



January 2020

# Keeping You Informed

Fourth quarter accounting and financial reporting developments



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# Fourth quarter highlights

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

- Simplifying accounting for income taxes
- Narrow-scope improvements to the credit losses standard
- Deferral of effective dates for certain entities for credit impairment, leases, hedging, and long-duration contracts guidance
- Improvements to share-based consideration payable to a customer

The FASB also issued proposals during the quarter addressing the following:

- Various codification improvements
- Transition guidance for reference rate reform
- Improvements to hedge accounting

The Securities and Exchange Commission (SEC) participated in the annual American Institute of CPAs (AICPA) Conference on Current SEC and PCAOB Developments in December, issued guidance on estimates of current expected credit losses, proposed to adopt resource extraction disclosures, proposed to update the definition of accredited investor, and proposed to amend the proxy rules.

The Public Company Accounting Oversight Board (PCAOB) issued its five-year strategic plan, released a spotlight report on critical audit matters (CAMs), posted a report on conversations with audit committees, and released a concept release on quality control standards.

The AICPA issued a practice aid on accounting for and auditing of digital assets, two working drafts addressing credit losses standard implementation issues, and a new Statement on Auditing Standards and new Statement on Standards for Attestation Engagements that align the AICPA concept of materiality with the PCAOB, the SEC, the FASB, and the U.S. judicial system.

The Center for Audit Quality (CAQ) released its audit committee transparency barometer in the fourth quarter and published information on the auditors' role in company-prepared information. It also issued a request for auditing-related research topics.

- Also included are 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

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

On Dec. 18, 2019, the FASB issued ASU No. 2019-12, “[Income Taxes \(Topic 740\): Simplifying the Accounting for Income Taxes](#),” to reduce the cost and complexity in accounting for income taxes in Topic 740.

The amendments 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 become a subsidiary
- Exception in interim period income tax accounting for year-to-date losses that exceed anticipated losses

The amendments simplify and improve guidance within Topic 740 related to:

- Franchise taxes that are based partially on income
- Transactions 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
- Employee stock ownership plans and investments in qualified affordable housing projects accounted for using the equity method

### Effective dates

For public business entities (PBEs), the amendments are effective for fiscal years beginning after Dec. 15, 2020, and interim periods within. For all other entities, the amendments are effective for fiscal years beginning after Dec. 15, 2021, and interim periods within fiscal years beginning after Dec. 15, 2022. Early adoption is permitted.

## **Narrow-scope improvements to credit losses standard**

On Nov. 26, 2019, the FASB issued ASU 2019-11, [“Codification Improvements to Topic 326, Financial Instruments – Credit Losses.”](#) The amendments improve certain aspects of the new credit losses standard (ASU 2016-13). The areas of improvement include the following:

- Negative allowance 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
- Conforming amendment to Subtopic 805-20

### Effective dates

For entities that have not adopted ASU 2016-13, the effective dates and transition requirements for ASU 2019-11 mirror the requirements for ASU 2016-13.

For entities that have adopted ASU 2016-13, the amendments in ASU 2019-11 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 of ASU 2019-11 as long as an entity has adopted the amendments in ASU 2016-13.

For entities that have adopted the amendments in ASU 2016-13, the amendments in ASU 2019-11 should be applied on a modified retrospective basis by means of a cumulative-effect adjustment to the opening retained earnings balance in the statement of financial position as of the date that an entity adopted the amendments in ASU 2016-13.

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## **Effective dates deferral for major standards for certain entities**

On Nov. 15, 2019, the FASB issued ASU 2019-10, “Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates,” to defer effective dates for the credit losses, derivatives and hedging, and leases standards for certain entities.

The amendments introduce a bucket approach in which effective dates are staggered between larger public companies (bucket one) and all other entities (bucket two). Bucket two entities include private companies, smaller reporting companies (SRCs), not-for-profit organizations (NFPs), and employee benefit plans (EBPs). The board anticipates staggering bucket two effective dates of major updates for at least two years after bucket one effective dates.

