



July 2019

# Keeping You Informed

Second quarter accounting and financial reporting developments



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# Second quarter highlights

During the second quarter of the 2019 calendar year, the Financial Accounting Standards Board (FASB) issued new accounting standards on the following topics:

- Improvements to financial instruments standards
- Transition relief in applying the credit losses standard
- Extending certain private company accounting alternatives to not-for-profit (NFP) entities

The FASB also issued proposals during the quarter to incorporate various Securities and Exchange Commission (SEC) disclosures into U.S. GAAP and simplify the accounting for income taxes. In addition, the FASB issued a question-and-answer (Q&A) document addressing the implementation of the NFP grants and contracts standard.

The SEC issued a final rule on Regulation Best Interest, proposed a new rule to expand exemption from auditor attestation on internal control over financial reporting (ICFR), and proposed changes to the financial statement requirements for significant acquisitions and dispositions.

The Public Company Accounting Oversight Board (PCAOB) released staff guidance on the implementation of critical audit matters (CAMs) and published its annual report for 2018.

The Center for Audit Quality (CAQ) released a current expected credit loss (CECL) tool and an external auditor assessment tool for audit committees.

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

### **Narrow-scope improvements to financial instruments standards**

On April 25, 2019, the FASB issued Accounting Standards Update (ASU) 2019-04, “Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments,” to clarify, correct, and improve guidance related to recently issued credit losses, hedging, and recognition and measurement standards. The amendments address the following topics:

- Topic 1: Codification improvements resulting from the June 11, 2018, and Nov. 1, 2018, Credit Losses Transition Resource Group (TRG) meetings
- Topic 2: Codification improvements to ASU 2016-13, “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments”
- Topic 3: Codification improvements to ASU 2017-12, “Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities”
- Topic 4: Codification improvements to ASU 2016-01, “Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities”
- Topic 5: Codification improvements resulting from the Nov. 1, 2018, Credit Losses TRG meeting

### Effective dates

Amendments to ASU 2016-01 are effective for fiscal years beginning after Dec. 15, 2019, including interim periods within those fiscal years. Early adoption is permitted as long as ASU 2016-01 has been adopted.

Amendments to ASU 2016-13 for entities that have not adopted ASU 2016-13 have the same effective dates as ASU 2016-13. For entities that have adopted ASU 2016-13, amendments in this update are effective for fiscal years beginning after Dec. 15, 2019, including interim periods within those years. Early adoption is permitted as long as the entity has adopted ASU 2016-13.

Amendments to ASU 2017-12 for entities that have not adopted ASU 2017-12 as of the issuance date of this ASU have the same effective dates as ASU 2017-12. For entities that have adopted ASU 2017-12 as of the issuance date of this ASU, the effective date is as of the beginning of the annual period beginning after the issuance date of this ASU. Early adoption is permitted as long as ASU 2017-12 has been adopted.

## **Targeted transition relief in applying credit losses standard**

On May 15, 2019, the FASB issued ASU 2019-05, “[Financial Instruments – Credit Losses \(Topic 326\): Targeted Transition Relief](#),” which provides clarification and improvements to transition guidance for ASU 2016-13. This ASU provides an option to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost basis. The fair value option election does not apply to held-to-maturity debt securities. The election is to be applied on an instrument-by-instrument basis.

### Effective dates

For entities that have not adopted ASU 2016-13, the effective date and transition methodology for the amendments in this ASU are the same as in ASU 2016-13. If ASU 2016-13 has been adopted, the amendments in this ASU are effective for fiscal years beginning after Dec. 15, 2019, including interim periods within those fiscal years. Early adoption is permitted in any interim period after issuance as long as ASU 2016-13 has been adopted.

## **Private-company accounting alternatives extended to not-for-profit entities**

On May 30, 2019, the FASB issued ASU 2019-06, “[Intangibles – Goodwill and Other \(Topic 350\), Business Combinations \(Topic 805\), and Not-for-Profit Entities \(Topic 958\): Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities](#),” to allow NFP entities to apply certain accounting alternatives that previously were provided only for private companies. Specifically, an NFP entity would be allowed to elect two separate accounting alternatives: 1) amortize goodwill over 10 years or less on a straight-line basis and test for impairment upon a triggering event, as well as have the option to elect to test for impairment at the entity level, and 2) include certain customer-related intangible (CRI) assets that are not capable of being sold or licensed independently, and all noncompete agreements in goodwill as part of a business combination.

An NFP entity may adopt the alternative to amortize goodwill without adopting the alternative to include CRIs and noncompete agreements in goodwill. However, an NFP entity that elects to include certain CRIs and noncompete agreements in goodwill also must adopt the alternative to amortize goodwill.

These alternatives are expected to reduce the costs and complexity of the goodwill test and the accounting for identifiable intangible assets for NFP entities.

### Effective date

The amendments are effective upon issuance.

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## Proposals

### **Incorporating SEC disclosures in codification**

On May 6, 2019, the FASB issued a proposed ASU, “Disclosure Improvements: Codification Amendments in Response to the SEC’s Disclosure Update and Simplification Initiative.”

The proposed amendments would incorporate various SEC disclosure requirements into U.S. GAAP. The proposal would add certain interim and annual disclosure requirements to a variety of topics including changes in reporting entity, earnings per share, common control transactions, foreign currency matters, derivative accounting policies, consolidations, preferred shares, debt, assets subject to lien, repurchase and reverse repurchase agreements, real estate investment trusts, and certain oil- and gas-producing activities.

The exposure draft does not yet include an effective date.

Comments were due on June 28, 2019.

### **Simplifying the accounting for income taxes**

On May 14, 2019, the FASB issued a proposed ASU, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes,” which is designed to reduce cost and complexity in accounting for income taxes in Topic 740.

