



October 2019

Keeping You Informed

Third quarter accounting and
financial reporting developments

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Third quarter highlights

During the third quarter of the 2019 calendar year, the Financial Accounting Standards Board (FASB) issued one new accounting standard, which updates U.S. GAAP to incorporate various Securities and Exchange Commission (SEC) rules and disclosures.

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

- Deferral of effective dates for certain entities for credit impairment, leases, hedging, and long-duration contracts guidance
- Narrow-scope improvements to the credit losses standard
- Clarification of interaction between recognition and measurement of financial instruments and equity method investments
- Improvements in distinguishing liabilities from equity
- Transitional guidance for reference rate reform
- Debt classification

In addition, the FASB issued a question-and-answer (Q&A) document addressing the development of an estimate of expected credit losses.

The SEC discussed interest-rate reform and transition, proposed to modernize Regulation S-K disclosures, updated the Division of Corporation Finance (Corp Fin) Financial Reporting Manual, amended auditor independence rules, and requested comments on changes to private securities offering exemptions.

The Public Company Accounting Oversight Board (PCAOB) released two new resources addressing critical audit matters (CAMs), issued staff guidance on its new audit requirements that were approved by the SEC during the third quarter, and published its annual broker-dealer inspection report.

The American Institute of Certified Public Accountants (AICPA) issued a practice aid for the credit losses standard as well as three working drafts addressing credit losses standard implementation issues. The AICPA also proposed a new Statement on Auditing Standards on auditing accounting estimates.

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

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

From the FASB

Final standards

Codification updated to reflect SEC Rules

On July 26, 2019, the FASB issued ASU No. 2019-07, "Codification Updates to SEC Sections: Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10532, 'Disclosure Update and Simplification,' and Nos. 33-10231 and 33-10442, 'Investment Company Reporting Modernization,' and Miscellaneous Updates."

This ASU modifies the FASB Accounting Standards Codification (ASC) to reflect previously issued SEC rules for disclosure updates and simplification and investment company reporting modernization. These rules were adopted by the SEC to improve its regulations on financial reporting and disclosures. Other miscellaneous updates were made to agree to the electronic Code of Federal Regulations.

This ASU was effective upon issuance.

Proposals

Narrow-scope improvements to credit losses standard

On June 27, 2019, the FASB issued a proposed ASU, "Codification Improvements to Topic 326, Financial Instruments – Credit Losses."

The proposed amendments represent changes to improve certain aspects of the new credit losses standard (ASU 2016-13). 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

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

For entities that have adopted ASU 2016-13, the amendments in this proposed ASU would be effective for fiscal years beginning after Dec. 31, 2019, including interim periods within those fiscal years. Early adoption is permitted in any interim period after issuance of this proposed ASU as long as an entity has adopted the amendments in ASU 2016-13.

Comments were due on July 29, 2019.

Clarification of the interaction between recognition and measurement of financial instruments and accounting for equity method investments

On July 30, 2019, the FASB issued a proposed ASU, "Investments – Equity Securities (Topic 321), Investments – Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions Between Topic 321, Topic 323, and Topic 815," to clarify the interaction of the accounting for equity securities under Topic 321 and investments under the equity method of accounting in Topic 323 and the accounting for certain forward contract and purchased options accounted for under Topic 815.

The amendments in this proposed ASU would clarify that an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting for purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method.

The amendments also would clarify that an entity should apply Topic 321 rather than Topic 323 to account for forward contracts and purchased options to acquire an equity instrument that do not meet the definition of a derivative under Topic 815.

The exposure draft does not yet include an effective date.

Comments were due on Aug. 29, 2019.

Improvements in distinguishing liabilities from equity

On July 31, 2019, the FASB issued a proposed ASU, "Debt – Debt With Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity," to reduce complexity associated with accounting for certain financial instruments with characteristics of liabilities and equity.

The amendments in this proposed ASU would reduce the number of accounting models for convertible debt instruments and convertible preferred stock. In addition, the proposed ASU would improve disclosures for convertible instruments and earnings-per-share guidance. The proposed ASU would revise the derivatives scope exception guidance to reduce form-over-substance-based accounting conclusions driven by remote contingent events.

