

August 2020

Keeping You Informed

Second quarter accounting and financial reporting developments



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Special message from Sydney Garmong, Partner, National Office



Dear readers,

I continue to hope this message finds you, your friends, your family, and your colleagues safe. I hope you enjoyed the Fourth of July. As we turn to the second quarter, speculation on the financial reporting impact is high. We still face uncertainty with COVID-19 on many fronts, including the short-term and long-term financial reporting impacts. Given our resiliency, we will find our way to a new normal.

As we know, this global pandemic affects us all and continues to be a fluid situation. We will find a way with what will be a new normal and strive to keep you updated as this unfolds.

See the Crowe [COVID-19 recovery and resilience](#) webpage for additional insights.

Second quarter highlights

During the second quarter of the 2020 calendar year, the Financial Accounting Standards Board (FASB) issued one new accounting standard to delay the effective date of Topic 606, “Revenue From Contracts With Customers,” and the effective date of Topic 842, “Leases,” for nonpublic business entities including not-for-profit (NFP) entities. The FASB also issued two staff Q&As related to impacts of COVID-19 on cash flow hedge accounting and accounting for lease concessions.

The Securities and Exchange Commission (SEC) released additional resources and guidance to address the impact of COVID-19 and provided guidance on the importance of disclosures, issued a new rule for acquisitions and dispositions of businesses and related pro forma information, provided temporary conditional relief for crowdfunding offerings, and proposed changes to good faith determinations for fair value.

The Public Company Accounting Oversight Board (PCAOB) posted updated information about how it is addressing the impact of COVID-19 and released a paper on cryptoassets.

The American Institute of Certified Public Accountants (AICPA) has continued to update its coronavirus resource center page, created a separate Paycheck Protection Program (PPP) resources page, released new technical questions and answers on accounting for loans under the PPP, issued for public comment two working drafts on insurance entities issues, and released a special report on financial reporting considerations related to COVID-19.

The Center for Audit Quality (CAQ) established a COVID-19 resources page.

In addition to these highlights from the quarter, we have included recent developments from the Governmental Accounting Standards Board (GASB).

Checklists for the effective dates of FASB Accounting Standards Updates (ASUs) and GASB statements are provided in the appendix.

From the FASB

Final standards

Effective date deferral of revenue recognition and lease accounting standards for certain entities

On June 3, 2020, the FASB issued ASU 2020-05, “[Revenue From Contracts With Customers \(Topic 606\) and Leases \(Topic 842\): Effective Dates for Certain Entities](#).”

This ASU provides a one-year effective date deferral for certain entities applying the revenue recognition and lease guidance. All nonpublic business entities, including not-for-profit entities (NFPs), that have not yet issued or made available for issuance financial statements in which Topic 606 has been adopted may defer the adoption of Topic 606 by an additional year. For eligible entities, Topic 606 is now effective for fiscal years beginning after Dec. 15, 2019, and interim periods within fiscal years beginning after Dec. 15, 2020.

All nonpublic business entities, including NFPs, may defer the effective date of Topic 842 for an additional year. For these entities, Topic 842 is now effective for fiscal years beginning after Dec. 15, 2021, and interim periods in fiscal years beginning after Dec. 15, 2022. NFPs that have issued or are conduit bond obligors for securities that are traded, listed, or quoted on an exchange or an over-the-counter market also are eligible for a one-year effective date deferral if they have not yet issued or made available for issuance financial statements in which Topic 842 has been adopted. For this subset of NFPs, Topic 842 is effective for fiscal years beginning after Dec. 15, 2019, including interim periods within those fiscal years.

Effective dates

This ASU was effective upon issuance.

Technical inquiries

Cash flow hedge accounting

On April 28, 2020, the FASB issued a staff Q&A, “[Topic 815, Cash Flow Hedge Accounting Affected by the COVID-19 Pandemic](#),” in response to stakeholder questions regarding the postponement or cancellation of forecasted transactions related to the effects of the COVID-19 pandemic when applying cash flow hedge accounting under Topic 815, “Derivatives and Hedging.”

Loan modifications

At its April 8, 2020, board meeting, the FASB discussed concerns related to effects of COVID-19 including interest income recognition. For institutions aiding borrowers affected by COVID-19, the FASB staff answered a question about interest income recognition for a fact pattern than involves providing a loan payment holiday during which no contractual interest would accrue. The fact pattern includes that the loan payment holiday is not a troubled debt restructuring (TDR) and would not be accounted for as a continuation of the old loan (that is, extinguishment accounting is not applicable). The FASB staff heard two views. In view one, the new effective interest rate of the loan would be applied prospectively from the date of the modification resulting in interest income being recognized during the holiday. In view two, interest income would be recognized using the contractual terms; thus, no interest would accrue during the payment holiday. The FASB staff believes both views are acceptable under GAAP. The tentative conclusions from the April 8 meeting include interest income. The FASB staff acknowledges diversity might exist for the loan modification question, and it believes disclosure of an entity's policies for such transactions are key.

Staff Q&A on lease concessions related to COVID-19

At its April 8, 2020, board meeting, the FASB discussed concerns about effects of COVID-19. Related to leases, the board recognizes that lessors might be issuing broad-based and sweeping concessions, which create operational difficulties when applying the modification guidance in Accounting Standards Codification (ASC) 842/840. The FASB was asked whether any concessions related to COVID-19 must be accounted for under the ASC 842/840 modification guidance, citing the operational difficulties and complexities of assessing such concessions on a contract-by-contract basis. The FASB staff notes that ASC 842/840 did not contemplate the current scope of broad and sweeping modifications and concessions given by lessors. For concessions granted that are specifically related to COVID-19, the FASB staff indicates an entity could elect not to apply modification guidance, provided the cash flows in the modified lease are the same as or less than those in the original contract. The FASB staff also acknowledges judgment will need to be applied. On April 10, the FASB issued a FASB staff Q&A, "Topic 842 and Topic 840: Accounting for Lease Concessions Related to the Effects of the COVID-19 Pandemic." The FASB staff acknowledges diversity might exist for the leasing question, and it believes disclosure of an entity's policies for such transactions are key.



From the SEC

COVID-19 resources and guidance

Coronavirus response

The SEC is continuing to update its [COVID-19 response page](#), which describes how the SEC is addressing the impact of COVID-19 through maintaining SEC operations continuity; monitoring markets and engaging with market participants; providing guidance and targeted regulatory assistance and relief, enforcement, examinations, and investor education; and extending comment periods for certain pending actions and rules. The page includes links to all of the current resources and guidance available from the SEC.

New COVID-19 FAQs

The SEC Division of Corporation Finance (Corp Fin) [COVID-19 frequently asked questions](#) site addresses questions related to its March 25, 2020, COVID-19 order.

The FAQs clarify:

- The disclosure required in the Form 8-K and related delayed filing under the COVID-19 order
- Whether a registrant can continue to conduct takedowns using an already effective registration statement while relying on the COVID-19 order for a periodic report, including a Form 10-K
- When a registrant should reassess its eligibility to remain on an effective Form S-3 if it has relied on the COVID-19 order to delay filing a Form 10-K that will serve as a Section 10(a)(3) update
- Whether a registrant relying on the COVID-19 order to delay a required filing is eligible to file a new Form S-3 registration statement between the original due date of a filing and the extended due date, and whether the staff will accelerate the effectiveness of registration statements that do not contain all required information

Guidance on compliance with extension of conditional reporting deadline relief

On March 31, 2020, staff of Corp Fin released two new compliance and disclosure interpretations, which explain how the staff expects registrants to comply with the order released on March 25, 2020, that provided registrants affected by COVID-19 temporary relief from certain filing and regulatory requirements. The order provides an additional 45 days to make required *Exchange Act* filings that would have been due between March 1 and July 1, 2020, if a registrant is unable to meet a deadline because of circumstances related to COVID-19.