The proposed amendments would remove the following exceptions from Topic 740:

- Exception to the incremental approach for intraperiod tax allocation
- Exceptions to accounting for basis differences when a foreign subsidiary becomes an equity method investment or a foreign equity method investment becomes a subsidiary
- Exception in interim period income tax accounting for year-to-date losses that exceed anticipated losses

The proposed amendments would improve guidance within Topic 740 related to:

- Franchise taxes that are based partially on income
- Transactions with a government that result in a step up in the tax basis of goodwill
- Separate financial statements of legal entities that are not subject to tax
- Enacted changes in tax laws in interim periods

The exposure draft does not yet include an effective date.

Comments were due on June 28, 2019.

## Not-for-profit grants and contracts standard implementation Q&As

On June 6, 2019, the FASB issued a Staff Q&A document, “Subtopic 958-605, Application of the Limited Discretion Indicator and Accounting for Cost-Sharing Provisions in a Grant Agreement,” to address certain application matters related to implementing ASU 2018-08, “Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.”

Subtopic 958-605 contains guidance on determining whether contributions are conditional or unconditional on the basis of whether an agreement includes a barrier that must be overcome as well as either a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets. This subtopic also provides indicators that guide the assessment of whether an agreement contains a barrier. Indicators include 1) inclusion of a measurable performance-related or other barrier, 2) stipulations that limit discretion on the conduct of an activity, and 3) stipulations related to the purpose of the agreement. The Staff Q&A was developed to address frequently asked questions relative to two potential barriers:

The answer to question one provides clarification on the application of the limited discretion indicator when determining whether a budget and related stipulations contained in a grant agreement are considered to be a barrier to entitlement.

The answer to question two provides clarification on whether a cost-sharing provision in a grant agreement is a barrier to entitlement.

# From the SEC

## Public statements and announcements

### **Implementation of new standards**

At the 38th annual SEC and Financial Reporting Institute Conference in Los Angeles on June 6, 2019, acting Chief Accountant Sagar Teotia stressed the SEC's commitment to transparent financial disclosures and the importance of being proactive and preventive. He said that the SEC's biggest focus continues to be on the implementation of new standards. Teotia acknowledged that the increased number of new standards in recent years has increased pressure on the industry, but the profession has stepped up, and the benefits to investors are numerous. He also addressed disclosures related to the pending discontinuation of London Interbank Offered Rate (LIBOR) as a reference rate, an upcoming FASB exposure draft related to the simplification of the debt equity standard, and the SEC's accounting consultation process.

### **Current financial reporting matters**

A group of industry professionals, including SEC Deputy Chief Accountant Pat Gilmore, spoke on a panel at the 38th annual SEC and Financial Reporting Institute Conference on June 6, 2019, and addressed the following current financial reporting matters:

- The upcoming proposal related to financial statement requirements for significant business acquisitions and dispositions. The panel said the main drivers of the proposal are the enhanced quality of information provided to investors and the simplification of the requirements to reduce the cost of compliance for preparers.
- The continued emphasis on non-GAAP disclosures. These include ensuring that management has processes and controls in place over the appropriateness of any non-GAAP disclosures included in public filings.
- Areas of disclosure to consider for 2019, including Brexit, LIBOR, and cybersecurity. The panel acknowledged that while these issues may not affect all companies, it is important for companies to tell investors whether or not they are concerned about these matters and why.

## **Forum on distributed ledger technology and digital assets**

On May 31, 2019, the SEC hosted a live public forum focusing on distributed ledger technology and digital assets. The forum, which was organized by the SEC's Strategic Hub for Innovation and Financial Technology (FinHub), was webcast and is now available for viewing on the FinHub page. The agenda identified four panel discussions: capital formation considerations, trading and markets considerations, investment management considerations, and distributed ledger technology innovations.

## **National Compliance Outreach Program for Broker-Dealers**

On June 27, 2019, the SEC and the Financial Industry Regulatory Authority (FINRA) held the 2019 National Compliance Outreach Program for Broker-Dealers at the Federal Reserve Bank of Chicago.

Designed for regulators and broker-dealer industry professionals, the program is a gathering to discuss compliance practices and promote a more effective compliance structure for investor protection. Emphasis was on leadership insights, retail investor protection, and regulatory topics such as digital assets and cybersecurity.

## **Staffing updates**

On May 30, 2019, the SEC announced that Chief Accountant Wesley Bricker, who has been chief accountant since 2016 and with the SEC for more than six years, is leaving the agency in June. On the same day, the SEC named Sagar Teotia its acting chief accountant as of Bricker's departure. According to the SEC, Teotia has served as deputy chief accountant, leading the accounting group since 2017. As acting chief, Teotia will serve as the principal adviser to the SEC on accounting and auditing matters and will lead the SEC's Office of the Chief Accountant. Teotia will be responsible for assisting the SEC with its oversight of the FASB and the Public Company Accounting Oversight Board.

On June 3, 2019, the SEC announced that Kevin A. Zerrusen will serve as senior adviser for cybersecurity policy to Chairman Jay Clayton. The SEC noted that in this role "Zerrusen will coordinate efforts across the agency to address cybersecurity policy, engage with external stakeholders, and help enhance the SEC's mechanisms for assessing cyber-related risks." Currently, Zerrusen serves as chair of the Intelligence National Security Alliance's Cyber Council, which is focused on effective public-private sector collaboration on cybersecurity issues. He also has 30 years of experience with the Central Intelligence Agency, where his responsibilities included directing the agency's cyber center, which analyzes, evaluates, and counters foreign cyberthreats.

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## Rules and guidance

### **Regulation Best Interest**

On June 5, 2019, the SEC approved Regulation Best Interest, which clarifies that when making recommendations, a broker-dealer may not put its financial interests ahead of the interests of a retail customer.

At the same time, the SEC also approved a final rule on new Form CRS relationship summary and Form ADV amendments as well as two interpretations. The interpretations address investment advisers' standard of conduct and broker-dealer exclusion.

These four actions provide clarification on the standards of broker-dealer and investment adviser conduct, are designed to assist retail investors better understand and compare the services offered and make an informed choice of the relationship best suited to their needs and circumstances, and promote increased consistency in the level of protections provided specifically at the point in time that a recommendation is made.

