



October 2018

Keeping You Informed

Third quarter accounting and
financial reporting developments

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Third quarter highlights

During the third quarter of the 2018 calendar year, the Financial Accounting Standards Board (FASB) issued seven new accounting standards on the following topics:

- General codification improvements
- Lease accounting and transition improvements (Topic 842)
- Long-duration insurance contracts
- Fair value measurement disclosure
- Defined benefit plan disclosure for sponsors
- Implementation costs for cloud computing arrangements (CCAs)

The FASB also issued two proposals during the quarter – one related to lease accounting and one for financial instrument credit loss measurement.

The Securities and Exchange Commission (SEC) remained focused on disclosure and reporting simplifications and welcomed a new commissioner, Elad Roisman.

The Public Company Accounting Oversight Board (PCAOB) updated its staff guidance on the auditor's reporting model and released its annual broker-dealer inspection report as well as a draft of its five-year strategic plan.

The Center for Audit Quality (CAQ) released a resource for audit committees and others seeking to understand critical audit matters (CAMs). It also released a tool for broker-dealers.

In addition to these highlights from the quarter, we have added recent developments from the Governmental Accounting Standards Board (GASB), including final standards and proposals.

Finally, checklists for the effective dates of FASB accounting standards updates (ASUs) and GASB statements are provided in the appendix.

From the FASB

Final standards

Implementation costs in cloud computing arrangements

In 2015, the FASB issued ASU 2015-05, “Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement,” to provide guidance for fees paid in a cloud computing arrangement (CCA), also known as a hosting arrangement. The most common example of a CCA is software as a service (SaaS), which uses internet-based application software hosted by a service provider or third party.

Under ASU 2015-05, an entity evaluates a CCA to determine whether the arrangement includes a license (in which case, an intangible is recorded for the license) or whether the arrangement is a service contract (in which case, fees paid are expensed).

To address diversity in practice and simplify accounting for implementation costs associated with CCAs, on Aug. 29, 2018, the FASB issued ASU 2018-15, “Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.” This ASU aligns the guidance for CCAs regardless of whether they include a license.

Implementation costs for CCAs that are service contracts will be capitalized during the application development stage, and costs incurred before and after that stage will be expensed as incurred. The capitalized implementation costs will be amortized over the term of the arrangement, which is consistent with existing accounting guidance for CCAs that include a license.

The amortization of the capitalized implementation costs will be presented in the same income statement line as the CCA fees. Similarly, capitalized implementation costs will be presented in the same line on the balance sheet as any prepaid CCA fees, and cash flows from capitalized implementation costs will be presented on the cash flow statement in the same line as the CCA fees.

Effective dates

An entity can choose between prospective and retrospective transition. For public business entities (PBEs), the guidance will be effective for fiscal years beginning after Dec. 15, 2019, and interim periods within. For all other entities, it is effective for annual reporting periods beginning after Dec. 15, 2020, and interim periods within annual periods beginning after Dec. 15, 2021.

Early adoption is permitted, including in an interim period.

Defined benefit plan disclosures for sponsors

The board issued, ASU 2018-14, “Compensation – Retirement Benefits – Defined Benefit Plans – General (Topic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans,” on Aug. 28, 2018, to change disclosures for sponsors of defined benefit plans.

The ASU removes the following disclosures:

- The amounts in accumulated other comprehensive income that the entity expects to recognize in net periodic benefit cost during the next fiscal year
- The amount and timing of plan assets expected to be returned to the employer
- Information about the June 2001 amendments to the *Japanese Welfare Pension Insurance Law*
- Certain related party disclosures
- For nonpublic entities, the roll forward of plan assets measured on a recurring basis in Level 3 of the fair value hierarchy (but requires disclosures of amounts of transfers in and out of Level 3 as well as Level 3 plan asset purchases)
- For public entities, the effects of a 1 percent point change in assumed healthcare cost trend rates on the net periodic benefit costs and the benefit obligation for postretirement healthcare

The ASU clarifies the following disclosures are required:

- The projected benefit obligation (PBO) and fair value of plan assets for plans with PBOs in excess of plan assets
- The accumulated benefit obligation (ABO) and fair value of plan assets for plans with ABOs in excess of plan assets

The ASU adds the following disclosure requirements:

- The weighted average interest crediting rates for cash balance plans and other plans with promised interest crediting rates
- An explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period

Effective dates

The ASU is effective for PBEs in fiscal years ending after Dec. 15, 2020, and for non-PBEs in fiscal years ending after Dec. 15, 2021. Early adoption is permitted.

Fair value measurement disclosure

On the same day as issuing the ASU to address employee benefit plan disclosures, the FASB issued ASU 2018-13 (also part of the disclosure framework project), "Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement," to remove from, modify, and add to existing fair value measurement disclosures requirements.

The disclosure requirements that are removed include the following:

- Transfers between Level 1 and Level 2 of the fair value hierarchy
- The policy for determining when transfers between any of the three levels have occurred
- The valuation processes used for Level 3 measurements
- For nonpublic entities, the changes in unrealized gains or losses presented in earnings for Level 3 instruments held at the balance sheet date

The following disclosure requirements are modified:

- The Level 3 rollforward is eliminated for nonpublic entities, but disclosure of transfers in and out of Level 3 as well as purchases and issuances are required
- For certain investments in entities that calculate the net asset value, requires disclosures about timing of liquidation and redemption restrictions lapsing if communicated to the reporting entity
- Clarifies that the Level 3 measurement uncertainty disclosure should communicate information about the uncertainty at the balance sheet date

The following are additional or new disclosure requirements:

- For public entities, the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 instruments held at the balance sheet date
- For public entities, the range and weighted average of significant unobservable inputs used for Level 3 measurements, but, for certain unobservable inputs, adds an option to disclose other quantitative information in place of the weighted average to the extent that it would be a more reasonable and rational method to reflect the distribution of unobservable inputs
- For nonpublic entities, some form of quantitative information about significant unobservable inputs used in Level 3 fair value measurements

Effective date

The ASU is effective for all entities in fiscal years beginning after Dec. 15, 2019, including interim periods. Early adoption is permitted. In addition, an entity may early adopt any of the removed or modified disclosures immediately and delay adoption of the new disclosures until the effective date.

Long-duration insurance contracts

On Aug. 15, 2018, the FASB revised its accounting guidance for insurance companies that issue long-duration insurance contracts, including life insurance and annuity contracts, by issuing ASU 2018-12, "[Financial Services – Insurance \(Topic 944\): Targeted Improvements to the Accounting for Long-Duration Contracts.](#)"

Revisions to the guidance include:

- Annual reviews of assumptions used to measure the liability for future policy benefits for traditional and limited payment insurance contracts will be required. Liability assumptions no longer will be locked in.
- In updating assumptions, reporting entities will revise the net premium ratio using a combination of actual (historical) and expected (future) policyholder benefits. The net premium ratio cannot exceed 100 percent.
- The cash flow assumptions used for projecting the liability for future policy benefits will be based on current best estimates without a provision for adverse deviation.
- The premium deficiency (or loss recognition) test is eliminated for traditional and limited-payment contracts.