Statement on importance of high-quality financial reporting

On June 23, 2020, SEC Chief Accountant Sagar Teotia issued a public statement, “Statement on the Continued Importance of High-Quality Financial Reporting for Investors in Light of COVID-19.” The statement reminds stakeholders of the audit committee's vital role in high-quality financial reporting and, among other observations, highlights various accounting, auditing, and financial reporting issues raised by COVID-19. The statement also outlines the Office of the Chief Accountant's ongoing engagement with the FASB, the PCAOB, international standard-setters, and other regulators in this dynamic reporting environment.

Additional COVID-19 disclosure guidance

Corp Fin staff continues to monitor how companies are disclosing the effects and risks of COVID-19 on their businesses, financial condition, and results of operations. On June 23, 2020, Corp Fin staff issued Disclosure Guidance Topic 9A, which is intended to supplement Disclosure Guidance Topic 9, issued March 25. Topic 9A provides the staff's views on three aspects of COVID-related disclosures:

- Operations, liquidity, and capital resources with respect to business and market disruptions. Companies are encouraged to evaluate whether disclosure of business or market disruptions included in earnings releases should, in light of potential materiality, also be included in management discussion and analysis.
- Government assistance (for example, the *Coronavirus Aid, Relief, and Economic Security Act*). Companies receiving federal assistance should consider the short- and long-term impact on their financial condition, results of operations, liquidity, and capital resources as well as the related disclosures and critical accounting estimates and assumptions.
- Going concern. Where there is substantial doubt about a company's ability to continue as a going concern or the substantial doubt is alleviated by management's plans, management should provide appropriate disclosure in the financial statements.

As noted in Topic 9A, disclosures should “enable an investor to understand how management and the Board of Directors are analyzing the current and expected impact of COVID-19 on the company’s operations and financial condition, including liquidity and capital resources.”

Statement on importance of disclosure

On April 8, 2020, SEC Chairman Jay Clayton and Director of Corp Fin William Hinman jointly issued a public statement providing observations addressing the importance of disclosure in this time of uncertainty and requesting actions. The statement includes a call to action “that companies provide as much information as is practicable regarding their current status and plans for addressing the effects of COVID-19.” In addressing this call to action the leaders recognize “that producing forward-looking disclosure can be challenging and believe that taking on that challenge is appropriate,” and that “robust, forward-looking disclosures will benefit investors, companies and, more generally, our fight against COVID-19. Such disclosures will facilitate communication and coordination among the public and private sectors.”

Related to developing robust disclosures as the country’s response to COVID-19 has significantly affected the economy and markets, the statement highlights the following:

“Disclosures should reflect this state of affairs and outlook and, in particular, respond to investor interest in: (1) where the company stands today, operationally and financially, (2) how the company’s COVID-19 response, including its efforts to protect the health and well-being of its workforce and its customers, is progressing, and (3) how its operations and financial condition may change as all our efforts to fight COVID-19 progress.

Historical information may be relatively less significant.”

Public statements and announcements

Option to delay GAAP provisions

On April 3, 2020, SEC Chief Accountant Sagar Teotia issued a statement noting the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) provides the option to temporarily defer or suspend the application of two provisions of GAAP and would be in accordance with GAAP. The two provisions of the act are Section 4013, “Temporary Relief From Troubled Debt Restructurings (TDRs),” and Section 4014, “Optional Temporary Relief From Current Expected Credit Losses.”

As such, eligible registrants can elect to take the delay. Registrants must make the election for the first quarter. During the delay, a registrant would continue to use the incurred loss model for the allowance for loan and lease losses (ALLL) for each quarter. The delay ends the earlier of the termination of the national emergency or Dec. 31, 2020.

Based on consultation with the SEC staff, the following illustrates when the delay ends and how transition occurs:

- If the national emergency terminates on June 5, 2020, adopt current expected credit loss (CECL) that quarter (June 30, 2020), retrospective to Jan. 1, 2020.
- If the national emergency terminates on Nov. 1, 2020, adopt CECL that quarter (Dec. 31, 2020), retrospective to Jan. 1, 2020.
- If the national emergency does not terminate by Dec. 31, 2020, adopt CECL as of Dec. 31, 2020, retrospective to Jan. 1, 2020.

The result is all calendar year registrants will reflect CECL in their 2020 Form 10-K.

Enforcement during COVID-19

On May 12, 2020, Steven Peikin, co-director of the SEC's Division of Enforcement, presented the keynote address at the Securities Enforcement Forum West 2020. In his address, Peikin discussed COVID-19 enforcement matters and touched on ongoing work not related to COVID-19.

Peikin highlighted that the COVID-19 crisis has resulted in fast-moving and volatile markets and these conditions create increased opportunities for insider trading and market manipulation. He said that the Division of Enforcement is monitoring trading activity around announcements made by issuers in industries specifically impacted by COVID-19 and monitors market activity to identify other suspicious movements. He also noted that communication and transparency are important and that throughout this pandemic, the SEC has made significant efforts to communicate with investors and market participants regarding the market impact of COVID-19 and the numerous steps taken in response. Consistent with this approach, the division has worked to provide visibility and transparency regarding enforcement initiatives to educate market participants and deter potential wrongdoers. Peikin said that he expects more trading suspensions related to COVID-19 and more fraud cases related to potential COVID-19 investment scams.

Rules and guidance

New rules for acquisitions and dispositions of businesses and related pro forma information

On May 21, 2020, the SEC issued a final rule that revises the circumstances that require financial statements and related pro forma information for acquisitions and dispositions of businesses. The rule's intent is to allow for more meaningful conclusions on when an acquired or disposed business is significant as well as to improve the related disclosure requirements, including for real estate operations and investment companies.

The following table summarizes the most significant changes:

| Topic | Final rule (new) | Current rule |
|--|--|---|
| Maximum number of required audited annual historical periods for financial statements of acquired businesses | Two | Three |
| Requirement for financial statements of acquired businesses in registration and proxy statements | Financial statements of an acquired business are not required in registration or proxy statement, even if previously filed or of major significance, once the acquisition has been consolidated for nine months or a full fiscal year, depending on significance | Financial statements of an acquired business are required to be included in a registration or proxy statement when the financial statements have not been previously filed or are of major significance |
| Income test* | Requires both a pretax income component and a revenue component to be met to trigger significance, using the lower of two ratios to determine significance | Includes a pretax income component only |
| Investment test* | For acquisitions and dispositions of businesses only, allows comparison of investment in tested business to the issuer's average worldwide market capitalization over a specified period of time, where available | Compares investment in subsidiary or business to issuer's total assets as of the prior fiscal year-end |
| Pro forma information | Revises presentation of pro forma information and allows, in some cases, the option to reflect "management's adjustments" to show estimated and expected synergies and dis-synergies of the acquisition or disposition | Expected synergies or dis-synergies do not typically meet criteria for pro forma adjustment and are not reflected in pro forma information |

*The final rule does not modify the current 20% significance threshold for the income, investment, or asset tests, which is the minimum level of significance that triggers a requirement to provide financial statements and related pro forma information of an acquired business. However, the final rule does increase the significance threshold triggering pro forma information for a business deposition from 10% to 20%.

The final rule also revises a number of other rules and forms, including expanding the use of pro forma information in significance tests, conforming significance tests for business dispositions and real estate acquisitions to those for business acquisitions, providing a specifically tailored significant subsidiary test for investment companies, and amending Form N-14 to address fund acquisitions by investment companies and business development companies.

The final rule is effective Jan. 1, 2021; however, voluntary early compliance is permitted.

Temporary amendments to crowdfunding offerings

On May 4, 2020, the SEC issued a temporary final rule to provide conditional relief for established smaller companies affected by COVID-19 that are relying on a Regulation Crowdfunding offering to meet their urgent funding needs. The temporary final rule is intended to expedite the offering process for eligible companies by providing relief from certain rules with respect to the timing of the company's offering and the financial statement requirements. Companies must meet enhanced eligibility requirements to take advantage of this relief and provide clear and prominent disclosure to investors about their reliance on the relief.

