

**Proposed FSP—Transition requirements for initial application of FASB Interpretation No. 46, *Consolidation of Variable Interest Entities*.  
(Comment Deadline: May 26, 2003)**

Q— When Interpretation 46 is adopted initially, should the determinations of (1) whether an entity is a variable interest entity and (2) which enterprise, if any, is a variable interest entity's primary beneficiary be made as of the date of initial application or as of the date the enterprise first became involved with the variable interest entity?

A—Both determinations should be made as of the date the enterprise became involved with the entity unless events requiring reconsideration of the entity's status or the status of its variable interest holders have occurred. (Refer to paragraphs 7 and 15 of Interpretation 46 for discussions of reconsideration.) If a reconsideration event has occurred, each determination should be made as of the most recent date at which Interpretation 46 would have required consideration.

However, if at transition an enterprise cannot obtain the information necessary to make the determinations as of the date the enterprise became involved with an entity or at the most recent reconsideration date, the enterprise should make the determinations as of the date on which Interpretation 46 is first applied.

The guidance in this FSP is effective immediately for all interests in variable interest entities held by enterprises that have elected to adopt Interpretation 46 before this FSP is posted to the FASB website. If this guidance results in changes to previously reported information, the cumulative effect shall be reported according to the requirements of APB Opinion No. 20, *Accounting Changes*, in the first period ending after the final FSP is posted to the FASB website.