- At each reporting date, a market-observable upper-medium grade (low-credit-risk) fixed-income instrument discount rate reflecting the duration characteristics of the liability for future policyholder benefits will be used to measure the liability with the effect of discount rate changes recorded in other comprehensive income.
- Contracts defined as market risk benefit contracts in accordance with ASU 2018-12 are recorded at fair value with changes in fair value recognized in income (except for the effect of instrument-specific credit risk on fair value changes, which is included in other comprehensive income).
- A constant level amortization method will be used to amortize deferred acquisition costs over the expected term of the related contracts.
- Additional disclosures are required, including the following:
 - Disaggregated roll forwards of the liability for future policy benefits, policyholder account balances, market risk benefits, separate account liabilities, and deferred acquisition costs
 - Information about significant inputs, judgments, assumptions, and methods used in measurement, including changes in those inputs, judgments, and assumptions, and the effect of those changes on measurement

The FASB posted additional resources for this standard to its website:

- [News release](#)
- [“FASB in Focus”](#)
- [“Understanding Costs and Benefits”](#)
- [Educational video](#)

Effective dates

The ASU is effective for calendar year-end PBEs in the March 31, 2021, interim financial statements. For all other calendar year-end entities, the changes will be effective in the Dec. 31, 2022, annual financial statements. Early adoption is permitted.

Lease improvements on transition and nonlease component separation

The FASB issued, on July 30, 2018, ASU 2018-11, "Leases (Topic 842): Targeted Improvements," to provide an optional transition method for adopting the new leases guidance in Topic 842 that will eliminate comparative period reporting under the new guidance in the year of adoption. This option addresses preparer feedback about the related costs of presenting comparative periods. Under the optional transition method, only the most recent period presented will reflect the adoption with a cumulative-effect adjustment to the opening balance of retained earnings, and the comparative prior periods will be reported under the previous guidance in Topic 840.

In addition, the ASU offers lessors a practical expedient that mirrors the practical expedient already provided to lessees in ASU 2016-02, "Leases (Topic 842)." The new practical expedient will allow lessors to elect, by class of underlying asset, to not separate nonlease components from the associated lease component when specified conditions are met. The practical expedient must be applied consistently for all lease contracts.

Effective dates

For lessors electing the practical expedient related to separating components of a contract, the effective date and transition requirements are the same as the requirements for Topic 842 issued in ASU 2016-02. For entities that have early adopted Topic 842, the ASU provides specific transition guidance for lessors electing the practical expedient.

Lease improvements

On July 18, 2018, the FASB issued ASU 2018-10, "Codification Improvements to Topic 842, Leases," which corrects inconsistencies in the guidance and clarifies how to apply certain provisions of the leases standard. The amendments in ASU 2018-10 target 16 issues:

- Residual value guarantees
- Rate implicit in the lease
- Lessee reassessment of lease classification
- Lessor reassessment of lease term and purchase option
- Variable lease payments that depend on an index or a rate
- Investment tax credits
- Lease term and purchase option

- Transition guidance for amounts previously recognized in business combinations
- Recognition of certain transition adjustments in earnings rather than equity
- Transition guidance for leases previously classified as capital leases under Topic 840
- Transition guidance for modifications to leases previously classified as direct financing or sales-type leases under Topic 840
- Transition guidance for sale and leaseback transactions
- Impairment of net investment in the lease
- Unguaranteed residual asset
- Effect of initial direct costs on rate implicit in the lease
- Failed sale and leaseback transaction

Effective dates

ASU 2018-10 amends the guidance in Topic 842 issued in ASU 2016-02, and the effective date and transition requirements are consistent with ASU 2016-02. For entities that early adopted ASU 2016-02, the amendments are effective upon issuance.

Codification improvements

The FASB issued ASU 2018-09, "Codification Improvements" on July 16, 2018. The ASU contains 30 improvements to the codification, including the following:

- Clarifies income tax accounting for certain quasi reorganizations
- Clarifies debt extinguishment guidance when the fair value option is elected
- Revises an example to align with guidance that prohibits the combination of freestanding financial instruments in the scope of ASC 480-10 with noncontrolling interest, unless the combination is required by Topic 815
- Clarifies that excess tax benefits should be recognized in the period when the tax deduction for compensation expense is taken on the tax return
- Eliminates the three tax allocation methods from ASC 805-740-25-13 because they are not systematic, rational, and consistent as required by Topic 740
- Clarifies that the intent to set off criteria is not required to offset derivative assets and liabilities when recognized at fair value and executed with the same counterparty under a master netting agreement
- Clarifies how to consider transfer restrictions for fair value measurement
- Clarifies balance sheet offsetting for broker-dealers
- Clarifies defined contribution pension plan accounting guidance and revises an illustrative example

Effective dates

The effective dates vary by issue, as specified in the ASU. Some improvements were effective upon issuance, which was July 16, 2018, for both PBEs and non-PBEs. For year-end PBEs, other improvements are effective in the March 31, 2018, interim financial statements, and the rest are effective one year later. For year-end non-PBEs, other improvements are effective in the Dec. 31, 2019, annual financial statements, and the rest are effective one year later.

Early adoption is permitted, including in an interim period.

Proposals

Credit losses

On Aug. 20, 2018, the FASB released a proposed update, "Codification Improvements to Topic 326, Financial Instruments – Credit Losses," to clarify the FASB's intent for the transition requirements in ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," referred to as the current expected credit loss (CECL) standard. The FASB intended for the non-public business entities (non-PBEs) to have more time to adopt the CECL standard than all PBEs, including PBEs that are not SEC filers. The proposal would require non-PBEs to adopt the CECL standard in fiscal years beginning after Dec. 15, 2021, and interim periods within (that is, in the Dec. 31, 2022, annual financial statements for calendar year-end non-PBEs).

The proposal would resolve questions raised by stakeholders about how the effective date of CECL applies to non-PBEs. The CECL transition guidance currently requires all entities that are not SEC filers to adopt the new credit loss guidance as of Jan. 1, 2021, for calendar year-end non-SEC filer PBEs and non-PBEs. Both populations of entities would have been required to have appropriate reporting systems and internal controls as of that date. Further complexity existed given the regulatory reporting required for non-PBE banks and credit unions to file three call reports using the existing incurred loss model during 2021 and then reverse nine months of incurred loss accounting and record 12 months under the new CECL model in the fourth quarter of 2021.