The relief applies to offerings under Regulation Crowdfunding between May 4, 2020, and Aug. 31, 2020.

Good faith determinations of fair value proposal

On April 21, 2020, the SEC published for public comment a new rule that would establish a framework for fund valuation practices. The rule is designed to address valuation practices and the role of the board of directors with respect to the fair value of the investments of a registered investment company or business development company.

The proposed rule would establish requirements for satisfying a board of director's obligation to determine fair value in good faith for purposes of the *Investment Company Act of 1940*. The rule would require a fund board to:

- Assess and manage material risks associated with fair value determinations
- Select, apply, and test fair value methodologies
- Oversee and evaluate any pricing services used
- Adopt and implement policies and procedures
- Maintain certain records

If the rule is adopted, the SEC would rescind previously issued guidance on the role of the board of directors in determining fair value and the accounting and auditing of fund investments.

Comments are due July 21, 2020.

Staffing updates

On June 17, 2020, the SEC [announced](#) that Jennifer S. Leete has been named associate director in the Enforcement Division, where she will lead a team of approximately 50 individuals in investigating a range of securities laws violations. Leete joined the SEC in the Enforcement Division in 1999 and has worked in several roles in the division since that time.

On May 11, 2020, the SEC [announced](#) that John Moses has been named the managing executive in the Office of the Chairman. Moses will advise Chairman Jay Clayton on matters relating to agency administration, operations, and management, and he will serve as the chairman's primary liaison on these matters to all divisions and offices. Previously, Moses was deputy director in the Office of Minority and Women Inclusion at the SEC.

On May 11, 2020, the SEC [announced](#) that Peter Uhlmann will move from his role as managing executive in the Office of the Chairman to a new role in the Office of Compliance Inspections and Examinations. Uhlmann will join the Office of Chief Counsel as assistant director for compliance. In this new position, he will oversee internal compliance, ethics, and operational risk management efforts for the SEC's National Exam Program and its employees.

On April 13, 2020, the SEC [announced](#) that Natasha Guinan has been named chief counsel, Office of the Chief Accountant (OCA). In this position, Guinan will provide legal guidance to the chief accountant and the other OCA groups. In addition, she will lead the OCA's support of the Division of Enforcement on financial reporting and auditing matters.

From the PCAOB

Addressing the coronavirus

As a follow-up to its [posting](#) on March 18, 2020, the PCAOB posted on May 11, 2020, an [update](#) on its operations in light of COVID-19. The release describes the activities of the PCAOB and the current impact that the coronavirus is having on operations.

The PCAOB highlighted the following:

- The 45-day relief period provided to audit firms to pause inspections activity has ended.
- Enforcement and investigative efforts are continuing to the maximum extent possible.
- Registration activities are continuing.
- The board is continuing to meet virtually and vote on pending items.
- Timing for returning to in-person meetings and events is being assessed.
- Coordination efforts with the SEC and other regulators and governmental entities are continuing.

Additionally, on April 2, 2020, the PCAOB [provided](#) reminders for audits nearing completion.

Cryptoassets

On May 26, 2020, the PCAOB released a Spotlight paper, "[Audits Involving Cryptoassets: Information for Auditors and Audit Committees](#)," that details the inspection observations related to use and disclosure of cryptoassets in financial statements. The document provides considerations for auditors as well as questions for audit committees to ask of their auditors relating to the holding of or transactions in cryptoassets that are material to the financial statements.

From the AICPA

Resource sites for coronavirus, Paycheck Protection Program

The AICPA has created a [coronavirus resource center](#) webpage to help the accounting profession stay up to date on matters affected by COVID-19. The site offers information on:

- CARES Act news and resources
- COVID-19 resources addressing audit and assurance, accounting and reporting, technology, and tax, among other topics
- Advocacy and tax relief matters
- Virtual and other learning opportunities

In addition, the AICPA has created a separate [Small Business Association Paycheck Protection Program resources](#) webpage, which brings together many different resources including loan forgiveness information and frequently asked questions.

New TQA on accounting for loans under the PPP

On June 10, 2020, the AICPA issued a new Technical Question and Answer (TQA) 3200.18, “[Borrower Accounting for a Forgivable Loan Received Under the Small Business Administration Paycheck Protection Program](#),” that addresses the question “How should a nongovernmental entity account for a forgivable loan received under the Small Business Administration Paycheck Protection Program (PPP)?”

The answer notes at the outset that, “Given the unique nature of the PPP, questions have arisen relating to how a borrower under the program should account for the arrangement. Although the legal form of the PPP loan is debt, some believe that the loan is, in substance, a government grant.” In addition, the staff of the SEC’s Office of the Chief Accountant has indicated that it “would not object to an SEC registrant accounting for a PPP loan under FASB Accounting Standards Codification (ASC) 470, ‘Debt,’ or as a government grant by analogy to International Accounting Standard (IAS) 20, ‘Accounting for Government Grants and Disclosure of Government Assistance.’”

In answer to the question, TQA 3200.18 offers guidance tailored to entities that are business entities or not-for-profits and provides a table with an overview of the accounting for the loan as debt or as a grant that is expected to be forgiven.

FinRec's working drafts on issues for insurance entities

The AICPA's Financial Reporting Executive Committee (FinREC) issued, on May 15, 2020, two working drafts of accounting issues for insurance entities. These working drafts provide guidance on implementing ASU 2018-12, "Targeted Improvements to the Accounting for Long-Duration Contracts."

The new working drafts addressing implementation of ASU 2018-12 include these issues:

- Issue 11B: Ceded reinsurance – When reinsuring existing traditional and limited payment long-duration insurance contracts, what are the direct liabilities for future policy benefits relating to the underlying reinsured contracts that should be used to recognize the reinsurance recoverable and to determine the cost of reinsurance?
- Issue 13: Impact of FASB ASU 2018-12 on shadow accounting

Comments on the working drafts were due July 17, 2020.

FAQ document on COVID-19 auditing and financial reporting issues

On April 3, 2020, the AICPA released "FAQs – Audit Matters and Auditor Reporting Issues Related to COVID-19," which is intended to help both auditors of financial statements and preparers by providing answers to frequently asked questions and guidance on several financial reporting topics. The report answers questions on various auditing areas and provides information addressing the financial reporting considerations for risks and uncertainties, subsequent events and going concern, fair value measurements, asset impairments, unusual or frequent events, and deferred tax assets.

From the CAQ

COVID-19 resources site

The CAQ has established a COVID-19 resources page to bring together resources from various sources to provide management, audit committees, auditors, and investors information to help them understand the impact of the coronavirus on financial reporting and oversight responsibilities.

From the GASB

Final standards

Implementation guidance update

On April 23, 2020, the GASB issued Implementation Guide 2020-1, “[Implementation Guidance Update – 2020](#),” to clarify, explain, or elaborate on certain GASB pronouncements. The guide includes 21 new questions and answers to address application of existing GASB standards covering various topics including the following:

- The financial reporting entity (1-2)
- Accounting and financial reporting for certain investments and for external investment pools (3)
- Fiduciary activities (4-5)
- Leases (6-17)
- Certain asset retirement obligations (18)
- Conduit debt obligations (19-21)

The implementation guide also amends five previously issued questions and answers from Implementation Guides 2015-1, 2017-1, 2017-2, and 2017-3. In addition, the guide defers indefinitely the effective dates of questions 4.3, 4.5, and 4.6 in Implementation Guide 2019-2, which address issues related to the application of Statement 14 or Statement 84 in specific circumstances involving pension plans or other postemployment benefit (OPEB) plans.