### **Proposal to expand exemption from auditor attestation on ICFR**

On May 9, 2019, the SEC issued a proposal, "Amendments to the Accelerated Filer and Large Accelerated Filer Definitions," to revise the definitions of "accelerated filer" and "large accelerated filer," which would result in fewer registrants being required to obtain an auditor attestation on the effectiveness of ICFR.

The proposal generally does not change the public float thresholds used to determine filing status. Rather, it adds a revenue test for certain registrants, aimed at scoping out lower-revenue entities that are not large accelerated filers. Specifically, the SEC proposes to exempt smaller reporting companies (SCRs) with less than \$100 million in revenue from the requirements of Section 404(b) of the Sarbanes-Oxley Act of 2002. The proposal has no impact on the statutory exemption from Section 404(b) afforded to issuers that qualify as emerging growth companies.

The proposal does not change the requirement that companies establish, maintain, and provide management's assessment on the effectiveness of ICFR. The table summarizes the proposed new definitions:

<b>Proposed thresholds and resulting filing status</b>		
<b>Public float</b>	<b>Annual revenues</b>	<b>Filing status</b>
Less than \$75 million	N/A	SRC and nonaccelerated filer (ICFR attestation not required)
\$75 million to \$700 million*	Less than \$100 million*	SRC and accelerated filer
\$75 million to \$250 million	\$100 million or more	Accelerated filer (not SRC)
\$250 million to \$700 million	\$100 million or more	Large accelerated filer
\$700 million or more	N/A	

\*Represents a proposed change to ICFR attestation requirements for issuers with public float between \$75 million and \$700 million and revenues of less than \$100 million.

The proposal also revises certain thresholds, combined with the revenue test, with respect to exiting different tiers of filer status (that is, nonaccelerated, accelerated, or large accelerated filer).

The proposal does not include an effective date, which will depend on the feedback received and timing of the rulemaking process.

Comments are due July 29, 2019.

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## **Proposal for changes to financial statement requirements for acquisitions and dispositions**

On May 3, 2019, the SEC issued for public comment proposed rule amendments designed to improve the information for investors about the acquisition and disposition of businesses. The goal is to facilitate more timely access to capital and to reduce financial disclosure complexity and compliance costs.

The proposal includes amendments to Rules 3-05 and 3-14, Article 11 of Regulation S-X, and related forms for requirements on information related to financial statements of businesses acquired or to be acquired and for business dispositions. For investment companies, the proposal also includes new Rule 6-11 of Regulation S-X and amendments to Form N-14 for financial reporting of acquisitions involving investment companies.

Proposed changes include, among other things:

- Revising the significance tests by changing the investment and income tests, increasing the use of pro forma financial information in measuring significance, and conforming the significance threshold and tests for a disposed business
- Requiring at most two years of annual financial statements of an acquired business; eliminating the three-year requirement for acquisitions of major significance.
- For acquisitions of a component of an entity, allowing certain expenses to be disclosed instead of reflected in the carve-out financial statements.
- Clarifying when financial statements and pro forma financial information are required
- Removing the requirement for separate acquired business financial statements once the business has been included in the registrant's post-acquisition financial statements for a complete fiscal year
- Clarifying Rule 3-14 application requirements related to determination of significance, the need for interim income statements, special provisions for blind pool offerings, and the scope of the requirements
- Amending the pro forma financial information requirements and disclosures to improve their content and relevance

Comments are due July 29, 2019.

# From the PCAOB

## Guidance for CAM implementation

The PCAOB, on May 22, 2019, released “[Implementation of Critical Audit Matters: A Deeper Dive on the Communication of CAMs](#)” to answer frequently asked questions about how to communicate CAMs. This guidance was developed based on discussions with auditors about their experiences conducting dry runs of CAMs with their audit clients, the staff’s review of methodologies submitted by 10 U.S. audit firms that collectively audit approximately 85% of large accelerated filers, and other outreach efforts.

The guidance supplements previously released “[Implementation of Critical Audit Matters](#),” documents that address following:

- “[The Basics](#),” which provides a high-level overview of the CAM requirements
- “[Staff Observations From Review of Audit Methodologies](#),” which includes observations from the PCAOB’s chief auditor’s review of audit firm methodologies
- “[A Deeper Dive on the Determination of CAMs](#),” which includes answers to frequently asked questions for determining CAMs

## CAM webinars

The PCAOB has posted a recording of a [webinar](#) on implementation of new CAM requirements. Topics covered include CAM determination, communication, and documentation requirements as well as other considerations relevant to CAM requirements. The recording appears on the PCAOB’s [new auditor’s report implementation page](#), alongside other resources and recently released staff guidance.

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## 2018 Annual Report

The PCAOB released its [2018 Annual Report](#) summarizing its operations and financial results and covering its key strategic initiatives. During 2018, the PCAOB followed a collaborative strategic planning process and performed a comprehensive organizational assessment that resulted in initiatives across all of its programs and activities.

The report highlights areas in which the PCAOB progressed in its four strategic priorities that were identified for 2018 through 2022: effective oversight, innovation, improved engagement, and process and culture optimization. To address oversight, the PCAOB focused on improvement to inspections, standard-setting activities, enforcement, economic and risk analyses, and international engagement during 2018.

Additionally, the report addresses the PCAOB's work in its standard-setting and research projects, highlighting standards approved in 2018 and identifying data and technology and quality control as priorities for 2019. The PCAOB also plans to examine all other items on the standard-setting and research agendas to determine items to advance, items to remove, and whether to add any new items.

# From the CAQ

## CECL tool for audit committees

On May 7, 2019, the CAQ released [“Preparing for the New Credit Losses Standard: A Tool for Audit Committees.”](#) This new tool is designed to assist audit committees with their oversight responsibilities in implementing the CECL model under ASU 2016-13, “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.”