The proposal also clarifies that operating lease receivables are excluded from the scope of CECL (Topic 326) and are to be accounted for in accordance with Topic 842, "Leases."

According to the proposal, the following would be the clarified effective dates for CECL:

- For PBEs that are SEC filers, the CECL standard would be effective for fiscal years beginning after Dec. 15, 2019, including interim periods within.
- For PBEs that are not SEC filers, the standard would go into effect for fiscal years beginning after Dec. 15, 2020, including interim periods within.
- For non-PBEs, the standard would be effective for fiscal years beginning after Dec. 15, 2021, including interim periods within.

Early adoption would be permitted for all entities in fiscal years beginning after Dec. 15, 2018.

Comments were due Sept. 19, 2018.

Leases

On Aug. 13, 2018, the FASB released an exposure draft, "[Leases \(Topic 842\): Narrow-Scope Improvements for Lessors](#)," to address three specific issues for lessors:

- Lessors would be permitted to make an accounting policy election to not evaluate whether certain sales taxes and other similar taxes are costs of the lessor (described in ASC 842-10-15-30(b)) or costs of the lessee. Under this election, a lessor would exclude from the consideration in the contract and from variable payments not included in the consideration in the contract all collections from lessees of taxes in the scope of the election. The lessor would be required to provide additional disclosures.
- Lessors would be required to exclude certain lessor costs paid directly by lessees to third parties from variable payments and from variable lease revenue when the amount of those costs is not readily determinable by the lessor.
- Instead of recognizing variable payments under existing guidance, lessors would be required to allocate certain variable payments to the lease and nonlease components when changes occur in facts and circumstances on which the variable payment is based. After the allocation, the amount of variable payments allocated to the lease component would be recognized as income pursuant to Topic 842, "Leases." The amount of variable payments allocated to nonlease components would be recognized in accordance with other topics, such as Topic 606, "Revenue From Contracts With Customers."

Comments were due on Sept. 12, 2018.

From the SEC

New commissioner

On Sept. 11, 2018, Elad Roisman was sworn in as an SEC commissioner, replacing outgoing Commissioner Michael Piwowar. Roisman was nominated by President Donald Trump and confirmed by the U.S. Senate on Sept. 5. He most recently served as chief counsel to the Senate Banking Committee; prior to that, he served as counsel to former SEC Commissioner Daniel Gallagher.

Speeches

Chief Accountant Wesley Bricker at the AICPA banking conference

On Sept. 17, 2018, SEC Chief Accountant Wesley Bricker addressed the American Institute of Certified Public Accountants (AICPA) National Conference on Banks and Saving Institutions. He covered CECL standard implementation, technology innovations in digital assets, and changes to the auditor's report.

For CECL, he noted certain aspects of applying the standard that companies may already have experienced – in particular, assessing expected cash flows over the life of a financial asset. He emphasized processes, controls, and adoption plans to implement accounting changes, and he reminded the audience that SEC Staff Accounting Bulletin (SAB) 102 principles will continue to be applicable and that audit committees have a vital role in implementation. He also shared the following concepts regarding CECL transition disclosures:

- Definition of key terms
- Description of methodology and judgments
- Tabular presentation of economic assumptions
- Quantified impact of moving from incurred to expected model, disaggregated by lending portfolio

He shared illustrations addressing SEC requirements that uniquely affect digital asset transactions:

- Maintaining accurate books and records and internal controls
- Identifying related parties in order to appropriately account for and disclose those transactions
- Considering loss contingencies due to legal matters
- Dealing with potential illegal acts
- Reviewing the ability of the external auditors to carry out their professional responsibilities

About auditor's report changes, Bricker noted that he is pleased with the dry runs for CAMs that entities are undertaking ahead of the effective date for including CAMs in the auditor's report.

Rules and proposals

Disclosure simplification

On Aug. 17, 2018, the SEC voted to amend its disclosure requirements in order to simplify them and make them consistent with GAAP and other SEC guidance. In addition, the commission referred a number of topics to the FASB for further consideration.

Some of the specific changes include elimination of:

- Ratio of earnings to fixed charges
- Market price information – high and low trading prices
- Dividends per share on face of income statement (instead moves required disclosure to changes in stockholders' equity)
- Financial information about segments and geographic area in description of business
- Accounting policy for derivatives

In addition, the rule adds a new interim requirement for changes in stockholders' equity in Form 10-Q, which requires registrants to disclose changes in shareholders' equity, in the form of a reconciliation, for "the current and comparative year-to-date periods, with subtotals for each interim period." Registrants may present the activity in a separate statement of changes in stockholders' equity or in the notes to the interim financial statements. On Sept. 25, 2018, the SEC issued [guidance](#) (see question 105.09 of the Compliance and Disclosure Interpretations) to clarify the effective date for this portion of the amendments. The staff will not object if the first presentation of the changes in shareholders' equity is included in its Form 10-Q for the quarter that begins after the effective date of the amendments. For example, a calendar year-end filer could omit this disclosure from its Sept. 30, 2018, Form 10-Q.

The final rule is effective Nov. 5, 2018.

Smaller reporting company transition guidance

On Aug. 10, 2018, the SEC released [guidance](#) on transitioning to the revised Smaller Reporting Company (SRC) definition, which is included in the small Entity Compliance Guide for Issuers. When determining SRC status under the revised definition after Sept. 10, 2018, a company should use the date it measures its public float. Newly qualified SRCs have the option to use the SRC scaled disclosure accommodations in filings in one of these ways:

- In the next periodic or current report due after Sept. 10, 2018
- For transactional filings without a due date, in filings or amended filings made on or after Sept. 10, 2018

A calendar year-end reporting company newly qualified as an SRC under the revised definition and using public float and annual revenue amounts as of June 29, 2018, may first use the SRC scaled disclosure accommodations in its Form 10-Q for the nine months ending Sept. 30, 2018.

The revised SRC definition was summarized in the [second quarter accounting and financial reporting update](#), in "From the SEC."

Disclosure simplifications for guarantor registered debt offerings

On July 24, 2018, the SEC proposed amendments to Rules 3-10 and 3-16 of Regulation S-X to simplify the requirements for financial disclosure that apply to registered debt offerings for guarantors and issuers of guaranteed securities and for affiliates whose securities collateralize a registrant's securities. The proposed simplifications are intended to result in the registration of additional debt offerings and, in turn, provide additional investor protections as compared with unregistered offerings.

Comments are due Dec. 3, 2018.