Effective dates

The requirements of this implementation guide are effective as follows:

- Questions 4.1-4.5, 4.18, and 5.3 are effective for reporting periods beginning after June 15, 2021.
- Questions 4.6-4.17 are effective for fiscal years beginning after Dec. 15, 2021, and all reporting periods thereafter.
- Questions 4.19-4.21 are effective for reporting periods beginning after Dec. 15, 2021.
- Questions 5.1, 5.2, 5.4, and 5.5 are effective for fiscal years beginning after June 15, 2021.
- The effective date deferral of certain questions in Implementation Guide 2019-2 is effective immediately.

Early application is encouraged for guidance related to standards that already have been implemented.

Statement and implementation guide effective dates

On May 8, 2020, the GASB issued Statement 95, “Postponement of the Effective Dates of Certain Authoritative Guidance,” to provide relief to governments in light of the COVID-19 pandemic by postponing the effective dates of provisions in almost all standards and implementation guides due to be implemented for fiscal years 2019 and later.

The statement postpones by one year the effective dates of certain provisions in the following pronouncements:

- Statement 83, “Certain Asset Retirement Obligations”
- Statement 84, “Fiduciary Activities”
- Statement 88, “Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements”
- Statement 89, “Accounting for Interest Cost Incurred Before the End of a Construction Period”
- Statement 90, “Majority Equity Interests”
- Statement 91, “Conduit Debt Obligations”
- Statement 92, “Omnibus 2020”
- Statement 93, “Replacement of Interbank Offered Rates”
- Implementation Guide 2017-3, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)”
- Implementation Guide 2018-1, “Implementation Guidance Update – 2018”
- Implementation Guide 2019-1, “Implementation Guidance Update – 2019”
- Implementation Guide 2019-2, “Fiduciary Activities”

The statement postpones by eighteen months the effective dates of the following pronouncements:

- Statement 87, “Leases”
- Implementation Guide 2019-3, “Leases”

Effective date

The provisions of this statement are effective immediately.

Subscription-based information technology arrangements

On June 5, 2020, the GASB issued Statement 96, “Subscription-Based Information Technology Arrangements,” to address questions regarding the proper accounting for and reporting of cloud computing and other remote access forms of software applications and data storage that are subscription based. Although existing GASB literature addresses on-premise computer software – either developed internally or acquired through perpetual licensing agreements – the previous lack of guidance for subscription-based information technology arrangements (SBITAs) has caused inconsistency in accounting and financial reporting.

The statement applies many of the provisions of Statement 87, “Leases,” to subscription-based transactions and establishes the following:

- An SBITA is defined as a contract that conveys control of the right to use an SBITA vendor’s hardware, software, or both, including IT infrastructure, for a period of time in an exchange or exchange-like transaction.
- Governments with SBITAs should recognize a right-to-use subscription intangible asset and a corresponding subscription liability (with an exception for short-term SBITAs with a maximum term of 12 months, in which case payments would be recognized as outflows of resources).
- Guidance related to outlays other than subscription payments, including accounting for implementation costs based on three different stages.
- Note disclosure requirements related to an SBITA.

Effective date

The requirements of this statement are effective for fiscal years beginning after June 15, 2022. Early application is encouraged.

Certain component unit criteria and reporting for IRC Section 457 plans

On June 23, 2020, the GASB issued Statement 97, “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,” to increase consistency and comparability related to the reporting of fiduciary component units and IRC Section 457 deferred compensation plans.

The statement is designed to mitigate costs of financial reporting associated with certain defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans when an organization does not have a governing board and the primary government performs the duties that a governing board typically performs.

The statement also enhances the relevance, consistency, and comparability of accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. In addition, for all Section 457 plans, it supersedes the remaining provisions of Statement 32, “Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,” as amended.

The statement establishes the following:

1. The absence of a governing board is considered the same as appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically performs, except in situations related to defined contribution pension and OPEB plans or other employee benefit plans.
2. The financial burden criterion applies only to defined benefit pension and OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of GASB Statements 67 and 74, respectively.
3. All accounting and financial reporting requirements relevant to pension plans and related benefits must be applied to Section 457 plans and related benefits that meet the definition of a pension plan.
4. Statement 84, “Fiduciary Activities,” should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

Effective date

The requirements of this statement are effective as follows:

- The exception related to defined contribution pension and OPEB plans or other employee benefit plans in number 1 and the requirements in number 2 are effective immediately.
- The requirements in numbers 3 and 4 are effective for fiscal years beginning after June 15, 2021.
- All other requirements of this statement are effective for reporting periods beginning after June 15, 2021.

Earlier application is encouraged and is permitted by specific requirement.

Proposals

Concepts for recognition of financial statement elements

On June 30, 2020, the GASB issued an exposure draft of a proposed concepts statement, “Recognition of Elements of Financial Statements,” addressing concepts for recognition of assets, liabilities, and other elements of state and local government financial statements.

The exposure draft proposes a framework of interrelated objectives and fundamental principles that the board can use to establish consistent accounting and financial reporting principles for recognition of elements of financial statements.

Recognition concepts encompass two aspects of financial statements for state and local governments:

- Measurement focus – determines what items of a specific financial statement should be reported as elements in a financial statement.
- Basis of accounting – determines when those items should be reported in a financial statement.

The exposure draft proposes a recognition framework for both:

- The economic resources measurement focus and accrual basis of accounting.
- The short-term financial resources measurement focus and accrual basis of accounting.

• The proposed concepts statement also contains a recognition hierarchy that would be followed when evaluating an item for recognition in financial statements.

Comments are due to the GASB by Feb. 26, 2021.

Revenue and expense recognition

On June 30, 2020, the GASB issued a preliminary views proposal, “Revenue and Expense Recognition,” intended to present the board’s current thinking about the development of a comprehensive, principles-based model that establishes categorization, recognition, and measurement guidance applicable to a broad range of revenue and expense transactions.

The board is seeking to enhance the usefulness of revenue and expense information that governments report by introducing a new methodology for categorizing transactions, which then is used as a basis for applying recognition proposals. Determining the transaction category would be based on the assessment of specific characteristics that a binding arrangement might or might not contain. This categorization methodology is intended to identify transactions with performance obligations.

If a transaction is determined to have a performance obligation based on the categorization characteristics, the associated revenue or expense would be recognized based on the satisfaction of the performance obligation. For transactions that are determined not to have a performance obligation, the board has proposed specific recognition guidance based on the various subcategories of transactions (for example, derived taxes, such as income and sales taxes, and imposed taxes, such as property taxes).

Comments are due to the GASB by Feb. 26, 2021.

COVID-19 resources

Application guidance on CARES Act and coronavirus issues

On July 2, 2020, the GASB issued Technical Bulletin 2020-1, “[Accounting and Financial Reporting Issues Related to the Coronavirus Aid, Relief, and Economic Security Act \(CARES Act\) and Coronavirus Diseases](#),” to clarify the application of existing recognition requirements to resources received from certain programs established by the CARES Act. It also clarifies how existing presentation requirements apply to certain inflows of CARES Act resources and to the unplanned and additional outflows of resources incurred in response to the coronavirus disease.

GASB emergency toolbox

The GASB has posted a [toolbox](#) on its website to assist governments and other stakeholders in quickly identifying authoritative GASB guidance that could be relevant to the current circumstances related to COVID-19. In addition, the toolbox includes links to other professional organizations from which stakeholders might get nonauthoritative recommendations for financial reporting and other activities as governments deal with the pandemic’s effects.