For calendar year-end entities, the following table reflects the effective dates for the major standards:

Effective dates		
<b>Hedging</b>	PBEs: 2019	All other entities: 2021
<b>Leases</b>	PBEs and certain NFPs and EBPs: 2019	All other entities: 2021
<b>Credit losses</b>	SEC filers excluding SRCs: 2020	All other entities: 2023

This ASU also amends the effective date for ASU 2017-04, which eliminated step two from the goodwill impairment test. For PBEs that are SEC filers, excluding entities eligible to be SRCs as defined by the SEC, the amendments in ASU 2017-04 are effective for annual and interim goodwill impairment tests in fiscal years beginning after Dec. 15, 2019. For all other entities, the amendments are effective for annual and interim goodwill impairment tests in fiscal years beginning after Dec. 15, 2022.

### Effective date

This ASU was effective upon issuance.

## **Effective date deferral of long-duration contracts guidance**

On Nov. 15, 2019, the FASB issued ASU 2019-09, “Financial Services – Insurance (Topic 944): Effective Date.” This ASU defers the effective date of ASU 2018-12, “Financial Services – Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts,” for all entities.

For PBEs that meet the definition of an SEC filer, excluding entities eligible to be SRCs as defined by the SEC, the amendments in ASU 2018-12 are effective for fiscal years beginning after Dec. 15, 2021, and interim periods within.

For all other entities, the amendments in ASU 2018-12 are effective for fiscal years beginning after Dec. 15, 2023, and interim periods within fiscal years beginning after Dec. 15, 2024. Early application of the amendments in ASU 2018-12 is permitted.

### Effective date

This ASU was effective upon issuance.

## **Improvements to share-based consideration payable to a customer**

On Nov. 11, 2019, the FASB issued ASU 2019-08, “Compensation – Stock Compensation (Topic 718) and Revenue From Contracts With Customers (Topic 606): Codification Improvements – Share-Based Consideration Payable to a Customer.” This ASU requires entities to measure and classify share-based payments to a customer by applying the guidance in Topic 718. The amount recorded as a reduction in revenue is to be measured on the basis of the grant-date fair value of the share-based payment in accordance with Topic 718. The classification and subsequent measurement of the award is subject to Topic 718 unless the share-based payment award is subsequently modified and the grantee is no longer a customer.

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### **Effective dates**

For PBEs, the amendments are effective for fiscal years beginning after Dec. 15, 2019, and interim periods within. For all other entities that have early adopted ASU 2018-07, the amendments are effective for fiscal years beginning after Dec. 15, 2019, and interim periods within. For all other entities that have not early adopted ASU 2018-07, the amendments are effective for fiscal years beginning after Dec. 15, 2019, and interim periods within fiscal years beginning after Dec. 15, 2020. An entity may early adopt the amendments, but not before it adopts ASU 2018-07.

If an entity adopts the amendments in the same fiscal year that it adopts ASU 2018-07, the entity should apply the amendments in ASU 2019-08 through a cumulative-effect adjustment to the opening balance of retained earnings at the beginning of the fiscal year in which it adopted the amendments in ASU 2018-07.

If an entity adopts the amendments in a fiscal year after the fiscal year that the entity adopts the amendments in ASU 2018-07, the entity should apply the amendments in ASU 2019-08 through a cumulative-effect adjustment to the opening balance of retained earnings at the beginning of either 1) the fiscal year in which it adopted the amendments in ASU 2018-07 or 2) the fiscal year in which it adopts the amendments in ASU 2019-08.

## **Proposals**

### **Codification improvements**

On Nov. 26, 2019, the FASB issued a proposed ASU, “[Codification Improvements](#),” to clarify and simplify a variety of topics. The proposed amendments would result in the following changes to the Accounting Standards Codification (ASC): 1) remove references to various concept statements; 2) relocate disclosure guidance to the appropriate disclosure sections; and 3) various other improvements.

The FASB proposed transition guidance for certain proposed amendments, but other amendments would be effective upon issuance of this proposed ASU.

Comments were due on Dec. 26, 2019.

### **Transition guidance on reference rate reform**

On Nov. 13, 2019, the FASB tentatively approved an ASU that will offer temporary, optional guidance to ease the potential burden in accounting for, or recognizing the effects of, the transition away from the London Interbank Offered Rate (LIBOR) or other interbank offered rate on financial reporting. The ASU is expected to be issued in early 2020. More information regarding the FASB's reference rate reform project can be found on the FASB website.

To ease the transition to new reference rates, the final ASU will provide optional expedites and exceptions for applying GAAP to contract modifications and hedge accounting relationships that are affected by reference rate reform. The main provisions include:

- A change in a contract's reference interest rate would be accounted for as a continuation of that contract rather than the creation of a new one for contracts, including loans, debt, leases, and other arrangements, that meet specific criteria.
- When updating its hedging strategies in response to reference rate reform, an entity would be allowed to preserve its hedge accounting.