The tool has four sections:

1. “Understanding the Standard,” which provides an overview of the standard
2. “Evaluating the Company’s Impact Assessment,” which offers questions for audit committees to consider when discussing the standard’s impact with management and auditors
3. “Evaluating the Implementation Plan,” which is designed to help audit committees understand and evaluate management’s implementation plan
4. “Other Important Implementation Considerations,” which covers matters such as transition methods and new disclosure requirements

The tool also includes a list of resources produced by leading auditing firms.

## External auditor assessment tool

On April 2, 2019, the CAQ issued an updated tool to assist audit committees in evaluating the external auditor. Focused on audit committees serving public companies, “[External Auditor Assessment Tool: A Reference for U.S. Audit Committees](#)” updates the CAQ’s 2017 publication.

The updated tool adds questions related to firm-level audit quality considerations, including leadership, culture, engagement team management, audit engagement performance, and monitoring. It also includes information about accounting and auditing developments and potential risks. The tool offers questions for audit committees to consider asking in four categories:

- Quality of services and sufficiency of resources provided by the engagement team
- Quality of services and sufficiency of resources provided by the audit firm
- Communication and interaction with the external auditor
- Auditor independence, objectivity, and professional skepticism

The tool suggests audit committees refer to the CAQ’s January 2019 publication “[Audit Quality Disclosure Framework](#)” for additional considerations when asking external auditors about the quality and sufficiency of resources provided by the audit firm.

## CAMs Webcast

The CAQ posted a recording of its April 1, 2019, webcast “[The Enhanced Auditor’s Report Is Here: Get the Facts on CAMs and More.](#)” The first in a five-part series, the webcast addressed early lessons learned in the implementation of CAMs requirements, how audit committees and management can prepare, and how information included in CAMs communications may be used by investors.

# From the GASB

## Final standards

### **Implementation guidance update**

On May 2, 2019, the GASB issued Implementation Guide No. 2019-1, “[Implementation Guidance Update – 2019](#),” to clarify, explain, or elaborate on certain GASB pronouncements. The guide includes 14 new questions and answers to address application of existing GASB standards covering various topics including the following:

- Postemployment benefits – plan and employer (1-5)
- Derivative instruments (6)
- Nonexchange transactions (7)
- Impairment of capital assets and insurance recoveries (8)
- Intra-entity transfers of assets (9-10)
- Fund balance reporting and governmental fund type definitions (11)
- Tax abatement disclosures (12)
- Irrevocable split-interest agreements (13-14)

In addition, the implementation guide amends four previously issued questions and answers from Implementation Guides 2015-1 and 2017-2.

### Effective date

The requirements of this implementation guide are effective for reporting periods beginning after June 15, 2019. Early application is encouraged for guidance related to standards that already have been implemented.

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## Conduit debt obligations

On May 28, 2019, the GASB issued Statement No. 91, “Conduit Debt Obligations,” to provide guidance on how government issuers report conduit debt obligations. Conduit debt obligations are debt instruments issued by a state or local government to provide financing for a specific third party that is not part of the issuer’s financial reporting entity and primarily is liable for repaying the debt instrument.

Existing guidance for accounting for conduit debt obligations is found in GASB Interpretation No. 2, “Disclosure of Conduit Debt Obligations.” This guidance allowed government issuers to recognize conduit debt obligations as their own debt liability or simply disclose the transaction in the notes to their financial statements. This option has resulted in a disparity in practice among governments that issue conduit debt obligations, thus affecting the comparability of financial statement information.

This statement is designed to eliminate diversity in practice by:

- Clarifying the definition of a conduit obligation
- Providing a single method of reporting by eliminating the option for government issuers to recognize a conduit debt obligation as a liability
- Broadening the definition of conduit debt obligations to include those for which government issuers 1) make related additional commitments, such as guarantees or moral obligation pledges, or 2) voluntarily agree to make debt service payments or request an appropriation for such payments, if necessary
- Clarifying the accounting and financial reporting of additional commitments extended by issuers and arrangements associated with conduit debt obligations, which often are characterized in practice as leases but are not leases for financial reporting purposes
- Improving note disclosures

While the statement stipulates that an issuer does not recognize a liability for the conduit debt obligation, an issuer that has made, or voluntarily provides, commitments would recognize a related liability and expense or expenditure if qualitative factors indicate that it is more likely than not (more than 50%) that it will support one or more debt service payments for a conduit debt obligation. The statement includes specific qualitative factors to be considered in place of extant guidance in GASB Statement 70 “Accounting and Financial Reporting for Nonexchange Financial Guarantees” or Statement 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.”

### Effective date

The requirements of this statement are effective for reporting periods beginning after Dec. 15, 2020. Early application is encouraged.

## **Implementation guide on fiduciary activities**

On June 17, 2019, the GASB issued Implementation Guide 2019-2, “Fiduciary Activities.” The implementation guide contains questions and answers to clarify, explain, or elaborate on the GASB’s new standards on accounting and financial reporting for fiduciary activities, GASB Statement 84, “Fiduciary Activities.”

The GASB released Statement 84 in January 2017. The statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. It 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.

The implementation guide includes 52 new questions and answers to address accounting and financial reporting topics for fiduciary activities related to the following areas:

- Identifying fiduciary activities (1-38)
- Reporting fiduciary activities in fiduciary funds (39-46)
- Statement of fiduciary net position (47)
- Statement of changes in fiduciary net position (48-50)
- Reporting fiduciary component units (51-52)

In addition, the implementation guide includes amendments to three previously issued questions and answers from Implementation Guides 2015-1 and 2017-2.

### Effective date

The requirements of this statement are effective for reporting periods beginning after Dec. 15, 2018. Early application is encouraged if Statement 84 has been implemented.

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## Proposals

### **Subscription-based information technology arrangements**

On May 21, 2019, the GASB issued an exposure draft, “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 lack of guidance for subscription-based information technology arrangements (SBITAs) has caused inconsistency in accounting and financial reporting.

The proposed statement would apply many of the provisions of Statement 87, “Leases,” to subscription-based transactions. The exposure draft proposes:

- An SBITA would be 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 would 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).