Accounting Standards Updates (ASU) effective dates

| | |
|---|------------|
| Checklist A – ASU effective dates for public business entities (PBEs)..... | A-1 |
| Checklist B – ASU effective dates for nonpublic business entities (non-PBEs) | B-1 |

Checklist A

ASU effective dates for public business entities (PBEs)

| Accounting Standards Update (ASU) | Effective dates for Dec. 31 year-end PBEs | Early adoption |
|--|---|--|
| <p>Leases (ASU 2016-02)</p> <p>Revises recognition and measurement for lease contracts by lessors and lessees; operating leases are recorded on the balance sheet for lessees. Replaces Topic 840 with Topic 842.</p> <p>Clarifying standards:</p> <p>ASU 2018-01 – Provides a practical expedient in transition to not evaluate existing or expired land easements under Topic 842 that were not previously accounted for as leases under Topic 840.</p> <p>ASU 2018-10 – Provides 16 improvements and clarifications to the guidance in Topic 842.</p> <p>ASU 2018-11 – Provides an optional transition method for adopting Topic 842 that will eliminate comparative period reporting under the new guidance in the adoption year. Provides a practical expedient for lessors to not separate nonlease components from the associated lease component in specified circumstances.</p> <p>ASU 2018-20 – Provides improvements specific to lessors for evaluating sales taxes, recording reimbursed costs, and allocating variable payments to lease and nonlease components.</p> <p>ASU 2019-01 – Provides improvements in determining fair value of underlying assets by lessors that are not manufacturers or dealers, presentation of the statement of cash flows for sales-type and direct financing leases, and transition disclosures.</p> | <p>March 31, 2019¹</p> | <p>Permitted</p> |
| <p>Goodwill Impairment Testing (ASU 2017-04)</p> <p>Removes step two – the requirement to perform a hypothetical purchase price allocation when the carrying value of a reporting unit exceeds its fair value – of the goodwill impairment test.</p> <p>ASU 2019-10 – Deferral of effective dates.</p> | <p>For ASU 2019-01, March 31, 2020, except for transition disclosure amendments which are consistent with ASU 2016-02</p> | <p>Permitted for interim or annual goodwill impairment tests performed on testing dates on or after Jan. 1, 2017</p> |

¹ Codified in ASU 2020-02, an SEC staff announcement at the December 2019 AICPA National Conference on Current SEC and PCAOB Developments specifically related to PBEs that qualify as a PBE solely due to the requirement to include or the inclusion of its financial statements or financial information in another entity's SEC filing ("certain PBEs") states that the SEC will not object to it adopting Topic 842 for fiscal years beginning after Dec. 15, 2020, and interim period within fiscal years beginning after Dec. 15, 2021, in accordance with ASU 2019-10.

² ASU 2020-05 defers, for one year, the required effective date for a not-for-profit entity that has issued or is a conduit bond obligor for securities that are traded, listed, or quoted on an exchange or an over-the-counter market that has not yet issued its financial statements (or made financial statements available for issuance) as of June 3, 2020. Those entities may elect to adopt the guidance for annual reporting periods beginning after Dec. 15, 2019, and for interim reporting periods within those fiscal years.

Checklist A – ASU effective dates
for public business entities (PBEs)

| Accounting Standards Update (ASU) | Effective dates for Dec. 31 year-end PBEs | Early adoption |
|---|---|----------------|
| Codification Updates to SEC Sections (ASU 2020-02) Modifies FASB codification to reflect previously issued SEC interpretations (SAB 119) on accounting for loan losses by registrants engaged in lending activities subject to Topic 326. Modifies FASB codification to include SEC staff announcement within Topic 842 that SEC staff would not object to a PBE that otherwise would not meet the definition of a PBE except for a requirement to include or the inclusion of its financial statements or financial information in another entity's filing with the SEC from adopting Topic 842 for fiscal year Dec. 31, 2021, annual financial statement for calendar year-end entities in accordance with ASU 2019-10. | Upon issuance, January 2020 | Not applicable |
| Codification Improvements to Financial Instruments (ASU 2020-03) Clarifies and improves various financial instruments topics including: applicability of portfolio exception in measuring fair value for nonfinancial items accounted for as derivatives; disclosure requirements in Topic 320 apply to disclosure requirements in Topic 942 for depository and lending institutions; adds cross-reference to line-of-credit or revolving-debt arrangements guidance to guidance in accounting for fees between debtor and creditor and third-party costs directly related to exchanges or modifications of debt instruments in Subtopic 470-50; and fair value measurement disclosure requirements do not apply to entities using the net asset value per share practical expedient. (Also contains clarification and improvements to ASU 2016-13, which is included as clarifying standard.) | March 31, 2020 | Permitted |
| Optional Guidance in Accounting for Impacts of Reference Rate Reform (ASU 2020-04) Provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The optional guidance does not apply to contract modifications made and hedging relationships entered into or evaluated after Dec. 31, 2022, except for hedging relationships existing as of Dec. 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. | March 31, 2020 | Not applicable |

| Accounting Standards Update (ASU) | Effective dates for Dec. 31 year-end PBEs | Early adoption |
|--|--|---|
| <p>Credit Losses (ASU 2016-13)</p> <p>Replaces the incurred loss model with the current expected credit loss (CECL) model for financial assets, including trade receivables, debt securities, and loan receivables.</p> <p>Clarifying standards:</p> <p>ASU 2018-19 – Clarifies that impairment of operating lease receivables is in the scope of ASC Topic 842, “Leases,” and not the CECL model.</p> <p>ASU 2019-04 – Provides specific improvements and clarifications to the guidance in Topic 326. Addresses accrued interest, transfers between classifications or categories for loans and debt securities, recoveries, vintage disclosures, and contractual extensions and renewal options.</p> <p>ASU 2019-05 – Targeted transition relief provides an option to irrevocably elect the fair value option, on an instrument-by-instrument basis, for certain financial assets (excluding held-to-maturity debt securities) previously measured at amortized cost.</p> <p>ASU 2019-10 – Deferral of effective dates.</p> <p>ASU 2019-11 – Provides specific improvements and clarifications to the guidance in Topic 326. Addresses expected recoveries for purchased financial assets with credit deterioration, transition relief for troubled debt restructurings, disclosures related to accrued interest receivables, financial assets secured by collateral maintenance provisions, and conforming cross-references to Subtopic 805-20.</p> <p>ASU 2020-03 – Aligns contractual term to measure expected credit losses for a net investment in a lease to be consistent with the lease term determined under Topic 842. Clarifies that when an entity regains control of financial assets sold, an allowance for credit losses should be recorded.</p> | <p>For SEC filers, excluding smaller reporting companies, March 31, 2020</p> <p>For all other PBEs, including smaller reporting companies, March 31, 2023</p> <p>For ASU 2019-04, ASU 2019-05, ASU 2019-11, and ASU 2020-03, March 31, 2020, for entities that have adopted ASU 2016-13; otherwise effective dates the same as ASU 2016-13</p> | <p>Permitted as of the fiscal years beginning after Dec. 15, 2018, including interim periods within</p> |
| <p>Fair Value Measurement Disclosure (ASU 2018-13)</p> <p>Removes, modifies, or adds certain fair value measurement disclosures related to financial instrument transfers and Level 3 instruments, among others.</p> | <p>March 31, 2020</p> | <p>Permitted</p> |
| <p>Implementation Costs for Cloud Computing Arrangements (CCAs) (ASU 2018-15)</p> <p>Aligns accounting for implementation costs of CCAs with or without a license (that is, regardless of whether the CCA is a service contract) by capitalizing implementation costs during the application development stage and amortizing the costs over the term of the arrangement.</p> | <p>March 31, 2020</p> | <p>Permitted, including in an interim period</p> |