The guidance is applicable only to contracts or hedge accounting relationships that reference LIBOR or another reference rate expected to be discontinued.

Because the guidance is meant to help entities through the transition period, it would be in effect for a limited time and would not apply to contract modifications made and hedging relationships entered into or evaluated after Dec. 31, 2022.

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## Improvements to hedge accounting

On Nov. 12, 2019, the FASB issued a proposed ASU, “Derivatives and Hedging (Topic 815): Codification Improvements to Hedge Accounting,” to clarify and improve certain amendments made by ASU 2017-12, “Targeted Improvements to Accounting for Hedging Activities.” The areas of improvement include the following:

- Clarifications regarding change in hedged risk guidance in a cash flow hedge
- Clarifications on the nature of documentation that may evidence a contractually specified component in cash flow hedges of nonfinancial forecasted transactions
- Elimination of recognition and presentation mismatch related to dual hedges caused by ASU 2017-12
- Replacement of term “prepayable” with “early settlement feature” for purposes of applying shortcut method

The proposed amendments would be effective for all entities for fiscal years beginning after Dec. 15, 2020. For PBEs, the proposed amendments would be effective for interim periods within fiscal years beginning after Dec. 15, 2020. For all other entities, the proposed amendments would be effective for interim periods within fiscal years beginning after Dec. 15, 2021. Early adoption would be permitted for all entities on any date on or after the issuance of this proposed ASU if an entity already has adopted the amendments in ASU 2017-12.

Comments were due on Jan. 13, 2020.

## Next FASB chair named

Richard R. Jones will be the next chair of the FASB, as announced on Dec. 19, 2019. Jones will succeed Russell G. Golden when Golden’s appointment ends on June 30, 2020, and Jones is expected to join the FASB early in 2020 to facilitate a smooth transition in leadership. Jones, who has spent his entire career at Ernst & Young, is currently chief accountant and partner in the firm’s national office.

# From the SEC

## AICPA Conference on Current SEC and PCAOB Developments

### **SEC presents at the AICPA Conference on Current SEC and PCAOB Developments**

The AICPA held its annual Conference on Current SEC and PCAOB Developments in Washington, D.C., Dec. 9-11, 2019.

Chair Jay Clayton and Chief Accountant Sagar Teotia kicked off the SEC's participation with a joint discussion of multiple topics, including the role accountants and auditors play in protecting investors and supporting capital formation. Other topics they addressed included the importance of audit committees, the transition away from LIBOR, non-GAAP measures, the SEC's Office of the Chief Accountant's (OCA) consultation process, and the implementation of new accounting standards.

SEC representatives delivered remarks:

- Teotia – statement on background and role of the office of the chief accountant and the office's ongoing priorities, including engagement with stakeholders; oversight of the FASB; new accounting standards and current FASB standard-setting; oversight of the PCAOB; international accounting, audit, and disclosure matters; staff guidance and other initiatives; and other significant areas such as internal control over financial reporting, audit committees, and technology and innovation
- Louis J. Collins, professional accounting fellow – remarks on current state, initial observations, and comparability of critical audit matters implementation
- Lauren K. Alexander, professional accounting fellow – remarks on consultations related to the new revenue recognition standard, specifically principal versus agent guidance, and observations from a consultation on the new credit losses standard
- Aaron Shaw, professional accounting fellow – remarks on application of the revenue standard to a sale and leaseback transaction and determination of whether a registrant is the primary beneficiary of a variable interest entity
- Jamie N. Davis, professional accounting fellow – remarks on discontinuation of LIBOR, including effects on cash flow hedges, efforts of the FASB to address the discontinuation of LIBOR, and amendments to equity-classified preferred stock instruments that use LIBOR

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- Nipa Patel, professional accounting fellow – remarks on audit standard-setting including the SEC’s oversight responsibilities, PCAOB standard-setting, and international audit standard-setting
- Erin Bennett, professional accounting fellow – remarks on application of equity method accounting, implementation of the new lease accounting standard, and collectability of lease payments
- Susan M. Mercier, professional accounting fellow – remarks on consultations related to the new revenue recognition standard, specifically related to identification of performance obligations
- Vassilios Karapanos, associate chief accountant – remarks on auditor independence related to lending relationships and frequently asked questions on independence updated during 2019