In addition, the exposure draft includes proposals related to outlays other than subscription payments, including accounting for implementation costs based on three different stages and note disclosures related to an SBITA.

Comments are due to the GASB by Aug. 23, 2019.

## **Public-private and public-public partnerships and availability payment arrangements**

On June 13, 2019, the GASB issued an exposure draft, “Public-Private and Public-Public Partnerships and Availability Payment Arrangements,” to provide guidance to improve accounting and financial reporting for public-private and public-public partnership arrangements (both referred to as PPPs) and availability payment arrangements (APAs).

The provisions in the exposure draft would provide guidance for PPPs that are outside of the scope of the GASB’s existing literature for these types of transactions, specifically Statement 60, “Accounting and Financial Reporting for Service Concession Arrangements,” and Statement 87, “Leases.” The proposed guidance also would make certain improvements to the guidance currently included in Statement 60 and provide accounting and financial reporting guidance for APAs.

### PPPs

The exposure draft outlines that a PPP would include arrangements in which a government transferor contracts with a governmental or nongovernmental operator to provide public services by conveying control of the right to operate or use an infrastructure or other nonfinancial asset, the underlying PPP asset, for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA). The exposure draft carries forward the definition and financial reporting requirements for SCAs that currently are included in Statement 60.

The proposed guidance includes the following financial reporting requirements:

- PPPs that meet the definition of an SCA would apply the financial reporting requirements of Statement 60.
- PPPs that meet the definition of a lease, but not the definition of an SCA, would apply the financial reporting requirements of Statement 87.
- For all other PPPs that are not SCAs and are not leases, a transferor would recognize an asset for the underlying PPP asset and a deferred inflow of resources for consideration received or to be received as part of the PPP.
- A governmental operator would report an intangible right-to-use asset related to the underlying PPP asset that either is owned by the transferor or is the underlying asset of an SCA.

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## APAs

The exposure draft defines an APA as an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying infrastructure or other nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The proposed guidance includes the following financial reporting requirements:

- An APA related to activities previously defined and in which ownership of the asset transfers by the end of the contract should be accounted for as a financed purchase of the underlying infrastructure or other nonfinancial asset.
- An APA that is related to operating or maintaining an infrastructure or other nonfinancial asset should be accounted for as an outflow of resources in the period to which payments relate.

Comments are due to the GASB by Sept. 13, 2019.

## **Internal Revenue Code Section 457 deferred compensation plans**

On June 28, 2019, the GASB issued an exposure draft, “Internal Revenue Code Section 457 Deferred Compensation Plans That Meet the Definition of a Pension Plan and Supersession of GASB Statement 32,” to provide guidance to clarify the accounting and financial reporting of IRC Section 457 deferred compensation plans.

The exposure draft proposes that if a Section 457 plan meets the definition of a pension plan in GASB guidance, the appropriate GASB pension standards should be applied to the financial reporting for that plan and for the benefits provided through that plan. Under existing guidance, Section 457 plans explicitly are excluded from the pension standards.

The proposed guidance also would supersede the remaining provisions of Statement 32, “Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,” as amended, by requiring investments of all Section 457 plans to be valued as of the end of the plan’s reporting period in all circumstances, as is required for all other postemployment benefit plans.

Comments are due to the GASB by Sept. 27, 2019.

# Accounting Standards Updates (ASU) effective dates

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# Checklist A

## ASU effective dates for public business entities (PBEs)

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
<b>Codification Improvements (ASU 2018-09)</b> 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) <b>March 31, 2018</b> <b>Upon issuance, July 16, 2018</b> <b>March 31, 2019</b>	Permitted, including in an interim period
<b>Revenue Recognition (ASU 2014-09)</b> 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: <b>ASU 2015-14</b> – Deferral of Effective Date. <b>ASU 2016-08</b> – Principal Versus Agent Considerations (Gross Versus Net Reporting). <b>ASU 2016-10</b> – Identifying Performance Obligations and Licensing. <b>ASU 2016-11</b> – Rescission of Certain SEC Guidance in Topic 605 (Staff Announcements at March 3, 2016, EITF Meeting). <b>ASU 2016-12</b> – Narrow-Scope Improvements and Practical Expedients. <b>ASU 2016-20</b> – Technical Corrections and Improvements. <b>ASU 2017-14</b> – Rescission of SEC SAB Topics 8 and 13 and bill-and-hold guidance; revision of SAB Topic 11.A and SEC guidance for certain vaccine manufacturers.	<b>March 31, 2018<sup>1</sup></b>	Permitted only as of annual periods beginning after Dec. 15, 2016, including interims within
<b>Derecognition and Partial Sales of Nonfinancial Assets (ASU 2017-05)</b> Primarily applies to the real estate industry but can impact other entities. Clarifies the scope of Subtopic 610-20 by defining an “in substance nonfinancial asset” and provides guidance on partial sales, such as when an entity retains an equity interest in the entity that owns the transferred nonfinancial assets.	<b>March 31, 2018, consistent with ASU 2014-09</b>	Permitted only as of annual periods beginning after Dec. 15, 2016, including interims within

<sup>1</sup> As codified in ASU 2017-13, in an SEC staff announcement at the July 20, 2017, EITF meeting specifically related to PBEs that qualify as a PBE solely due to a requirement to include or the inclusion of its financial statements or financial information in another entity's SEC filing ("certain PBEs"), the SEC stated that it will allow certain PBEs to elect to apply the non-PBE effective dates for the revenue recognition and lease accounting standards only. For certain PBEs, the revenue recognition guidance is effective for Dec. 31, 2019, annual financial statements for calendar year-end entities.