Checklist A – ASU effective dates
for public business entities (PBEs)

| Accounting Standards Update (ASU) | Effective dates for Dec. 31 year-end PBEs | Early adoption |
|--|---|---|
| Variable Interest Entity (VIE) Model – Targeted Improvements for Related Parties (ASU 2018-17) Revises the analysis for determining whether a decision-making fee paid by a VIE is a variable interest such that indirect interests in a VIE held through related parties in common control arrangements would be considered on a proportional basis (instead of as the equivalent to a direct interest). | March 31, 2020 | Permitted, including in an interim period |
| Collaborative Arrangements (Topic 808) (ASU 2018-18) Requires that Topic 606 be applied to collaborative arrangements when the arrangement participant is a customer and aligns the unit-of-account guidance in Topic 808 with Topic 606. Revenue in the scope of Topic 606 should be presented separately from revenue outside its scope. | March 31, 2020 | Permitted, including in an interim period |
| Certain Costs in Media and Entertainment Industry (ASU 2019-02) Applies to broadcasters and entities that produce and distribute films and episodic television series. Aligns the accounting of episodic television series with films, and provides more relevant financial reporting information to users of financial statements. | March 31, 2019 | Permitted, including in an interim period |
| Improvements to Recognition and Measurement of Financial Instruments and Accounting for Hedging Activities (ASU 2019-04) Contains various improvements to ASU 2016-01, including scope, fair value measurement alternative, held-to-maturity debt securities fair value disclosures, and remeasurement of equity securities at historical exchange rates. Provides specific improvements and clarifications to ASU 2017-12. Among other areas, addresses partial-term fair value hedges of interest-rate risk, amortization and disclosure of fair value hedge basis adjustments, and consideration of hedged contractually specified interest rate under the hypothetical derivative method. (Also contains clarification and improvements to ASU 2016-13, which is included as a clarifying standard.) | March 31, 2020 | Permitted, including in an interim period |

| Accounting Standards Update (ASU) | Effective dates for Dec. 31 year-end PBEs | Early adoption |
|---|---|--|
| Share-Based Consideration Payable to a Customer (ASU 2019-08) Requires that an entity apply the guidance in Topic 718 to measure and classify share-based payment awards granted to a customer. The amount recorded as a reduction in the transaction price, and therefore revenue, should be based on the grant-date fair value of the share-based payment award. | March 31, 2020 | Permitted, including in an interim period, but no earlier than the adoption of ASU 2018-17 |
| Defined Benefit Plan Disclosure for Sponsors (ASU 2018-14) Removes and clarifies certain disclosures for sponsors of defined benefit plans. Adds disclosure for weighted-average interest credit rates for certain plans, and the reasons for significant gains and losses in the benefit obligation. | Dec. 31, 2020 | Permitted |
| Updating the Definition of Collections (ASU 2019-03) Improves the definition of collections. Requires additional disclosure. Although the ASU primarily affects not-for-profits, it applies to all entities that maintain collections. | Dec. 31, 2020 | Permitted including in an interim period |
| Simplifying Accounting for Income Taxes (ASU 2019-12) Simplifies the accounting for income taxes by removing certain exceptions in Topic 740. Improves consistent application of other areas of guidance within Topic 740 by clarifying and amending existing guidance. | March 31, 2021 | Permitted, including in an interim period |
| Interaction Between Accounting for Equity Securities, Equity Method Investments, and Certain Derivative Instruments (ASU 2020-01) Clarifies the interaction of the accounting for equity securities under Topic 321 and investments accounted for under the equity method of accounting in Topic 323 and the accounting for certain forward contract and purchased options accounted for under Topic 815. | March 31, 2021 | Permitted, including in an interim period |
| Long-Duration Insurance Contracts (ASU 2018-12) Revises the accounting for life insurance and annuity contracts by eliminating the method of locking in liability assumptions and the premium deficiency test for traditional and limited-payment contracts, among other methodology changes. Requires additional disclosure. Clarifying standards: ASU 2019-09 – Deferral of effective dates. | For SEC filers, excluding smaller reporting companies, March 31, 2022 For all other PBEs, including smaller reporting companies, Dec. 31, 2024 | Permitted |

Checklist B

ASU effective dates for nonpublic business entities (non-PBEs)

| Accounting Standards Update (ASU) | Effective dates for Dec. 31 year-end non-PBEs | Early adoption |
|--|--|--|
| Revenue Recognition (ASU 2014-09) For all entities, the transaction- and industry-specific recognition methods are eliminated and revenue is recognized by applying a defined principles-based approach. Clarifying standards: ASU 2015-14 – Deferral of Effective Date ASU 2016-08 – Principal Versus Agent Considerations (Gross Versus Net Reporting) ASU 2016-10 – Identifying Performance Obligations and Licensing ASU 2016-11 – Rescission of SEC Staff Observer Comments (Staff Announcements at March 3, 2016, EITF Meeting) ASU 2016-12 – Narrow-Scope Improvements and Practical Expedients ASU 2016-20 – Technical Corrections and Improvements ASU 2017-14 – Rescission of SEC Staff Accounting Bulletin (SAB) Topic 13, “Revenue Recognition” | Dec. 31, 2019¹ | Permitted only as of annual periods beginning after Dec. 15, 2016, including interim periods within |
| Codification Improvements (ASU 2018-09) Contains 30 improvements in all, including income taxes for certain quasi reorganizations, fair value option debt extinguishments, financial instruments, excess tax benefits, tax allocation methods, offsetting derivative assets and liabilities, transfer restrictions for fair value measurement, balance sheet offsetting for broker-dealers, and valuation for a stable value common collective trust fund. | Varies by issue (see pages 8 and 9 of the ASU) Upon issuance, July 16, 2018 Dec. 31, 2019 Dec. 31, 2020 | Permitted, including in an interim period |

¹ ASU 2020-05 defers, for one year, the required effective date for certain entities that have not yet issued their financial statements (or made financial statements available for issuance) as of June 3, 2020. Those entities may elect to adopt the guidance for annual reporting periods beginning after Dec. 15, 2019, and for interim reporting periods within annual reporting periods beginning after Dec. 15, 2020.

| Accounting Standards Update (ASU) | Effective dates for Dec. 31 year-end non-PBEs | Early adoption |
|--|--|--|
| Codification Improvements to Financial Instruments (ASU 2020-03) <p>Clarifies and improves various financial instruments topics including: all entities (not just PBEs) are required to provide fair value option disclosures; applicability of portfolio exception in measuring fair value for nonfinancial items accounted for as derivatives; disclosure requirements in Topic 320 apply to disclosure requirements in Topic 942 for depository and lending institutions; adds cross-reference to line-of-credit or revolving-debt arrangements guidance to guidance in accounting for fees between debtor and creditor and third-party costs directly related to exchanges or modifications of debt instruments in Subtopic 470-50; and fair value measurement disclosure requirements do not apply to entities using the net asset value per share practical expedient.</p> <p>(Also contains clarification and improvements to ASU 2016-13, which is included as clarifying standard.)</p> | <p>March 31, 2020 (regarding alignment of disclosure requirements for depository and lending institutions)</p> <p>Dec. 31, 2020 (other improvements)</p> | Permitted, including in an interim period |
| Optional Guidance in Accounting for Impacts of Reference Rate Reform (ASU 2020-04) <p>Provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The optional guidance does not apply to contract modifications made and hedging relationships entered into or evaluated after Dec. 31, 2022, except for hedging relationships existing as of Dec. 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship.</p> | March 31, 2020 | Not applicable |
| Improvements to Recognition and Measurement of Financial Instruments (ASU 2019-04) <p>Contains various improvements to ASU 2016-01, including scope, fair value measurement alternative, held-to-maturity debt securities fair value disclosures, and remeasurement of equity securities at historical exchange rates. (Also contains clarification and improvements to ASU 2016-13 and ASU 2017-12, which are included as clarifying standards.)</p> | Dec. 31, 2020 | Permitted, including in an interim period |
| Contributions Received and Made for Not-for-Profit Entities (ASU 2018-08) <p>Improves the guidance on contributions and exchange transactions. Although the ASU primarily affects not-for-profit entities, it applies to all entities, including business entities, that receive or make contributions of cash and other assets.</p> | <p>For contributions received, Dec. 31, 2019</p> <p>For contributions made, Dec. 31, 2020</p> | Permitted |
| Share-Based Consideration Payable to a Customer (ASU 2019-08) <p>Requires that an entity apply the guidance in Topic 718 to measure and classify share-based payment awards granted to a customer. The amount recorded as a reduction in the transaction price, and therefore revenue, should be based on the grant-date fair value of the share-based payment award.</p> | <p>March 31, 2020 (if ASU 2018-17 has been adopted)</p> <p>Dec. 31, 2020 (if ASU 2018-17 has not been adopted)</p> | Permitted, including in an interim period, but no earlier than the adoption of ASU 2018-17 |