The exposure draft does not yet include an effective date.

Comments are due on Oct. 14, 2019.

Deferral of credit impairment, leases, and hedging effective dates for certain entities

On Aug. 15, 2019, the FASB issued a proposed ASU, “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) as defined by SEC rules, 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 credit losses (Topic 326), the proposal maintains the current effective date for SEC filers excluding SRCs of fiscal years beginning after Dec. 15, 2019, and interim periods within those fiscal years. For all other entities, including SRCs, the proposal extends the effective date to fiscal years beginning after Dec. 15, 2022, including interim periods within, which for calendar year-ends is Jan. 1, 2023.

For leases (Topic 842), the proposal retains the current effective date for public business entities (PBEs), not-for-profit conduit bond obligors, and EBPs that file or furnish financial statements with the SEC of fiscal years beginning after Dec. 15, 2018, including interim periods within. For entities other than PBEs, the proposal extends the effective date to fiscal years beginning after Dec. 15, 2020, and interim periods within fiscal years beginning after Dec. 15, 2021.

For hedging (Topic 815), the proposal retains the existing effective date for PBEs, which is fiscal years beginning after Dec. 15, 2018, including interim periods within. For entities other than PBEs, the proposal extends the effective date to fiscal years beginning after Dec. 15, 2020, and interim periods within fiscal years beginning after Dec. 15, 2021.

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

	Existing dates		Proposed dates		
Hedging	PBEs	All other entities	PBEs	All other entities	
	2019	2020	2019	2021	
Leases	PBEs and certain NFPs and EBPs	All other entities	PBEs and certain NFPs and EBPs	All other entities	
	2019	2020	2019	2021	
Credit impairment	SEC filers	Other PBEs	Other entities	SEC filers excluding SRCs	All other entities
	2020	2021	2022	2020	2023

The exposure draft is expected to be effective upon issuance.

Comments were due on Sept. 16, 2019.

Effective date deferral of long-duration contracts guidance

On Aug. 21, 2019, the FASB issued a proposed ASU, “[Financial Services – Insurance \(Topic 944\): Effective Date](#),” to defer the effective date of the amendments in ASU 2018-12, “[Financial Services – Insurance \(Topic 944\): Targeted Improvements to the Accounting for Long-Duration Contracts](#),” for all entities.

For calendar year-end entities, the following table reflects the proposed effective dates for ASU 2018-12:

	Existing dates		Proposed dates	
Long-duration contracts	PBEs	All other entities	SEC filers excluding SRCs	All other entities
	2021	2022	2022	2024

The exposure draft is expected to be effective upon issuance.

Comments were due on Sept. 20, 2019.

Reference rate reform transitional guidance

On Sept. 5, 2019, the FASB issued a proposed ASU, “[Reference Rate Reform \(Topic 848\): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.](#)” In response to risks of interbank offered rates such as the London Interbank Offered Rate (LIBOR), regulators around the world have undertaken reference rate reform initiatives to move away from applying these interbank offered rates and applying alternative reference rates that are more observable and less susceptible to manipulation. This proposed ASU addresses some concerns raised by stakeholders in accounting for contract modifications and hedge accounting due to reference rate reform by providing optional expedients and exceptions in accounting for contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met.

The proposed guidance would be in effect for only a limited time as it is designed to assist entities through the transition period and not apply to contract modifications made and hedging relationships entered into or evaluated after Dec. 31, 2022. The exposure draft indicates that the proposed ASU would be effective for all entities upon issuance.

Comments were due on Oct. 7, 2019.

Simplifying debt classification

On Sept. 12, 2019, the FASB issued a revision to the proposed ASU “[Debt \(Topic 470\): Simplifying the Classification of Debt in a Classified Balance Sheet \(Current Versus Noncurrent\).](#)” The proposed amendments are expected to reduce the costs and complexity for preparers and auditors when determining whether debt should be classified as current or noncurrent on the balance sheet, while providing more consistent and transparent information to financial statement users.