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><b>Leases (ASU 2016-02)</b></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><b>ASU 2018-01</b> – 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><b>ASU 2018-10</b> – Provides 16 improvements and clarifications to the guidance in Topic 842.</p> <p><b>ASU 2018-11</b> – 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><b>ASU 2018-20</b> – Provides improvements specific to lessors for evaluating sales taxes, recording reimbursed costs, and allocating variable payments to lease and nonlease components.</p> <p><b>ASU 2019-01</b> – Provides improvements in determining fair value of underlying asset 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, 2019<sup>2</sup></p> <p>For ASU 2019-01, March 31, 2020, except for transition disclosure amendments which are consistent with ASU 2016-02</p>	<p>Permitted</p>
<p><b>Premium Amortization on Purchased Callable Debt (ASU 2017-08)</b></p> <p>Shortens the amortization period for premiums on purchased callable debt securities to the earliest call date, instead of to the maturity date.</p>	<p>March 31, 2019</p>	<p>Permitted, including in an interim period</p>
<p><b>Financial Instruments With Down-Round Features (Part I) and Scope Exception for Certain Mandatorily Redeemable Financial Instruments (Part II) (ASU 2017-11)</b></p> <p><b>Part I</b> – 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><b>Part II</b> – 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>	<p>March 31, 2019</p>	<p>Permitted, including in an interim period</p>

<sup>2</sup> As codified in ASU 2017-13, in an SEC staff announcement at the July 20, 2017, EITF meeting specifically related to PBEs that qualify as a PBE solely due to a requirement to include or the inclusion of its financial statements or financial information in another entity's SEC filing ("certain PBEs"), the SEC stated that it will allow certain PBEs to elect to apply the non-PBE effective dates for the revenue recognition and lease accounting standards only. For certain PBEs, the lease accounting standard is effective for Dec. 31, 2020, annual financial statements for calendar year-end entities.

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
<b>Hedging Activities (ASU 2017-12)</b> Expands the nonfinancial and financial risk components that can qualify for hedge accounting and simplifies financial reporting for hedging activities. Clarifying standards: <b>ASU 2019-04</b> – 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.	<b>March 31, 2019</b>  <b>For ASU 2019-04, March 31, 2020</b>	Permitted, including in an interim period
<b>Additional Benchmark Interest Rate for Hedging (ASU 2018-16)</b> 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).	<b>March 31, 2019 (consistent with ASU 2017-12)</b>	Permitted, including in an interim period, if ASU 2017-12 was early adopted
<b>Certain Deferred Taxes for Steamship Entities (ASU 2017-15)</b> Requires steamship entities to recognize any remaining deferred taxes on certain statutory reserve deposits in accordance with Topic 740.	<b>March 31, 2019</b>	Permitted, including in an interim period
<b>Tax Reform – Reclassification of Stranded Tax Effects in AOCI (ASU 2018-02)</b> An entity may elect to reclassify stranded tax effects in AOCI specifically affected by the <i>Tax Cuts and Jobs Act</i> from AOCI to retained earnings, instead of recognizing those effects in earnings.	<b>March 31, 2019</b>	Permitted, including in an interim period
<b>Nonemployee Stock Compensation Simplifications (ASU 2018-07)</b> Aligns the accounting guidance for nonemployee stock payments with the guidance for employee stock compensation in ASC Topic 718.	<b>March 31, 2019</b>	Permitted, including in an interim period, but no earlier than the adoption of Topic 606
<b>Contributions Received and Made for Not-for-Profit Entities (ASU 2018-08)</b> 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.	<b>March 31, 2019 (See the ASU for noncalendar year-end effective dates because they vary for contributions received and contributions made).</b>	Permitted
<b>Goodwill Impairment Testing (ASU 2017-04)</b> 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.	<b>For SEC filers, tests performed on or after Jan. 1, 2020</b>  <b>For PBEs that are not SEC filers, tests performed on or after Jan. 1, 2021</b>	Permitted for interim or annual goodwill impairment tests performed on testing dates on or after Jan. 1, 2017

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><b>Credit Losses (ASU 2016-13)</b></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><b>ASU 2018-19</b> – Clarifies that impairment of operating lease receivables is in the scope of ASC Topic 842, “Leases,” and not the CECL model.</p> <p><b>ASU 2019-04</b> – 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><b>ASU 2019-05</b> – 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>For SEC filers, March 31, 2020</p> <p>For PBEs that are <b>not</b> SEC filers, March 31, 2021</p> <p>For ASU 2019-04 and ASU 2019-05, 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><b>Fair Value Measurement Disclosure (ASU 2018-13)</b></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><b>Implementation Costs for Cloud Computing Arrangements (CCAs) (ASU 2018-15)</b></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>
<p><b>Variable Interest Entity (VIE) Model – Targeted Improvements for Related Parties (ASU 2018-17)</b></p> <p>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>	<p>March 31, 2020</p>	<p>Permitted, including in an interim period</p>
<p><b>Collaborative Arrangements (Topic 808) (ASU 2018-18)</b></p> <p>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 separate from revenue outside its scope.</p>	<p>March 31, 2020</p>	<p>Permitted, including in an interim period</p>