| Accounting Standards Update (ASU) | Effective dates for Dec. 31 year-end non-PBEs | Early adoption |
|---|---|--|
| Premium Amortization on Purchased Callable Debt (ASU 2017-08) Shortens the amortization period for premiums on purchased callable debt securities to the earliest call date, instead of to the maturity date. | Dec. 31, 2020 | Permitted, including in an interim period |
| Financial Instruments With Down-Round Features (Part I) and Scope Exception for Certain Mandatorily Redeemable Financial Instruments (Part II) (ASU 2017-11) <p>Part I – Simplifies the accounting for certain financial instruments with down-round features by eliminating the requirement to consider the down-round feature in the liability or equity classification determination. For entities that present earnings per share (EPS), requires the effect of the down-round feature in a warrant or other freestanding equity-classified instrument to be presented as a dividend and an adjustment to EPS when it is triggered. Regardless of whether the entity presents EPS, requires the effect of the down-round feature in a convertible instrument such as debt or preferred stock to follow existing guidance for contingent beneficial conversion features and be presented as a discount to the convertible instrument with an offsetting credit to paid-in capital when it is triggered.</p> <p>Part II – Changes the indefinite deferral available to private companies with mandatorily redeemable financial instruments and certain noncontrolling interests to a scope exception, which does not have an accounting effect.</p> | Dec. 31, 2020 | Permitted, including in an interim period |
| Additional Benchmark Interest Rate for Hedging (ASU 2018-16) Expands the number of benchmark interest rates that can be used in accounting hedge designations to include the Overnight Index Swap (OIS) rate based on the Secured Overnight Financing Rate (SOFR) and stems from concerns about the sustainability of the London Interbank Offered Rate (LIBOR). | Dec. 31, 2020 (consistent with ASU 2017-12) March 31, 2020, if ASU 2017-12 was early adopted | Permitted, including in an interim period, if ASU 2017-12 was early adopted |
| Nonemployee Stock Compensation Simplifications (ASU 2018-07) Aligns the accounting guidance for nonemployee stock payments with the guidance for employee stock compensation in ASC Topic 718. | Dec. 31, 2020 | Permitted, including in an interim period, but no earlier than the adoption of Topic 606 |
| Fair Value Measurement Disclosure (ASU 2018-13) Removes, modifies, or adds certain fair value measurement disclosures related to financial instrument transfers and Level 3 instruments, among others. | Dec. 31, 2020 | Permitted |
| Updating the Definition of Collections (ASU 2019-03) Improves the definition of collections. Requires additional disclosure. Although the ASU primarily affects not-for-profits, it applies to all entities that maintain collections. | Dec. 31, 2020 | Permitted, including in an interim period |

| Accounting Standards Update (ASU) | Effective dates for Dec. 31 year-end non-PBEs | Early adoption |
|--|---|---|
| <p>Hedging Activities (ASU 2017-12)</p> <p>Expands the nonfinancial and financial risk components that can qualify for hedge accounting and simplifies financial reporting for hedging activities.</p> <p>Clarifying standards:</p> <p>ASU 2019-04 – Provides specific improvements and clarifications to the guidance in Topic 815. Among other areas, addresses partial-term fair value hedges of interest-rate risk, amortization and disclosure of fair value hedge basis adjustments, and consideration of hedged contractually specified interest rate under the hypothetical derivative method.</p> <p>ASU 2019-10 – Deferral of effective dates.</p> | Dec. 31, 2021 | Permitted, including in an interim period |
| <p>Certain Costs in Media and Entertainment Industry (ASU 2019-02)</p> <p>Applies to broadcasters and entities that produce and distribute films and episodic television series. Aligns the accounting of episodic television series with films, and provides more relevant financial reporting information to users of financial statements.</p> | Dec. 31, 2021 | Permitted, including in an interim period |
| <p>Defined Benefit Plan Disclosure for Sponsors (ASU 2018-14)</p> <p>Removes and clarifies certain disclosures for sponsors of defined benefit plans. Adds disclosure for weighted-average interest credit rates for certain plans, and the reasons for significant gains and losses in the benefit obligation.</p> | Dec. 31, 2021 | Permitted |
| <p>Implementation Costs for Cloud Computing Arrangements (CCAs) (ASU 2018-15)</p> <p>Aligns accounting for implementation costs of CCAs with or without a license (that is, regardless of whether the CCA is a service contract) by capitalizing implementation costs during the application development stage and amortizing the costs over the term of the arrangement.</p> | Dec. 31, 2021 | Permitted, including in an interim period |
| <p>Variable Interest Entity (VIE) Model – Targeted Improvements for Related Parties (ASU 2018-17)</p> <p>Provides a private company accounting alternative not to apply VIE consolidation guidance to any arrangement with legal entities that are under common control if neither the parent nor the legal entity is a PBE (thus expanding the alternative for common control leasing arrangements to all common control arrangements). Also, revises the analysis for determining whether a decision-making fee paid by a VIE is a variable interest such that indirect interests in a VIE held through related parties in common control arrangements would be considered on a proportional basis (instead of as the equivalent to a direct interest).</p> | Dec. 31, 2021 | Permitted, including in an interim period |

Checklist B – ASU effective dates for
nonpublic business entities (non-PBEs)

| Accounting Standards Update (ASU) | Effective dates for Dec. 31 year-end non-PBEs | Early adoption |
|--|--|---|
| Collaborative Arrangements (Topic 808) (ASU 2018-18) Requires that Topic 606 be applied to collaborative arrangements when the arrangement participant is a customer and aligns the unit-of-account guidance in Topic 808 with Topic 606. Revenue in the scope of Topic 606 should be presented separately from revenue outside its scope. | Dec. 31, 2021 | Permitted, including in an interim period |
| Simplifying Accounting for Income Taxes (ASU 2019-12) Simplifies the accounting for income taxes by removing certain exceptions in Topic 740. Improves consistent application of other areas of guidance within Topic 740 by clarifying and amending existing guidance. | Dec. 31, 2022 | Permitted, including in an interim period |
| Interaction Between Accounting for Equity Securities, Equity Method Investments, and Certain Derivative Instruments (ASU 2020-01) Clarifies the interaction of the accounting for equity securities under Topic 321 and investments accounted for under the equity method of accounting in Topic 323 and the accounting for certain forward contract and purchased options accounted for under Topic 815. | Dec. 31, 2022 | Permitted, including in an interim period |
| Leases (ASU 2016-02) Revises recognition and measurement for lease contracts by lessors and lessees; operating leases are recorded on the balance sheet for lessees. Replaces Topic 840 with Topic 842. Clarifying standards: ASU 2018-01 – Provides a practical expedient in transition to not evaluate existing or expired land easements under Topic 842 that were not previously accounted for as leases under Topic 840. ASU 2018-10 – Provides 16 improvements and clarifications to the guidance in Topic 842. ASU 2018-11 – Provides an optional transition method for adopting Topic 842 that will eliminate comparative period reporting under the new guidance in the adoption year. Provides a practical expedient for lessors to not separate nonlease components from the associated lease component in specified circumstances. ASU 2018-20 – Provides improvements specific to lessors for evaluating sales taxes, recording reimbursed costs, and allocating variable payments to lease and nonlease components. ASU 2019-01 – Provides improvements in determining fair value of underlying assets by lessors that are not manufacturers or dealers, presentation of the statement of cash flows for sales-type and direct financing leases, and transition disclosures. ASU 2019-10 – Deferral of effective dates ASU 2020-05 – Deferral of effective dates. | Dec. 31, 2022 | Permitted |