Compensatory securities offerings

On July 18, 2018, the SEC issued a final rule for nonreporting companies that amends Securities Act Rule 701(e) as mandated by the *Economic Growth, Regulatory Relief, and Consumer Protection Act*. The rule expands the securities registration exemption for compensatory securities issued by nonreporting companies by increasing the value of exempt equity securities from \$5 million to \$10 million. It was effective on July 23, 2018.

Also, the SEC issued a concept release to request feedback on whether the rules for compensatory offerings (employee benefit plans) should be expanded further for reporting and nonreporting companies as well as modernized.

Comments on the concept release were due by Sept. 24, 2018.

From the PCAOB

Auditor's report changes

The PCAOB updated, on Aug. 23, 2018, its [staff guidance](#) on changes to the auditor's report that took effect for calendar year-end audits of Dec. 31, 2017, annual financial statements. The updates to the guidance relate to the following topics:

- Voluntary disclosure of certain audit participants
- Auditor tenure
- Auditor reporting on internal control over financial reporting
- Explanatory and emphasis paragraphs
- Auditor reporting on supplemental information, interim financial information, and special reports

Broker-dealer inspection report

On Aug. 20, 2018, the PCAOB [released](#) its report on 2017 inspections of broker-dealer auditors. The executive highlights accompanying the report include the following important points:

- “Auditors should focus on improving their quality control systems to perform high quality audits and attestation engagements.
- “Overall deficiencies remained high, although inspectors found fewer independence violations than in past years.
- “Broker-dealer owners and audit committees (or equivalent) are encouraged to discuss these results with their auditors.”

Draft five-year plan

On Aug. 10, 2018, the PCAOB [released](#) a draft of its five-year strategic plan and, for the first time ever, is seeking public comment on the plan.

The draft plan contains five 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”

Comments were due Sept. 10, 2018.

From the CAQ

Broker-dealers use of a service organization

The CAQ released a tool, on Aug. 22, 2018, for broker-dealers that use service organizations. Although the tool is addressed to auditors, it contains matters that broker-dealer management also would want to consider in assessing internal controls related to the use of service organizations.

Critical audit matters

On July 24, 2018, the CAQ released a resource, “Critical Audit Matters: Key Concepts and FAQs for Audit Committees, Investors, and Other Users of Financial Statements,” to help audit committees, investors, and other users understand critical audit matters (CAMs). CAMs will be included in the auditor’s report for large accelerated filers in fiscal years ending on or after June 30, 2019, and for other public companies (except for emerging growth companies, brokers and dealers reporting under Exchange Act Rule 17a-5, investment companies other than business development companies, and benefit plans) in fiscal years ending on or after Dec. 15, 2020.

The CAQ states that “many audit firms are performing dry runs” with respect to CAM implementation in auditors’ reports, and this resource is “a first step in raising awareness about the underlying requirements of CAMs.” The publication addresses the identification and reporting of CAMs, and it includes answers to eight questions frequently asked by audit committees and others.

In addition, an appendix compares the PCAOB CAMs and the International Auditing and Assurance Standards Board (IAASB) key audit matters (KAMs) in their respective expanded auditor reporting standards. The PCAOB has acknowledged similarities between CAMs and KAMs.

SEC Regulations Committee highlights

On Sept. 21, 2018, the CAQ released highlights from the July 12, 2018, joint meeting of the SEC Regulations Committee and the SEC staff where the following topics were discussed:

- Revenue recognition disclosures under Topic 606
- Release of serious deficiency letters on EDGAR
- Amendments to the SRC definition – transition questions
- Rule 3-10 of Regulation S-X
- Financial statement requirements in an S-4 and/or merger proxy for an operating company merging with a special-purpose acquisition company
- Emerging growth company transition issues

From the GASB

Final standards

Accounting for interest cost incurred before the end of a construction period

On June 22, 2018, the GASB issued Statement No. 89, "Accounting for Interest Cost Incurred Before the End of a Construction Period," to improve the relevance and comparability of information about capital assets and the cost of borrowing for a financial reporting period for both governmental activities and business-type activities.

Prior to the issuance of this statement, guidance for construction period interest expense capitalization was contained in GASB Statement 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." According to Statement 62, the amount of interest cost to be capitalized for qualifying assets was intended to be that portion of the interest cost incurred during the assets' acquisition periods that theoretically could have been avoided if outlays for the assets had not been made. The guidance in Statement 62 required capitalization only for business-type activities and enterprise funds and not governmental activities. Also, the calculation of interest to be capitalized differed based on whether the acquisition of a capital asset was financed from the proceeds of tax-exempt debt as opposed to taxable bonds or nonqualifying tax-exempt debt.

Statement 89 simplifies the accounting for interest cost incurred before the end of a construction period by requiring this interest cost be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund, thus resulting in consistency with the current accounting treatment for this interest cost in governmental activities.

This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

Effective date

- The revised construction period interest cost accounting provided for in Statement 89 is effective for reporting periods beginning after Dec. 15, 2019, and should be applied prospectively. Earlier application is encouraged.

Majority equity interests

On Sept. 4, 2018, the GASB issued Statement 90, "Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61," to clarify the accounting and financial reporting requirements for a state or local government's majority equity interest in an organization that remains legally separate after acquisition.

Under Statement 90, a government's majority equity interest in a legally separate organization that meets the GASB's definition of an investment should be reported as an investment. GASB Statement 72, "Fair Value Measurement and Application," defines an investment as "a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash." A majority equity interest that meets this definition of an investment should be measured using the equity method, unless the government is engaged only in fiduciary activities or is an endowment. These governments should report the majority equity investment at fair value.

For holdings of a majority equity interest in a legally separate entity that do not meet the definition of an investment, this statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization, and therefore the government should report that organization as a component unit.

Statement 90 also establishes guidance for measuring a component unit's assets, deferred outflows of resources, liabilities, and deferred inflows of resources when a government acquires 100 percent equity interest in that component unit. In these situations the component unit should measure these elements in accordance with the provisions of GASB Statement 69, "Government Combinations and Disposals of Government Operations," at acquisition value as of the date on which the government acquires the 100 percent equity interest.

Effective date

The requirements of this statement are effective for reporting periods beginning after Dec. 15, 2018. Early application is encouraged. The requirements should be applied retroactively, except for the provisions related to 1) reporting a majority equity interest in a component unit and 2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

Proposals

Conduit debt obligations

On July 30, 2018, the GASB issued an exposure draft, "Conduit Debt Obligations," to address diversity in practice associated with 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.

Current guidance for accounting for conduit debt obligations is found in GASB Interpretation No. 2, "Disclosure of Conduit Debt Obligations." This guidance allows government issuers to recognize conduit debt obligations as their own debt liability or just to disclose the transaction as a note in their financial statements. This option results in a disparity in practice among governments that issue conduit debt obligations, which affects the comparability of financial statement information.