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
<b>Certain Costs in Media and Entertainment Industry (ASU 2019-02)</b> 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, 2020	Permitted, including in an interim period
<b>Improvements to Recognition and Measurement of Financial Instruments (ASU 2019-04)</b> 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.)	March 31, 2020	Permitted, including in an interim period
<b>Defined Benefit Plan Disclosure for Sponsors (ASU 2018-14)</b> 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
<b>Updating the Definition of Collections (ASU 2019-03)</b> 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
<b>Long-Duration Insurance Contracts (ASU 2018-12)</b> 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.	March 31, 2021	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
<b>Codification Improvements (ASU 2018-09)</b> 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) <b>Upon issuance, July 16, 2018</b> <b>Dec. 31, 2019</b> <b>Dec. 31, 2020</b>	Permitted, including in an interim period
<b>Certain Deferred Taxes for Steamship Entities (ASU 2017-15)</b> Requires steamship entities to recognize any remaining deferred taxes on certain statutory reserve deposits in accordance with Topic 740.	<b>March 31, 2019</b>	Permitted, including in an interim period
<b>Tax Reform – Reclassification of Stranded Tax Effects in AOCI (ASU 2018-02)</b> An entity may elect to reclassify stranded tax effects in AOCI specifically affected by the <i>Tax Cuts and Jobs Act</i> from AOCI to retained earnings, instead of recognizing those effects in earnings.	<b>March 31, 2019</b>	Permitted, including in an interim period
<b>Extending Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities (ASU 2019-06)</b> A not-for-profit entity may elect the accounting alternatives provided to private companies for the subsequent measurement of goodwill and the recognition of certain identifiable intangible assets acquired in a business combination.	<b>Upon issuance, May 30, 2019</b>	Not applicable
<b>Revenue Recognition (ASU 2014-09)</b> 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: <b>ASU 2015-14</b> – Deferral of Effective Date. <b>ASU 2016-08</b> – Principal Versus Agent Considerations (Gross Versus Net Reporting). <b>ASU 2016-10</b> – Identifying Performance Obligations and Licensing. <b>ASU 2016-11</b> – Rescission of Certain SEC Guidance in Topic 605 (Staff Announcements at March 3, 2016, EITF Meeting). <b>ASU 2016-12</b> – Narrow-Scope Improvements and Practical Expedients. <b>ASU 2016-20</b> – Technical Corrections and Improvements. <b>ASU 2017-14</b> – Rescission of SEC SAB Topics 8 and 13 and bill-and-hold guidance; revision of SAB Topic 11.A and SEC guidance for certain vaccine manufacturers.	<b>Dec. 31, 2019</b>	Permitted only as of annual periods beginning after Dec. 15, 2016, including interims within

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
<b>Derecognition and Partial Sales of Nonfinancial Assets (ASU 2017-05)</b> Primarily applies to the real estate industry but can affect other entities. Clarifies the scope of Subtopic 610-20 by defining an “in substance nonfinancial asset” and provides guidance on partial sales, such as when an entity retains an equity interest in the entity that owns the transferred nonfinancial assets.	Dec. 31, 2019, consistent with ASU 2014-09	Permitted only as of annual periods beginning after Dec. 15, 2016, including interims within
<b>Service Concession Arrangements for Operators of Public Infrastructure (ASU 2017-10)</b> In all service concession arrangements between a public sector entity and the operator of the public sector entity's infrastructure, the public sector entity (or the grantor) should be identified as the customer.	Dec. 31, 2019 (unless ASU 2014-09 has been adopted)	Permitted, including in an interim period
<b>Recognition and Measurement (ASU 2016-01)</b> Applies to the classification and measurement of financial instruments. Removes the available-for-sale category for equities. Equities (excluding equity method and consolidated investments) will be carried at fair value; however, the changes will run through the income statement rather than OCI. Clarifying standards: <b>ASU 2018-03</b> – Clarifications for equity securities without a readily determinable fair value and fair value option liabilities. <b>ASU 2018-04</b> – (SAB 117) Rescission of SEC guidance on AFS equities. <b>ASU 2019-04</b> – Contains various improvements, including scope, fair value measurement alternative, held-to-maturity debt securities fair value disclosures, and remeasurement of equity securities at historical exchange rates.	Dec. 31, 2019  For ASU 2019-04, Dec. 31, 2020	Not permitted, except for two provisions  <b>For ASU 2018-03 and ASU 2019-04, permitted, including in an interim period, if ASU 2016-01 has been adopted</b>
<b>Breakage for Prepaid Cards (ASU 2016-04)</b> Applies to prepaid stored-value products that are redeemable for monetary values of goods or services but also may be redeemable for cash, such as certain prepaid gift cards, prepaid telecommunication cards, and traveler's checks.	Dec. 31, 2019	Permitted, including in an interim period
<b>Statement of Cash Flows: Certain Clarifications (ASU 2016-15)</b> Provides guidance on how eight specific cash flows should be classified in the statement of cash flows, including debt prepayment or extinguishment costs, settlement of zero-coupon bonds, contingent consideration payments, insurance settlement proceeds, company-owned life insurance (COLI) policy settlements and premiums, equity method investee distributions, beneficial interests in securitization transactions, and predominance principle for receipts and payments.	Dec. 31, 2019	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
<b>Income Taxes for Intra-Entity Asset Transfers (ASU 2016-16)</b> Applies to asset transfers between legal entities, including related parties (e.g., bank and investment subsidiary); transferor recognizes the current and deferred tax effects when the transfers occur.	Dec. 31, 2019	Permitted as of the beginning of an annual period for which financial statements have not been issued or made available for issuance
<b>Statement of Cash Flows: Restricted Cash (ASU 2016-18)</b> Requires that restricted cash and cash equivalents be presented in total cash and cash equivalents in the statement of cash flows, and the nature of restrictions on restricted cash and cash equivalents be disclosed.	Dec. 31, 2019	Permitted, including in an interim period
<b>Definition of a Business (ASU 2017-01)</b> Applies to the analysis of whether an asset or business is acquired (which determines whether goodwill is recognized), as well as asset derecognition and business deconsolidation transactions.	Dec. 31, 2019	Permitted for certain transactions
<b>Employee Benefit Plan Master Trust Reporting (ASU 2017-06)</b> Applies to disclosures of plans that have an interest in a master trust, which is a trust for which a regulated financial institution serves as a trustee or custodian and in which assets of more than one plan sponsored by an employer or employers under common control are held.	Dec. 31, 2019	Permitted
<b>Presentation of Net Periodic Pension and Postretirement Benefit Costs (ASU 2017-07)</b> Rather than reporting pension expense as a net amount, the service cost component will be presented consistent with similar compensation for the same employees, and the other components will be separately presented in the income statement.	Dec. 31, 2019	Permitted as of the beginning of an annual period, in the first interim period if interim financial statements are issued
<b>Contributions Received and Made for Not-for-Profit Entities (ASU 2018-08)</b> 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.	For contributions received, Dec. 31, 2019  For contributions made, Dec. 31, 2020	Permitted