### **Corp Fin presents at the AICPA Conference on Current SEC and PCAOB Developments**

At the AICPA Conference on Current SEC and PCAOB Developments, SEC Division of Corporation Finance (Corp Fin) members, including William Hinman, director; Kyle Moffatt, division chief accountant; Patrick Gilmore, deputy chief accountant; Lindsay McCord, deputy chief accountant; and Craig Olinger, senior adviser to the chief accountant, discussed the following topics:

- The staff review of filings to understand, but not necessarily issue comments on, registrant disclosures regarding:
  - Cybersecurity
  - Brexit
  - LIBOR
  - Sustainability reporting
- Status of various rulemakings (for example, acquisition and dispositions of businesses, guarantor financial statements, and the definition of accelerated and large accelerated filer)
- CAMs and staff filing reviews
- Impact of stock buybacks on compensation discussion and analysis
- Definition of a business
- Observations on waiver requests under Rule 3-13
- Non-GAAP measures
- Disclosures related to supplier finance arrangements, particularly within the context of management’s discussion and analysis
- Predecessor financial statements
- International reporting issues

## Public statements and announcements

### **Small Business Capital Formation Advisory Committee meeting**

The Small Business Capital Formation Advisory Committee met on Nov. 12, 2019, at the SEC headquarters in Washington, D.C. At the meeting, the committee discussed harmonization of the exempt offering framework and of pooled investment funds, and it heard presentations on access to capital for entrepreneurs, the small-business credit survey, and retail access to private markets.

The meeting was recorded and is archived on the committee's website.

## Staffing updates

The SEC appointed John Vanosdall and Paul Munter deputy chief accountants in the OCA as announced on Dec. 3, 2019. Vanosdall will head the OCA's accounting group. Most recently, he was a partner at PricewaterhouseCoopers LLP, where he concentrated on a range of technical accounting and mergers and acquisitions matters. Previously, he served as an SEC professional accounting fellow. Munter will lead the OCA's international matters activities. Munter joins the SEC from the University of Colorado Boulder, where he was a senior instructor of accounting. He is a retired partner from KPMG LLP, where he served as the lead technical partner for the U.S. firm's international accounting and International Financial Reporting Standards areas.

On Dec. 2, 2019, the SEC named Kristina Littman chief of the Division of Enforcement's Cyber Unit. The Cyber Unit focuses on protecting investors and markets from cyberrelated misconduct. Littman joined the SEC's Division of Enforcement in 2010 as a staff attorney. Since then, she has held senior attorney positions in the Market Abuse Unit and the Trial Unit.

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## Rules and guidance

### **Proposal to adopt resource extraction disclosure rules**

On Dec. 18, 2019, the SEC issued for public comment proposed rules, as mandated by the *Dodd-Frank Wall Street Reform and Consumer Protection Act*, that would require resource extraction issuers to disclose payments made to foreign governments or the U.S. federal government for the commercial development of oil, natural gas, or minerals. The disclosures would include company-specific project-level payment information.

Replacing the vacated 2016 rules, the proposed rules include several changes:

- Changes the definition of “project” to require disclosure at the national and major subnational political jurisdiction
- Changes the definition of “not de minimis” to include both a project threshold and an individual payment threshold
- Provides two new conditional exemptions for situations when a foreign law or a preexisting contract prohibits the required disclosure
- Includes an exemption for smaller reporting companies and emerging growth companies
- Modifies the definition of “control” to exclude entities or operations in which an issuer has a proportionate interest
- Limits the liability for the required disclosure by deeming the payment information to be furnished to, but not filed with, the SEC

Comments are due 60 days after publication in the Federal Register.

### **Proposal to update accredited investor definition**

The SEC, on Dec. 18, 2019, issued [for public comment proposed amendments to the definition of “accredited investor.”](#) The proposal seeks to expand and improve the definition of “accredited investor” to better identify institutional and individual investors that have the knowledge and expertise to participate in the private capital markets. The proposed amendments would permit more investors to participate in private offerings by adding new categories of natural persons that may qualify as accredited investors. Also, the proposal would increase the number of entities that may qualify as accredited investors.

Comments are due on Feb. 24, 2020.