This proposed statement would address this disparity in practice by:

- Clarifying the definition of a conduit obligation
- Establishing that a conduit debt obligation is a liability of the third-party obligor, not the issuer, thus eliminating the reporting option found in current guidance
- Establishing standards for accounting and financial reporting of additional commitments extended by issuers and arrangements associated with conduit debt obligations
- Improving required note disclosures

While the proposed statement stipulates that an issuer would not recognize a liability for the conduit debt obligation, an issuer would recognize a related liability and expense or expenditure if certain recognition criteria, as defined in the statement, are met. At least annually, the issuer would be required to evaluate whether those criteria are met.

Comments are due to the GASB by Nov. 2, 2018.

Financial reporting model improvements

On Sept. 28, 2018, the GASB issued a preliminary views document, “[Financial Reporting Model Improvements](#),” with the objective of making the reporting model more effective in providing information necessary for decision-making and assessing a government’s accountability. The document considers improvements in selected areas of the existing financial reporting model including governmental funds reporting. The improvements proposed in the governmental funds reporting area are based on public feedback received from the Invitation to Comment, “Financial Reporting Model Improvements – Governmental Funds,” which was issued in December 2016.

The proposed improvements include the following:

- A short-term financial resources measurement focus for governmental funds that recognizes short-term transactions and other events when incurred and long-term transactions and other events when due
- A format for governmental fund financial statements that distinguishes between current and long-term resource flows
- Clarified explanations of operating and nonoperating revenues and expenses
- An additional subtotal in proprietary fund financial statements for operating income (loss) and noncapital subsidies
- Presentation of all budgetary comparison information as required supplementary information and required presentation of two variance columns
- Communication of major component unit information either in the governmentwide statements or in combining financial statements
- A new schedule of governmentwide expenses by natural classification as supplementary information in comprehensive annual financial reports

The document also contains alternative views to some of the improvements proposed. These include:

- Modifications of the proposed measurement focus and criteria for governmental funds financial statements
- Addition of cash flows information for the primary government in the governmentwide financial statements together with elimination of existing requirements for cash flows reporting in proprietary funds financial statements

Comments are due to the GASB by Feb. 15, 2019.

Recognition of elements of financial statements

On Sept. 28, 2018, the GASB issued a preliminary views document, “Recognition of Elements of Financial Statements,” with the objective of improving financial reporting by enhancing the framework through which the GASB can increase consistency in future standards-setting. The proposed concepts address the recognition of elements of financial statements, such as assets and liabilities, which is a necessary component of a complete framework for reporting in financial statements.

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

- The measurement focus of a specific financial statement determines *what* items should be reported.
- The related basis of accounting determines *when* those items should be reported.

The document proposes that an item being considered for recognition in financial statements would be evaluated using a hierarchy for recognition of elements. The hierarchy would require the GASB to follow a specific order of elements when considering if an item should be recognized and as what element (for example, as an asset, as deferred outflows of resources, or as an expense). The document also proposes a recognition framework for both the short-term financial resources measurement focus and the economic resources measurement focus.

In addition, the document contains alternative views that include a modification of the proposed measurement focus and criteria for governmental funds financial statements in order to improve clarity and reduce the complexity of the concepts proposed in the preliminary views.

Comments are due to the GASB by Feb. 15, 2019

Accounting Standards Updates (ASU) effective dates

Checklist A – ASU effective dates for public business entities (PBEs).....	A-1
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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
<p>Tax Reform – SEC Accounting and Disclosure Guidance (ASU 2018-05)</p> <p>Codifies the SEC’s SAB 118, which provides guidance on accounting for income tax effects of the <i>Tax Cuts and Jobs Act</i> (H.R. 1). Provisional amounts should be recorded for tax effects that are incomplete and can be reasonably estimated at the end of the reporting period, and disclosure should accompany the incomplete tax effects.</p>	<p>Dec. 22, 2017 – Enactment of H.R. 1, included in the Dec. 31, 2017, annual financial statements</p>	<p>Not applicable</p>
<p>Codification Improvements (ASU 2018-09)</p> <p>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.</p>	<p>Varies by issue (see pages 8 and 9 of the ASU)</p> <p>March 31, 2018</p> <p>Upon issuance, July 16, 2018</p> <p>March 31, 2019</p>	<p>Not applicable</p>
<p>Revenue Recognition (ASU 2014-09)</p> <p>For all entities, the transaction- and industry-specific recognition methods are eliminated and revenue is recognized by applying a defined principles-based approach.</p> <p>Clarifying standards:</p> <p>ASU 2015-14 – Deferral of Effective Date</p> <p>ASU 2016-08 – Principal Versus Agent Considerations (Gross Versus Net Reporting)</p> <p>ASU 2016-10 – Identifying Performance Obligations and Licensing</p> <p>ASU 2016-11 – Rescission of Certain SEC Guidance in Topic 605 (Staff Announcements at March 3, 2016, EITF Meeting)</p> <p>ASU 2016-12 – Narrow-Scope Improvements and Practical Expedients</p> <p>ASU 2016-20 – Technical Corrections and Improvements</p> <p>ASU 2017-14 – 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</p>	<p>March 31, 2018¹</p>	<p>Permitted only as of annual periods beginning after Dec. 15, 2016, including interims within</p>

¹ 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>Derecognition and Partial Sales of Nonfinancial Assets (ASU 2017-05)</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>Service Concession Arrangements for Operators of Public Infrastructure (ASU 2017-10)</p> <p>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.</p>	<p>March 31, 2018 (unless ASU 2014-09 was previously adopted)</p>	<p>Permitted, including in an interim period</p>
<p>Recognition and Measurement (ASU 2016-01)</p> <p>Applies to the classification and measurement of financial instruments. Removes the AFS 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. For PBEs, requires the use of exit pricing in fair value disclosure for instruments carried at amortized cost.</p> <p>Clarifying standards:</p> <p>ASU 2018-03 – Clarifications for equity securities without a readily determinable fair value and fair value option liabilities</p> <p>ASU 2018-04 – (SAB 117) Rescission of SEC guidance on AFS equities</p>	<p>March 31, 2018</p> <p>For ASU 2018-03, Sept. 30, 2018</p>	<p>Not permitted, except for two provisions</p> <p>For ASU 2018-03, permitted, including in an interim period, if ASU 2016-01 has been adopted</p>
<p>Breakage for Prepaid Cards (ASU 2016-04)</p> <p>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.</p>	<p>March 31, 2018</p>	<p>Permitted, including in an interim period</p>
<p>Statement of Cash Flows: Certain Clarifications (ASU 2016-15)</p> <p>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.</p>	<p>March 31, 2018</p>	<p>Permitted, including in an interim period</p>
<p>Income Taxes for Intra-Entity Asset Transfers (ASU 2016-16)</p> <p>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.</p>	<p>March 31, 2018</p>	<p>Permitted as of the beginning of an annual period for which financial statements have not been issued</p>