| Accounting Standards Update (ASU) | Effective dates for Dec. 31 year-end non-PBEs | Early adoption |
|---|--|---|
| <p>Goodwill Impairment Testing (ASU 2017-04)</p> <p>Removes step two – the requirement to perform a hypothetical purchase price allocation when the carrying value of a reporting unit exceeds its fair value – of the goodwill impairment test.</p> <p>Clarifying standards:</p> <p>ASU 2019-10 – Deferral of effective dates.</p> | Tests performed on or after Jan. 1, 2023 | Permitted for interim or annual goodwill impairment tests performed on testing dates on or after Jan. 1, 2017 |
| <p>Credit Losses (ASU 2016-13)</p> <p>Replaces the incurred loss model with the CECL model for financial assets, including trade receivables, debt securities, and loan receivables.</p> <p>Clarifying standards:</p> <p>ASU 2018-19 – Clarifies the effective date for non-PBEs and that impairment of operating lease receivables is in the scope of ASC Topic 842, “Leases,” and not the CECL model.</p> <p>ASU 2019-04 – Provides specific improvements and clarifications to the guidance in Topic 326. Addresses accrued interest, transfers between classifications or categories for loans and debt securities, recoveries, vintage disclosures, and contractual extensions and renewal options.</p> <p>ASU 2019-05 – Targeted transition relief provides an option to irrevocably elect the fair value option, on an instrument-by-instrument basis, for certain financial assets (excluding held-to-maturity debt securities) previously measured at amortized cost.</p> <p>ASU 2019-10 – Deferral of effective dates.</p> <p>ASU 2019-11 – Provides specific improvements and clarifications to the guidance in Topic 326. Addresses expected recoveries for purchased financial assets with credit deterioration, transition relief for troubled debt restructurings, disclosures related to accrued interest receivables, financial assets secured by collateral maintenance provisions, and conforming cross-references to Subtopic 805-20.</p> <p>ASU 2020-03 – Aligns contractual term to measure expected credit losses for a net investment in a lease to be consistent with the lease term determined under Topic 842. Clarifies that when an entity regains control of financial assets sold, an allowance for credit losses should be recorded.</p> | <p>Dec. 31, 2023</p> <p>For ASU 2019-04, ASU 2019-05, ASU 2019-11, and ASU 2020-03, March 31, 2020, for entities that have adopted ASU 2016-13; otherwise, effective dates the same as ASU 2016-13</p> | Permitted as of the fiscal years beginning after Dec. 15, 2018, including interim periods within |
| <p>Long-Duration Insurance Contracts (ASU 2018-12)</p> <p>Revises the accounting for life insurance and annuity contracts by eliminating the method of locking in liability assumptions and the premium deficiency test for traditional and limited-payment contracts, among other methodology changes. Requires additional disclosure.</p> <p>Clarifying standards:</p> <p>ASU 2019-09 – Deferral of effective dates.</p> | Dec. 31, 2024 | Permitted |

Governmental Accounting Standards Board (GASB) statement effective dates

Checklist C – Effective dates for all GASB statementsC-1

Checklist C

Effective dates for all GASB statements¹

| GASB statement | Effective dates – reporting periods beginning after | Early adoption |
|---|--|-----------------------|
| Postponement of the Effective Dates of Certain Authoritative Guidance (GASB Statement 95) Postpones the effective dates of certain provisions in statements and implementation guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. | Upon issuance, May 8, 2020 | Not applicable |
| Certain Asset Retirement Obligations (GASB Statement 83) Applies when a government has legal obligations to perform future asset retirement activities related to its tangible capital assets. Under this statement, the government is required to recognize a liability and a corresponding deferred outflow of resources related to such obligations. This guidance also identifies the circumstances that trigger recognition of these transactions. | June 15, 2019 | Permitted |
| Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements (GASB Statement 88) Clarifies which liabilities governments should include in their note disclosures related to debt and requires that all debt disclosures present direct borrowings and direct placements of debt separately from other types of debt. | June 15, 2019 | Permitted |
| Fiduciary Activities (GASB Statement 84) Improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Establishes criteria for identifying fiduciary activities of all state and local governments focused on 1) whether a government is controlling the assets of the fiduciary activity and 2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. | Dec. 15, 2019 | Permitted |
| Majority Equity Interests (GASB Statement 90) Revises and clarifies the guidance for reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. | Dec. 15, 2019 | Permitted |

Checklist C – Effective dates
for all GASB statements

| GASB statement | Effective dates – reporting periods beginning after | Early adoption |
|---|--|--------------------|
| Replacement of Interbank Offered Rates (GASB Statement 93) Addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notably the London Interbank Offered Rate (LIBOR), which is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments tied to LIBOR. | June 15, 2020, except: Paragraph 11b, periods ending after Dec. 15, 2021 Paragraphs 13 & 14, June 15, 2021 | Permitted |
| Accounting for Interest Cost Incurred Before the End of a Construction Period (GASB Statement 89) Supersedes guidance set forth in Statement 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,” which generally required capitalization of interest cost incurred before the end of a construction period. Statement 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus and not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. | Dec. 15, 2020 | Permitted |
| Leases (GASB Statement 87) Revises recognition and measurement for lease contracts by lessors and lessees by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. | June 15, 2021 | Permitted |
| Omnibus 2020 (GASB Statement 92) Addresses a variety of topics including the effective date of Statement 87 and Implementation Guide No. 2019-3 for interim financial reports; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; the applicability of Statements 73 and 74 to reporting assets accumulated for postemployment benefits (PEBs); the applicability of certain requirements of Statement 84 to postemployment benefit arrangements; measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and terminology used to refer to derivative instruments. | Varies by issue (see pages 5 and 6 of the statement and page 2 of statement 95) Upon issuance, Feb. 5, 2020 June 15, 2021 | Permitted by topic |

| GASB statement | Effective dates – reporting periods beginning after | Early adoption |
|---|--|--------------------|
| <p>Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans (GASB Statement 97)</p> <p>Clarifies how the absence of a governing board should be considered in determining whether a primary government is financially accountable for purposes of evaluating potential component units and modifies the applicability of certain component unit criteria as they relate to defined contribution pension and OPEB plans, and other employee benefit plans (for example, certain Section 457 plans). Establishes accounting and financial reporting requirements for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans.</p> | <p>Varies by issue (see pages 4 and 5 of the statement)</p> <p>Upon issuance, June 23, 2020</p> <p>June 15, 2021</p> | Permitted by topic |
| <p>Conduit Debt Obligations (GASB Statement 91)</p> <p>Clarifies the definition of a conduit obligation and stipulates that a conduit debt obligation is a liability of the third-party obligor, not the issuer, thus eliminating the option for government issuers to recognize a conduit debt obligation as a liability. Establishes standards for accounting and financial reporting of additional commitments extended by issuers and arrangements associated with conduit debt obligations and improves required note disclosures.</p> | Dec. 15, 2021 | Permitted |
| <p>Public-Private and Public-Public Partnerships and Availability Payment Arrangements (GASB Statement 94)</p> <p>Provides guidance for public-private and public-public partnership arrangements (PPPs), including those that are outside of the scope of the GASB's existing guidance for those transactions – namely Statement 60, "Accounting and Financial Reporting for Service Concession Arrangements," and Statement 87, "Leases." The statement also makes certain improvements to the guidance previously included in Statement 60 and provides accounting and financial reporting guidance for availability payment arrangements (APAs).</p> | June 15, 2022 | Permitted |
| <p>Subscription-Based Information Technology Arrangements (GASB Statement 96)</p> <p>Provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. Defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.</p> | June 15, 2022 | Permitted |



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