### **Staff guidance on CECL**

On Nov. 19, 2019, the SEC issued Staff Accounting Bulletin (SAB) 119: [“Accounting for Loan Losses by Registrants Engaged in Lending Activities Subject to FASB ASC Topic 326.”](#) Presented in a question and answer format, SAB 119 updates existing staff guidance on developing a systematic methodology for estimating credit losses, and it explains the documentation the staff typically would expect from registrants in support of estimates of current expected credit losses (CECL) for lending activities, when material. SABs represent staff interpretations and practices and are not official SEC rules or interpretations. SAB 119 is applicable upon a registrant’s adoption of Topic 326, and nothing in the SAB should be read to accelerate or delay the effective dates of the standard as modified by the FASB.

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## **Proposal to amend proxy rules**

On Nov. 5, 2019, the SEC voted to propose amendments to modernize the rule that governs the process for shareholder proposals to be included in a company's proxy statement. It also voted to propose amendments to the rules governing proxy solicitations to increase the quality of the disclosure about material conflicts of interest that proxy voting advice businesses provide to their clients.

The shareholder proposal amendments update the criteria, including the ownership requirements, for a shareholder to be eligible to require a company to include a proposal in its proxy statement. Under the proposed amendments, the \$2,000 minimum ownership threshold is maintained; however, to take advantage of that threshold, shares must have been held for at least three years to prove long-term investment in the company. The proposed amendments also clarify that a single person may not submit multiple proposals at the same shareholder's meeting on behalf of different shareholders. Additionally, the amendments update the support levels that a proposal would need to achieve in its first submission to be eligible for resubmission in the following three years.

The proxy voting advice proposal provides that companies that file definitive proxy materials 25 days or more in advance of the relevant meeting have an opportunity for a period of review and feedback through which companies and other soliciting parties would be able to identify errors in the proxy voting advice. This proposal is aimed at improving accuracy and transparency of information provided by proxy voting advice businesses to investors.

# From the PCAOB

## Strategic plan

On Nov. 19, 2019, the PCAOB approved its fiscal year 2020 budget and its five-year strategic plan for 2019 through 2023. The strategic plan guides the PCAOB's programs, operations, and budget.

The plan includes the following strategic goals:

- “Drive improvement in the quality of audit services through a combination of prevention, detection, deterrence, and remediation.”
- “Anticipate and respond to the changing environment, including emerging technologies and related risks and opportunities.”
- “Enhance transparency and accessibility through proactive stakeholder engagement.”
- “Pursue operational excellence through efficient and effective use of our resources, information, and technology.”
- “Develop, empower, and reward our people to achieve our shared goals.”

## Board speeches

At the Dec. 9-11, 2019, AICPA Conference on Current SEC and PCAOB Developments in Washington, D.C., the PCAOB provided its perspectives at the conference in three separate sessions:

- The five members of the board engaged in a panel discussion, which included remarks on the reaffirmation of the board's five-year strategic plan, the importance of audit quality (a focus of the strategic plan), changes to the PCAOB's inspection program aimed at improving effectiveness and efficiency, changes to inspection reports to improve readability and understandability, and the board's focus on engagement with issuer audit committees.

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- Megan Zietsman, the PCAOB chief auditor, provided an update on PCAOB standard-setting activities including CAMs, an upcoming concept release on changes to quality control standards, consideration of audit firm use of technology or automated tools, and the final standards on auditing estimates and using the work of specialists.
- George Botic, director of the Division of Registrations and Inspections, and Mark Adler, acting director of the Division of Enforcement and Investigations, each presented prepared remarks in a joint session. Among other topics, Botic discussed in more detail the effectiveness and efficiency changes planned for the inspection process and the outlook for 2020 inspections. Adler highlighted the PCAOB's significant enforcement cases in 2019 against both global network firms and nonaffiliated firms and their associated individuals, and he shared thoughts on enforcement priorities in the next year.

On Oct. 3, 2019, PCAOB board member Kathleen M. Hamm spoke about cybersecurity, resiliency, and the role of financial regulators at the Program on International Financial Systems Technology and Capital Market Regulation Conference in Tokyo, Japan. In her speech, she addressed the nature of cyberthreats, how internet interconnectedness brings significant risks, how financial regulators can address cyberthreats, and the tools available to regulators to defend against cyberthreats. She said, “effective cybersecurity and resiliency includes three key elements: (1) identifying and implementing baseline protections and best practices, (2) engaging in information sharing, and (3) preparing an effective response and recovery plan.”