The proposed ASU would require an entity to classify an instrument as noncurrent if either of the following criteria is met as of the balance sheet date:

- The liability is contractually due to be settled more than one year (or operating cycle, if longer) after the balance sheet date.
- The entity has a contractual right to defer settlement of the liability for a period greater than one year (or operating cycle, if longer) after the balance sheet date.

Entities would continue to classify debt as noncurrent when there has been a debt covenant violation and a waiver or a forbearance agreement is received for that violation that meets certain conditions before the financial statements are issued (or available to be issued). The proposed amendments would require more comprehensive disclosures about defaults resulting from violations of a loan covenant, grace periods within which the debtor may cure a violation, and triggers of a subjective acceleration clause.

The exposure draft does not yet include an effective date.

Comments are due on Oct. 28, 2019.

Current expected credit losses Q&As

Estimating current expected credit losses

On July 17, 2019, the FASB staff issued its second Q&A document focusing on ASU 2016-13, “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” Within the Q&A document, the staff provides answers to 16 frequently asked questions on the development of an estimate of expected credit losses. Topics covered include modeling requirements, using historical loss information, internal and external data sources, developing reasonable and supportable forecasts, the reversion to historical loss information, and qualitative factor adjustments.

Additionally, the board authorized the FASB staff to plan a series of current expected credit losses standard (CECL) educational workshops to be held around the country. More information about the workshops will be available on the FASB website.

Other requests for comment

Public company input on segment reporting

The FASB, on June 25, 2019, announced that it is looking for public companies to take part in a study on potential improvements to the segment disclosure requirements. The board is collecting information – all of which will be kept confidential – on the operability of potential improvements to the segment disclosure requirements and identification of potential unintended consequences.

The FASB plans to use the feedback to help inform the board about the costs and benefits of the various improvement ideas being considered. A summary of the findings will be presented to the board at a future public board meeting.

The study, which is expected to last no more than four months, is the FASB's second study on segment reporting. In 2018, the first study focused on improving the aggregation criteria and determining the reportable segments.

Registration for the study currently is closed.

Request for comment on certain identifiable intangible assets and subsequent accounting for goodwill

The FASB issued, on July 9, 2019, an Invitation to Comment (ITC) that asks for stakeholder input on the accounting for certain identifiable intangible assets acquired in a business combination and subsequent accounting for goodwill. In conjunction with this ITC, the FASB released a video that provides a background on the accounting and an overview of ITC.

Topics for consideration in the ITC include 1) whether to change the subsequent accounting for goodwill, 2) whether to modify the recognition of intangible assets in a business combination, 3) whether to add or change disclosures about goodwill and intangible assets, and 4) comparability and scope issues. Private companies and not-for-profit organizations currently have accounting alternatives for accounting for certain identifiable intangible assets and goodwill that are not available to PBEs. Prior feedback has been missed; therefore, the staff is seeking additional input from a broad base of stakeholders if changes need to be made by the board.

Comments were due Oct. 7, 2019. The FASB [announced](#) on Sept. 30, 2019, that it will be hosting a public roundtable discussion on Nov. 15, 2019, to discuss views on this ITC.

From the SEC

Public statements and announcements

Credit derivatives market

On June 24, 2019, SEC Chairman Jay Clayton, Commodity Futures Trading Commission Chairman J. Christopher Giancarlo, and U.K. Financial Conduct Authority (FCA) Chief Executive Andrew Bailey issued a joint statement concerning the credit derivatives markets:

“The continued pursuit of various opportunistic strategies in the credit derivatives markets, including but not limited to those that have been referred to as ‘manufactured credit events,’ may adversely affect the integrity, confidence and reputation of the credit derivatives markets, as well as markets more generally. These opportunistic strategies raise various issues under securities, derivatives, conduct and antifraud laws, as well as public policy concerns.”

According to the leaders, each of their agencies will work together to prioritize the exploration of avenues to address these concerns and promote transparency, accountability, integrity, good conduct, and investor protection in these markets.