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
<p>Statement of Cash Flows: Restricted Cash (ASU 2016-18)</p> <p>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.</p>	March 31, 2018	Permitted, including in an interim period
<p>Definition of a Business (ASU 2017-01)</p> <p>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.</p>	March 31, 2018	Permitted for certain transactions
<p>Presentation of Net Periodic Pension and Postretirement Benefit Costs (ASU 2017-07)</p> <p>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.</p>	March 31, 2018	Permitted as of the beginning of an annual period, in the first interim period
<p>Share-Based Payment Modification Accounting (ASU 2017-09)</p> <p>Requires modification accounting when an award's fair value, vesting provisions, or classification changes subsequent to a modification of the award.</p>	March 31, 2018	Permitted, including in an interim period
<p>Leases (ASU 2016-02)</p> <p>Revises recognition and measurement for lease contracts by lessors and lessees; operating leases are recorded on the balance sheet for lessees. Replaces Topic 840 with Topic 842.</p> <p>Clarifying standards:</p> <p>ASU 2018-01 – Provides a practical expedient in transition to not evaluate existing or expired land easements under Topic 842 that were not previously accounted for as leases under Topic 840.</p> <p>ASU 2018-10 – Provides 16 improvements and clarifications to the guidance in Topic 842.</p> <p>ASU 2018-11 – Provides an optional transition method for adopting Topic 842 that will eliminate comparative period reporting under the new guidance in the adoption year. Provides a practical expedient for lessors to not separate nonlease components from the associated lease component in specified circumstances.</p>	March 31, 2019 ²	Permitted

² 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.

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>Premium Amortization on Purchased Callable Debt (ASU 2017-08)</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>	March 31, 2019	Permitted, including in an interim period
<p>Financial Instruments With Down-Round Features (Part I) and Scope Exception for Certain Mandatorily Redeemable Financial Instruments (Part II) (ASU 2017-11)</p> <p>Part I – Simplifies the accounting for certain financial instruments with down-round features by eliminating the requirement to consider the down-round feature in the liability or equity classification determination. For entities that present earnings per share (EPS), requires the effect of the down-round feature in a warrant or other freestanding equity-classified instrument to be presented as a dividend and an adjustment to EPS when it is triggered. Regardless of whether the entity presents EPS, requires the effect of the down-round feature in a convertible instrument such as debt or preferred stock to follow existing guidance for contingent beneficial conversion features and be presented as a discount to the convertible instrument with an offsetting credit to paid-in capital when it is triggered.</p> <p>Part II – Changes the indefinite deferral available to private companies with mandatorily redeemable financial instruments and certain noncontrolling interests to a scope exception, which does not have an accounting effect.</p>	March 31, 2019	Permitted, including in an interim period
<p>Hedging Activities (ASU 2017-12)</p> <p>Expands the nonfinancial and financial risk components that can qualify for hedge accounting and simplifies financial reporting for hedging activities.</p>	March 31, 2019	Permitted, including in an interim period
<p>Certain Deferred Taxes for Steamship Entities (ASU 2017-15)</p> <p>Requires steamship entities to recognize any remaining deferred taxes on certain statutory reserve deposits in accordance with Topic 740.</p>	March 31, 2019	Permitted, including in an interim period
<p>Tax Reform – Reclassification of Stranded Tax Effects in AOCI (ASU 2018-02)</p> <p>If elected, an entity may 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.</p>	March 31, 2019	Permitted, including in an interim period
<p>Nonemployee Stock Compensation Simplifications (ASU 2018-07)</p> <p>Aligns the accounting guidance for nonemployee stock payments with the guidance for employee stock compensation in ASC Topic 718.</p>	March 31, 2019	Permitted, including in an interim period, but no earlier than the adoption of Topic 606

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
<p>Contributions Received and Made for Not-for-Profit Entities (ASU 2018-08)</p> <p>Improves the guidance on contributions and exchange transactions. Although the ASU primarily impacts not-for-profit entities, it applies to all entities, including business entities, that receive or make contributions of cash and other assets.</p>	<p>March 31, 2019 (See the ASU for non-calendar yearend effective dates because they vary for contributions received and contributions made)</p>	<p>Permitted</p>
<p>Goodwill Impairment Testing (ASU 2017-04)</p> <p>Removes step two – the requirement to perform a hypothetical purchase price allocation when the carrying value of a reporting unit exceeds its fair value – of the goodwill impairment test.</p>	<p>For SEC filers, tests performed on or after Jan. 1, 2020</p> <p>For PBEs that are <u>not</u> SEC filers, tests performed on or after Jan. 1, 2021</p>	<p>Permitted for interim or annual goodwill impairment tests performed on testing dates on or after Jan. 1, 2017</p>
<p>Credit Losses (ASU 2016-13)</p> <p>Replaces the incurred loss model with the current expected credit loss (CECL) model for financial assets, including trade receivables, debt securities, and loan receivables.</p>	<p>For SEC filers, March 31, 2020</p> <p>For PBEs that are <u>not</u> SEC filers, March 31, 2021</p>	<p>Permitted as of the fiscal years beginning after Dec. 15, 2018, including interim periods within</p>
<p>Fair Value Measurement Disclosure (ASU 2018-13)</p> <p>Removes, modifies, or adds certain fair value measurement disclosures related to financial instrument transfers and Level 3 instruments, among others.</p>	<p>March 31, 2020</p>	<p>Permitted</p>
<p>Implementation Costs for Cloud Computing Arrangements (CCAs) (ASU 2018-15)</p> <p>Aligns accounting for implementation costs of CCAs with or without a license (that is, regardless of whether the CCA is a service contract) by capitalizing implementation costs during the application development stage and amortizing the costs over the term of the arrangement.</p>	<p>March 31, 2020</p>	<p>Permitted, including in an interim period</p>
<p>Defined Benefit Plan Disclosure for Sponsors (ASU 2018-14)</p> <p>Removes and clarifies certain disclosures for sponsors of defined benefit plans. Adds disclosure for weighted-average interest credit rates for certain plans and the reasons for significant gains and losses in the benefit obligation.</p>	<p>Dec. 31, 2020</p>	<p>Permitted</p>
<p>Long-Duration Insurance Contracts (ASU 2018-12)</p> <p>Revises the accounting for life insurance and annuity contracts by eliminating the method of locking in liability assumptions and the premium deficiency test (for traditional and limited-payment contracts), among other methodology changes. Requires additional disclosure.</p>	<p>March 31, 2021</p>	<p>Permitted</p>