## Critical audit matters publication

The PCAOB released, on Dec. 10, 2019, its first [Critical Audit Matters Spotlight](#) report presenting observations from the PCAOB's review of CAMs on 12 large accelerated filers and including information about the PCAOB's outreach and data analysis activities. According to the publication, the board believes "that sharing our initial observations from the experiences of the first adopters of CAM requirements could help auditors, companies, audit committees, and other stakeholders."

## Audit committee insights

On Dec. 18, 2019, the PCAOB posted [Conversations With Audit Committee Chairs: What We Heard & FAQs](#), which provides insights gathered from conversations with almost 400 audit committee chairs into what those chairs wanted to discuss, perspectives on what is working well to enhance audit quality, an overview of the basics of the PCAOB inspection process, and answers to frequently asked questions that arose during the conversations. Specific topics discussed during those conversations included audit quality, quality of the audit engagement teams, relationship and communication with the auditor, new auditing and accounting standards, and technology-driven changes. FAQs that are answered in the document include:

- Does the PCAOB have resources, educational training, or events for audit committee members?
- Does the PCAOB do a cost-benefit analysis of standards?
- What is the PCAOB's view of audit quality indicators, and how does the PCAOB see them used?

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## Quality control standards concept release

To address the significant changes in the auditing environment, the PCAOB issued, on Dec. 17, 2019, a concept release detailing an approach to revising its quality control standards. The release seeks public comment to inform the PCAOB on the approach and also on what types of future changes could be proposed to strengthen the PCAOB's requirements for audit firms' quality control systems.

Based on information gathered through its oversight, outreach, and research activities, the PCAOB determined that changes to the quality control standards should be based on an integrated risk-based framework, such as the recently proposed International Auditing and Assurance Standards Board's (IAASB) firm-level quality management standard. The potential approach described in the concept release is based on the IAASB's proposed standard with specific changes suitable for firms subject to PCAOB standards and rules.

To accompany the concept release, the PCAOB issued "Fact Sheet: Quality Control Concept Release," which provides details on the concept release and on the IAASB's proposed quality management standard.

Comments are due March 16, 2020.

## Staffing updates

On Dec. 17, 2019, the PCAOB named Patrick Bryan as director of the Division of Enforcement and Investigations. As director, Bryan will lead investigations and litigation of violations of PCAOB rules and other securities regulations. Bryan most recently served as the assistant general counsel for enforcement at the Board of Governors of the Federal Reserve System (Fed). Prior to his position at the Fed, he served as a supervisory assistant chief litigation counsel in the SEC's Division of Enforcement.

The PCAOB announced on Dec. 17, 2019, that Kenneth Lench was named general counsel of the PCAOB. In this position, Lench will be responsible for providing legal advice and counsel on all PCAOB operations and activities. Lench joins the PCAOB from Kirkland & Ellis LLP, where he was a partner focused on securities law.

# From the AICPA

## Practice aid on accounting for and auditing digital assets

The AICPA issued, on Dec. 16, 2019, a practice aid, [“Accounting for and Auditing of Digital Assets”](#), which addresses nonauthoritative guidance on accounting for and auditing digital assets under GAAP and generally accepted auditing standards for financial statement preparers and auditors. The guidance currently includes accounting content, with auditing guidance to be added at a later date. Also, as additional accounting topics are identified and completed the practice aid will be updated.

According to the practice aid, although digital assets, which are defined broadly as digital records, made using cryptography for verification and security purposes, on a distributed ledger, may be described in various terms, the accounting treatment will be determined by the specific terms, form, underlying rights, and obligations of the specific digital asset.

The accounting guidance currently addresses the following areas:

- Classification and measurement when an entity purchases crypto assets
- Recognition and initial measurement when an entity receives digital assets that are classified as indefinite-lived intangible assets
- Accounting for digital assets classified as indefinite-lived intangible assets
- Measurement of cost basis of digital assets that are classified as indefinite-lived intangible assets
- Derecognition of digital asset holdings that are classified as indefinite-lived intangible assets
- Recognition of digital assets when an entity uses a third-party hosted wallet service

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## Working drafts on credit losses standard implementation issues

The AICPA's Financial Reporting Executive Committee on Dec. 9, 2019, exposed for public comment two new working drafts on implementing the CECL standard. The drafts relate primarily to the insurance industry. The final guidance will be included in the AICPA's forthcoming Credit Losses Audit and Accounting Guide. Issues exposed for public comment include CECL considerations for reinsurance recoverables and premiums receivable.

