Certain franchise arrangements
- Co-marketing arrangements
- Forward contracts to sell assets
- Certain long-term supply contracts at a fixed price per product or unit of service
- Certain long-term purchase contracts for fixed quantities of product or units of service
- Certain research and development funding arrangements

Q & A