Checklist B

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

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
<p>Tax Reform – SEC Accounting and Disclosure Guidance (ASU 2018-05)</p> <p>Codifies the SEC’s SAB 118, which provides guidance on accounting for income tax effects of the <i>Tax Cuts and Jobs Act</i> (H.R. 1). Provisional amounts should be recorded for tax effects that are incomplete and can be reasonably estimated at the end of the reporting period, and disclosure should accompany the incomplete tax effects.</p>	<p>Dec. 22, 2017 – Enactment of H.R. 1, included in the Dec. 31, 2017, annual financial statements</p>	<p>Not applicable</p>
<p>Share-Based Payment Modification Accounting (ASU 2017-09)</p> <p>Requires modification accounting when an award’s fair value, vesting provisions, or classification changes subsequent to a modification of the award.</p>	<p>March 31, 2018</p>	<p>Permitted, including in an interim period</p>
<p>Rescission of Obsolete Deferred Tax Guidance for Financial Institutions (ASU 2018-06)</p> <p>Supersedes guidance that originated from the OCC’s Banking Circular 202, “Accounting for Net Deferred Tax Charges.” Because the OCC previously rescinded this guidance, it is no longer relevant.</p>	<p>Upon issuance, May 7, 2018</p>	<p>Not applicable</p>
<p>Codification Improvements (ASU 2018-09)</p> <p>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.</p>	<p>Varies by issue (see pages 8 and 9 of the ASU) Upon issuance, July 16, 2018 Dec. 31, 2019 Dec. 31, 2020</p>	<p>Permitted, including in an interim period</p>
<p>Classification of Deferred Taxes (ASU 2015-17)</p> <p>Simplifies classification of deferred taxes in a classified balance sheet. Classification as noncurrent only is required.</p>	<p>Dec. 31, 2018</p>	<p>Permitted as of the beginning of an interim or annual period</p>
<p>Derivative Novations (ASU 2016-05)</p> <p>Applies when there is a change in the counterparty to a derivative instrument that has been designated as a hedging instrument.</p>	<p>Dec. 31, 2018</p>	<p>Permitted, including in an interim period</p>

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
<p>Contingent Puts and Calls on Debt Instruments (ASU 2016-06)</p> <p>Applies to debt instruments (or hybrid financial instruments that are determined to have a debt host) with embedded put or call options. When those options are contingently exercisable, there is no requirement that an entity must assess whether the event that triggers the ability to exercise the options is related to interest rates or credit risks.</p>	Dec. 31, 2018	Permitted, including in an interim period
<p>Share-Based Payments (ASU 2016-09)</p> <p>Applies to share-based payment awards issued to employees and offers simplification in several areas including income taxes, forfeitures, minimum statutory tax withholding requirements, cash flow presentation, and practical expedients for nonpublic entities to use intrinsic value measurement for liability-classified awards and to estimate expected term for certain awards.</p>	Dec. 31, 2018	Permitted, including in an interim period
<p>Not-for-Profit Entities – Financial Statements (ASU 2016-14)</p> <p>Represents major changes to not-for-profit financial statement presentation standards; focuses on improving the current net asset classification requirements and information presented in financial statements and notes to assess liquidity, financial performance, and cash flows.</p>	Dec. 31, 2018	Permitted
<p>Certain Deferred Taxes for Steamship Entities (ASU 2017-15)</p> <p>Requires steamship entities to recognize any remaining deferred taxes on certain statutory reserve deposits in accordance with Topic 740.</p>	March 31, 2019	Permitted, including in an interim period
<p>Tax Reform – Reclassification of Stranded Tax Effects in AOCI (ASU 2018-02)</p> <p>If elected, an entity may 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.</p>	March 31, 2019	Permitted, including in an interim period
<p>Revenue Recognition (ASU 2014-09)</p> <p>For all entities, the transaction- and industry-specific recognition methods are eliminated and revenue is recognized by applying a defined principles-based approach.</p> <p>Clarifying standards:</p> <p>ASU 2015-14 – Deferral of Effective Date</p> <p>ASU 2016-08 – Principal Versus Agent Considerations (Gross Versus Net Reporting)</p> <p>ASU 2016-10 – Identifying Performance Obligations and Licensing</p> <p>ASU 2016-11 – Rescission of Certain SEC Guidance in Topic 605 (Staff Announcements at March 3, 2016, EITF Meeting)</p> <p>ASU 2016-12 – Narrow-Scope Improvements and Practical Expedients</p> <p>ASU 2016-20 – Technical Corrections and Improvements</p> <p>ASU 2017-14 – 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</p>	Dec. 31, 2019	Permitted only as of annual periods beginning after Dec. 15, 2016, including interims within

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

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
<p>Derecognition and Partial Sales of Nonfinancial Assets (ASU 2017-05)</p> <p>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.</p>	<p>Dec. 31, 2019, consistent with ASU 2014-09</p>	<p>Permitted only as of annual periods beginning after Dec. 15, 2016, including interims within</p>
<p>Service Concession Arrangements for Operators of Public Infrastructure (ASU 2017-10)</p> <p>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.</p>	<p>Dec. 31, 2019 (unless ASU 2014-09 has been adopted)</p>	<p>Permitted, including in an interim period</p>
<p>Recognition and Measurement (ASU 2016-01)</p> <p>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.</p> <p>Clarifying standards:</p> <p>ASU 2018-03 – Clarifications for equity securities without a readily determinable fair value and fair value option liabilities</p> <p>ASU 2018-04 – (SAB 117) Rescission of SEC guidance on AFS equities</p>	<p>Dec. 31, 2019</p>	<p>Not permitted, except for two provisions</p> <p>For ASU 2018-03, permitted, including in an interim period, if ASU 2016-01 has been adopted</p>
<p>Breakage for Prepaid Cards (ASU 2016-04)</p> <p>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.</p>	<p>Dec. 31, 2019</p>	<p>Permitted, including in an interim period</p>
<p>Statement of Cash Flows: Certain Clarifications (ASU 2016-15)</p> <p>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.</p>	<p>Dec. 31, 2019</p>	<p>Permitted, including in an interim period</p>