Comments are due on Feb. 10, 2020.

## Description of materiality

To eliminate inconsistencies, the AICPA's Auditing Standards Board on Dec. 5, 2019, issued Statement on Auditing Standards No. 138, "Amendments to the Description of the Concept of Materiality," and Statement on Standards for Attestation Engagements No. 20 of the same title, to more closely align the materiality concepts discussed in AICPA Professional Standards with the materiality descriptions used by the U.S. judicial system, the PCAOB, the SEC, and the FASB.

The standards are effective for audits of financial statements for periods ending on or after Dec. 15, 2020, and practitioners' examination and review reports dated on or after Dec. 15, 2020.

# From the CAQ

## Auditors' role in company-prepared information

On Dec. 3, 2019, the CAQ published "[The Role of Auditors in Company-Prepared Information: Present and Future](#)" to help stakeholders understand the current role of auditors in various types of company-prepared and publicly disclosed information. The document addresses how auditors can play a greater role in strengthening the reliability of decision-useful information published outside the audited financial statements.

## Proposal request for auditing-related research

On Nov. 14, 2019, the CAQ issued its annual [request for proposals](#) to fund independent academic research on projects of interest to the auditing profession. Topics of interest for 2020 include corporate disclosures of nonfinancial information and non-GAAP measures.

The request also identifies several topics of continued interest including:

- Critical audit matters
- Innovative technologies
- Materiality
- Professional skepticism
- Auditing accounting estimates and fair value measurements
- Audits of internal control over financial reporting
- Auditor risk assessments
- Fraudulent financial reporting
- Boards' and audit committees' effectiveness

Proposals should be submitted through the online submission form and are due March 16, 2020.

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## Audit committee transparency barometer report

On Nov. 6, 2019, the CAQ and Audit Analytics issued the 2019 issue of the “Audit Committee Transparency Barometer,” which tracks S&P Composite 1500 proxy disclosures to evaluate transparency regarding audit committee oversight of the external auditor and other important financial reporting topics.

This edition reports that although there has been steady growth in the amount of information provided in audit committee disclosures, there are still significant opportunities to increase transparency. The most growth was shown in the disclosure areas of information on cybersecurity risk oversight, nonaudit services, and length of auditor tenure. Audit committees can improve transparency in areas of discussion between the audit committee and external auditor, auditor evaluation, and engagement partner selection and compensation.

The publication also provides disclosure examples.

# From the GASB

## Proposals

### **Implementation guidance update**

On Dec. 4, 2019, the GASB issued an exposure draft, “Implementation Guidance Update – 2020,” to clarify, explain, or elaborate on certain GASB pronouncements.

The exposure draft proposes 23 new questions and answers to address application of existing GASB standards covering various topics including the following:

- The financial reporting entity
- Accounting and financial reporting for certain investments and for external investment pools
- Fiduciary activities
- Leases
- Certain asset retirement obligations
- Conduit debt obligations

In addition, the exposure draft proposes amendments to five previously issued questions and answers from Implementation Guides 2015-1, 2017-2, and 2017-3.

Comments are due to the GASB by Jan. 31, 2020

# Accounting Standards Updates (ASU) effective dates

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<b>Checklist A – ASU effective dates for public business entities (PBEs).....</b>	<b>A-1</b>
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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 Updates to SEC Sections (ASU 2019-07)</b> Modifies FASB codification to reflect previously issued SEC rules for disclosure updates and simplification and investment company reporting modernization. The SEC adopted these rules to improve its regulations on financial reporting and disclosure. Other miscellaneous updates were made to agree to the electronic Code of Federal Regulations.	<b>Upon issuance, July 26, 2019</b>	<b>Not applicable</b>
<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.	<b>Varies by issue (see pages 8 and 9 of the ASU)</b> <b>March 31, 2018</b> <b>Upon issuance, July 16, 2018</b> <b>March 31, 2019</b>	<b>Permitted, including in an interim period</b>
<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>	<b>Permitted only as of annual periods beginning after Dec. 15, 2016, including interims within</b>