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
<p><b>Leases (ASU 2016-02)</b></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><b>ASU 2018-01</b> – 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><b>ASU 2018-10</b> – Provides 16 improvements and clarifications to the guidance in Topic 842.</p> <p><b>ASU 2018-11</b> – 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><b>ASU 2018-20</b> – Provides improvements specific to lessors for evaluating sales taxes, recording reimbursed costs, and allocating variable payments to lease and nonlease components.</p>	Dec. 31, 2020	Permitted
<p><b>Premium Amortization on Purchased Callable Debt (ASU 2017-08)</b></p> <p>Shortens the amortization period for premiums on purchased callable debt securities to the earliest call date, instead of to the maturity date.</p>	Dec. 31, 2020	Permitted, including in an interim period
<p><b>Financial Instruments With Down-Round Features (Part I) and Scope Exception for Certain Mandatorily Redeemable Financial Instruments (Part II) (ASU 2017-11)</b></p> <p><b>Part I</b> – 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 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><b>Part II</b> – 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

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
<p><b>Hedging Activities</b> <b>(ASU 2017-12)</b></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><b>ASU 2019-04</b> – 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>	Dec. 31, 2020	Permitted, including in an interim period
<p><b>Additional Benchmark Interest Rate for Hedging</b> <b>(ASU 2018-16)</b></p> <p>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).</p>	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
<p><b>Nonemployee Stock Compensation Simplifications</b> <b>(ASU 2018-07)</b></p> <p>Aligns the accounting guidance for nonemployee stock payments with the guidance for employee stock compensation in ASC Topic 718.</p>	Dec. 31, 2020	Permitted, including in an interim period, but no earlier than the adoption of Topic 606
<p><b>Fair Value Measurement Disclosure</b> <b>(ASU 2018-13)</b></p> <p>Removes, modifies, or adds certain fair value measurement disclosures related to financial instrument transfers and Level 3 instruments, among others.</p>	Dec. 31, 2020	Permitted
<p><b>Updating the Definition of Collections</b> <b>(ASU 2019-03)</b></p> <p>Improves the definition of collections. Requires additional disclosure. Although the ASU primarily affects not-for-profits, it applies to all entities that maintain collections.</p>	Dec. 31, 2020	Permitted, including in an interim period
<p><b>Certain Costs in Media and Entertainment Industry</b> <b>(ASU 2019-02)</b></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>	March 31, 2021	Permitted, including in an interim period

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
<b>Defined Benefit Plan Disclosure for Sponsors (ASU 2018-14)</b> 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, 2021	Permitted
<b>Implementation Costs for Cloud Computing Arrangements (CCAs) (ASU 2018-15)</b> 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.	Dec. 31, 2021	Permitted, including in an interim period
<b>Variable Interest Entity (VIE) Model – Targeted Improvements for Related Parties (ASU 2018-17)</b> 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).	Dec. 31, 2021	Permitted, including in an interim period
<b>Collaborative Arrangements (Topic 808) (ASU 2018-18)</b> 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 separate from revenue outside its scope.	Dec. 31, 2021	Permitted, including in an interim period
<b>Goodwill Impairment Testing (ASU 2017-04)</b> 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.	Tests performed on or after Jan. 1, 2022	Permitted for interim or annual goodwill impairment tests performed on testing dates on or after Jan. 1, 2017

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
<p><b>Credit Losses (ASU 2016-13)</b></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><b>ASU 2018-19</b> – 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><b>ASU 2019-04</b> – 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><b>ASU 2019-05</b> – 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><b>Dec. 31, 2022</b></p> <p><b>For ASU 2019-04 and ASU 2019-05, Dec. 31, 2020, for entities that have adopted ASU 2016-13; otherwise effective dates the same as ASU 2016-13</b></p>	<p><b>Permitted as of the fiscal years beginning after Dec. 15, 2018, including interim periods within</b></p>
<p><b>Long-Duration Insurance Contracts (ASU 2018-12)</b></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><b>Dec. 31, 2022</b></p>	<p><b>Permitted</b></p>

# Governmental Accounting Standards Board (GASB) statement effective dates

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**Checklist C – Effective dates for all GASB statements .....C-1**

# Checklist C

## Effective dates for all GASB statements

<b>GASB statement</b>	<b>Effective dates – reporting periods beginning after</b>	<b>Early adoption</b>
<b>Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB Statement 75)</b>  Supersedes the requirements of Statement 45 and now requires governments to report a liability on the face of the financial statements for the other postemployment benefits (OPEB) that they provide along with requiring governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities.	June 15, 2017	Permitted
<b>Omnibus 2017 (GASB Statement 85)</b>  Addresses issues found during the application of guidance related to blending a component unit, reporting goodwill, classifying real estate held by insurance entities, measuring certain money market investments and participating interest-earning investment contracts at amortized cost, and various pension and OPEB issues.	June 15, 2017	Permitted
<b>Certain Debt Extinguishment Issues (GASB Statement 86)</b>  Provides guidance for transactions in which cash and other monetary assets acquired with only existing resources (that is, resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt. This guidance generally follows the same requirements as Statement 7, “Advance Refundings Resulting in Defeasance of Debt.” Under Statement 7, government entities must consider debt to be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt.	June 15, 2017	Permitted
<b>Certain Asset Retirement Obligations (GASB Statement 83)</b>  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, 2018	Permitted
<b>Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements (GASB Statement 88)</b>  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, 2018	Permitted

GASB statement	Effective dates – reporting periods beginning after	Early adoption
<b>Fiduciary Activities</b> <b>(GASB Statement 84)</b> <p>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.</p> <p>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.</p>	Dec. 15, 2018	Permitted
<b>Majority Equity Interests</b> <b>(GASB Statement 90)</b> <p>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.</p>	Dec. 15, 2018	Permitted
<b>Leases</b> <b>(GASB Statement 87)</b> <p>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.</p>	Dec. 15, 2019	Permitted
<b>Accounting for Interest Cost Incurred Before the End of a Construction Period</b> <b>(GASB Statement 89)</b> <p>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.</p>	Dec. 15, 2019	Permitted
<b>Conduit Debt Obligations</b> <b>(GASB Statement 91)</b> <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, 2020	Permitted



## Learn more

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