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
<p>Income Taxes for Intra-Entity Asset Transfers (ASU 2016-16)</p> <p>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.</p>	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
<p>Statement of Cash Flows: Restricted Cash (ASU 2016-18)</p> <p>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.</p>	Dec. 31, 2019	Permitted, including in an interim period
<p>Definition of a Business (ASU 2017-01)</p> <p>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.</p>	Dec. 31, 2019	Permitted for certain transactions
<p>Employee Benefit Plan Master Trust Reporting (ASU 2017-06)</p> <p>Applies to disclosures of plans that have an interest in a master trust, which is a trust that 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.</p>	Dec. 31, 2019	Permitted
<p>Presentation of Net Periodic Pension and Postretirement Benefit Costs (ASU 2017-07)</p> <p>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.</p>	Dec. 31, 2019	Permitted as of the beginning of an annual period, in the first interim period if interim financial statements are issued
<p>Contributions Received and Made for Not-for-Profit Entities (ASU 2018-08)</p> <p>Improves the guidance on contributions and exchange transactions. Although the ASU primarily impacts not-for-profit entities, it applies to all entities, including business entities, that receive or make contributions of cash and other assets.</p>	<p>For contributions received, Dec. 31, 2019</p> <p>For contributions made, Dec. 31, 2020</p>	Permitted

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

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
<p>Leases (ASU 2016-02)</p> <p>Revises recognition and measurement for lease contracts by lessors and lessees; operating leases are recorded on the balance sheet for lessees. Replaces Topic 840 with Topic 842.</p> <p>Clarifying standards:</p> <p>ASU 2018-01 – Provides a practical expedient in transition to not evaluate existing or expired land easements under Topic 842 that were not previously accounted for as leases under Topic 840.</p> <p>ASU 2018-10 – Provides 16 improvements and clarifications to the guidance in Topic 842.</p> <p>ASU 2018-11 – Provides an optional transition method for adopting Topic 842 that will eliminate comparative period reporting under the new guidance in the adoption year. Provides a practical expedient for lessors to not separate nonlease components from the associated lease component in specified circumstances.</p>	<p>Dec. 31, 2020</p>	<p>Permitted</p>
<p>Premium Amortization on Purchased Callable Debt (ASU 2017-08)</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>Dec. 31, 2020</p>	<p>Permitted, including in an interim period</p>
<p>Financial Instruments With Down-Round Features (Part I) and Scope Exception for Certain Mandatorily Redeemable Financial Instruments (Part II) (ASU 2017-11)</p> <p>Part I – Simplifies the accounting for certain financial instruments with down-round features by eliminating the requirement to consider the down-round feature in the liability or equity classification determination. For entities that present EPS, requires the effect of the down-round feature in a warrant or other freestanding equity-classified instrument to be presented as a dividend and an adjustment to EPS when it is triggered. Regardless of whether the entity presents EPS, requires the effect of the down-round feature in a convertible instrument such as debt or preferred stock to follow existing guidance for contingent beneficial conversion features and be presented as a discount to the convertible instrument with an offsetting credit to paid-in capital when it is triggered.</p> <p>Part II – Changes the indefinite deferral available to private companies with mandatorily redeemable financial instruments and certain noncontrolling interests to a scope exception, which does not have an accounting effect.</p>	<p>Dec. 31, 2020</p>	<p>Permitted, including in an interim period</p>
<p>Hedging Activities (ASU 2017-12)</p> <p>Expands the nonfinancial and financial risk components that can qualify for hedge accounting and simplifies financial reporting for hedging activities.</p>	<p>Dec. 31, 2020</p>	<p>Permitted, including in an interim period</p>

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
<p>Nonemployee Stock Compensation Simplifications (ASU 2018-07)</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>Fair Value Measurement Disclosure (ASU 2018-13)</p> <p>Removes, modifies, or adds certain fair value measurement disclosures related to financial instrument transfers and Level 3 instruments, among others.</p>	Dec. 31, 2020	Permitted
<p>Credit Losses (ASU 2016-13)</p> <p>Replaces the incurred loss model with the current expected credit loss (CECL) model for financial assets, including trade receivables, debt securities, and loan receivables.</p>	Dec. 31, 2021	Permitted as of the fiscal years beginning after Dec. 15, 2018, including interim periods within
<p>Defined Benefit Plan Disclosure for Sponsors (ASU 2018-14)</p> <p>Removes and clarifies certain disclosures for sponsors of defined benefit plans. Adds disclosure for weighted-average interest credit rates for certain plans, and the reasons for significant gains and losses in the benefit obligation.</p>	Dec. 31, 2021	Permitted
<p>Implementation Costs for Cloud Computing Arrangements (CCAs) (ASU 2018-15)</p> <p>Aligns accounting for implementation costs of CCAs with or without a license (that is, regardless of whether the CCA is a service contract) by capitalizing implementation costs during the application development stage and amortizing the costs over the term of the arrangement.</p>	Dec. 31, 2021	Permitted, including in an interim period
<p>Goodwill Impairment Testing (ASU 2017-04)</p> <p>Removes step two – the requirement to perform a hypothetical purchase price allocation when the carrying value of a reporting unit exceeds its fair value – of the goodwill impairment test.</p>	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
<p>Long-Duration Insurance Contracts (ASU 2018-12)</p> <p>Revises the accounting for life insurance and annuity contracts by eliminating the method of locking in liability assumptions and the premium deficiency test (for traditional and limited-payment contracts), among other methodology changes. Requires additional disclosure.</p>	Dec. 31, 2022	Permitted

Governmental Accounting Standards Board (GASB) statement effective dates

Checklist C – Effective dates for all GASB statementsC-1

Checklist C

Effective dates for all GASB statements

GASB statement	Effective dates – reporting periods beginning after	Early adoption
<p>Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB Statement 75)</p> <p>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.</p>	<p>June 15, 2017</p>	<p>Permitted</p>
<p>Omnibus 2017 (GASB Statement 85)</p> <p>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.</p>	<p>June 15, 2017</p>	<p>Permitted</p>
<p>Certain Debt Extinguishment Issues (GASB Statement 86)</p> <p>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.</p>	<p>June 15, 2017</p>	<p>Permitted</p>
<p>Certain Asset Retirement Obligations (GASB Statement 83)</p> <p>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.</p>	<p>June 15, 2018</p>	<p>Permitted</p>

Checklist C – Effective dates
for all GASB statements

GASB statement	Effective dates – reporting periods beginning after	Early adoption
<p>Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements (GASB Statement 88)</p> <p>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.</p>	<p>June 15, 2018</p>	<p>Permitted</p>
<p>Fiduciary Activities (GASB Statement 84)</p> <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>	<p>Dec. 15, 2018</p>	<p>Permitted</p>
<p>Majority Equity Interests (GASB Statement 90)</p> <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>	<p>Dec. 15, 2018</p>	<p>Permitted</p>
<p>Leases (GASB Statement 87)</p> <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>	<p>Dec. 15, 2018</p>	<p>Permitted</p>
<p>Accounting for Interest Cost Incurred Before the End of a Construction Period (GASB Statement 89)</p> <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>	<p>Dec. 15, 2018</p>	<p>Permitted</p>



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