<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>Derecognition and Partial Sales of Nonfinancial Assets (ASU 2017-05)</b></p> <p>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.</p>	<p>March 31, 2018, consistent with ASU 2014-09</p>	<p>Permitted only as of annual periods beginning after Dec. 15, 2016, including interims within</p>
<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>

<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>Premium Amortization on Purchased Callable Debt (ASU 2017-08)</b> Shortens the amortization period for premiums on purchased callable debt securities to the earliest call date, instead of to the maturity date.	March 31, 2019	Permitted, including in an interim period
<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><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>	March 31, 2019	Permitted, including in an interim period
<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.	March 31, 2019  For ASU 2019-04, March 31, 2020	Permitted, including in an interim period

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>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).	March 31, 2019 (consistent with ASU 2017-12)	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.	March 31, 2019	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.	March 31, 2019	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.	March 31, 2019	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.	March 31, 2019 (See the ASU for noncalendar year-end effective dates because they vary for contributions received and contributions made).	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>ASU 2019-10 – Deferral of effective dates.</b>	For SEC filers, excluding smaller reporting companies, tests performed on or after Jan. 1, 2020 For all other PBEs, including smaller reporting companies, 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

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
<p><b>Credit Losses (ASU 2016-13)</b> 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><b>ASU 2019-10</b> – Deferral of effective dates.</p> <p><b>ASU 2019-11</b> – 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>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, and ASU 2019-11, 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> 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> 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
<b>Variable Interest Entity (VIE) Model – Targeted Improvements for Related Parties (ASU 2018-17)</b> 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
<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.	March 31, 2020	Permitted, including in an interim period
<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>Share-Based Consideration Payable to a Customer (ASU 2019-08)</b> 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

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end 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, 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>Simplifying Accounting for Income Taxes (ASU 2019-12)</b> 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
<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. Clarifying standards: <b>ASU 2019-09</b> – 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
<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>Dec. 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>Dec. 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 (for example, 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>Share-Based Consideration Payable to a Customer (ASU 2019-08)</b>  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><b>March 31, 2020 (if ASU 2018-17 has been adopted)</b>  <b>Dec. 31, 2020 (if ASU 2018-17 has not been adopted)</b></p>	Permitted, including in an interim period, but no earlier than the adoption of ASU 2018-17
<p><b>Leases (ASU 2016-02)</b>  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:  <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.  <b>ASU 2018-10</b> – Provides 16 improvements and clarifications to the guidance in Topic 842.  <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.  <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.  <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.  <b>ASU 2019-10</b> – Deferral of effective dates.</p>	<b>Dec. 31, 2021</b>	Permitted
<p><b>Premium Amortization on Purchased Callable Debt (ASU 2017-08)</b>  Shortens the amortization period for premiums on purchased callable debt securities to the earliest call date, instead of to the maturity date.</p>	<b>Dec. 31, 2020</b>	Permitted, including in an interim period

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
<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
<p><b>Hedging Activities (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> <p><b>ASU 2019-10</b> – Deferral of effective dates.</p>	Dec. 31, 2021	Permitted, including in an interim period
<p><b>Additional Benchmark Interest Rate for Hedging (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 (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 (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

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
<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>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.	Dec. 31, 2021	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, 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

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
<b>Simplifying Accounting for Income Taxes (ASU 2019-12)</b>  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
<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.  Clarifying standards:  <b>ASU 2019-10</b> – Deferral of effective dates.	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
<b>Credit Losses (ASU 2016-13)</b>  Replaces the incurred loss model with the CECL model for financial assets, including trade receivables, debt securities, and loan receivables.  Clarifying standards:  <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.  <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.  <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.  <b>ASU 2019-10</b> – Deferral of effective dates.  <b>ASU 2019-11</b> – 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.	Dec. 31, 2023  For ASU 2019-04, ASU 2019-05, and ASU 2019-11, March 31, 2020, for entities that have adopted ASU 2016-13; otherwise, effective dates the same as ASU 2016-13	Permitted as of the fiscal years beginning after Dec. 15, 2018, including interim periods within
<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.  <b>ASU 2019-09</b> – Deferral of effective dates.	Dec. 31, 2024	Permitted

# 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>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
<b>Fiduciary Activities (GASB Statement 84)</b>  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, 2018	Permitted
<b>Majority Equity Interests (GASB Statement 90)</b>  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, 2018	Permitted

GASB statement	Effective dates – reporting periods beginning after	Early adoption
<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



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