LIBOR transition and potential risks

On July 12, 2019, the SEC staff published a statement on LIBOR transition that encourages market participants to proactively manage their transition away from LIBOR. The statement identifies several areas that warrant increased attention during the transition period and provides guidance on certain items. Areas addressed in the statement include:

- Identification of existing contracts that extend past 2021 to determine their exposure to LIBOR
- Consideration of whether contracts entered into in the future should reference an alternative rate to LIBOR or include effective fallback language
- Guidance for how registrants might respond to other business risks associated with the discontinuation of LIBOR such as those related to strategy, products, processes, and information systems
- Questions to consider to understand and mitigate the risks related to the transition from LIBOR
- Potential alternative reference rates that may be used
- Guidance from several SEC divisions on responding to risks resulting from the impact of the discontinuation of LIBOR

It is expected that parties reporting information used to set LIBOR will stop doing so after 2021. The SEC staff warns, “For many market participants, waiting until all open questions have been answered to begin this important work likely could prove to be too late to accomplish the challenging task required.”

Roundtable on short-termism

Corp Fin hosted a public roundtable on July 18, 2019, to gather information from investors, issuers, and other market participants about the impact of short-termism on capital markets and whether the SEC reporting system and regulations should be modified to address these concerns.

The agenda had these panel discussion topics:

- “Impact of a Short-Term Focus on Our Capital Markets,” to explore the causes and effects of a short-term focus on capital markets and to identify potential market practices and regulatory changes that could encourage long-term thinking and investment
- “Our Periodic Reporting System’s Role in Fostering a Long-Term Focus,” to discuss the SEC’s periodic reporting system and what specific regulatory changes could foster a longer-term focus in the system

Cross-border digital assets regulation

On July 30, 2019, SEC Commissioner Hester M. Peirce spoke at the Singapore University of Social Sciences Convergence Forum: Inclusive Blockchain, Finance, and Emerging Technologies, about opportunities for cross-border cooperation for regulating digital assets. She said that innovation in blockchain and cryptocurrency is challenging us “to think about how better to accommodate innovation in general. Because so much of the activity is taking place outside the United States, we have to think about our regulation with a sensitivity for cross-border considerations, cooperation, and what I call co-learning.”

Peirce said that regulators’ concerns about the cross-border regulation of digital assets in many ways go along with their concerns about regulating all forms of cross-border market activity, including being able to enforce domestic rules, the inability to impose regulations outside U.S. borders, and whether the regulatory structure meets expectations of investors. Peirce warned that international communication and internationalization of markets does not necessarily lead to the internationalization of regulations. She also encouraged jurisdictions to look to regulators for shared consideration of difficult issues and coordination, but not for regulatory directives.

Regulatory reform

SEC Commissioner Peirce discussed SEC regulatory reform efforts in her [remarks](#) before the American Chamber of Commerce in Tokyo on Aug. 7, 2019. Peirce said the “regulation of public companies is a part of our jurisdiction that is crying out for reform. We have seen the trend of companies waiting longer to go public and have been asking ourselves what we can do to encourage companies to go public earlier and to remain public. We want to ensure that retail investors can participate in the growth of these companies.”

She noted that there are various reasons that companies might not go public, including the *Sarbanes-Oxley Act* requirement that auditors attest to the effectiveness of the company’s internal controls, which has been a deterrent for smaller companies. As such, the SEC recently proposed to eliminate this requirement for certain pre-revenue companies. Additionally, she highlighted other efforts by the SEC to cut unnecessary costs, to modernize and simplify disclosure requirements, to streamline exemptions from registration, and to allow all issuers to “test the waters” with potential investors to gauge their interest, among other efforts.

Corp Fin disclosure program realignment

On Sept. 27, 2019, Corp Fin [announced](#) the realignment of the work of its disclosure program. The new structure is aimed at fostering collaboration, transparency, and efficiency. Under the new disclosure program structure, efforts of the Corp Fin staff will be focused in the following groups:

- **Disclosure Review Program.** This group will conduct the majority of its selective and required filing reviews in seven industry-focused offices.
- **Specialized Policy and Disclosure.** The work of the offices of International Corporate Finance, Mergers and Acquisitions, and Structured Finance as well as corporate governance policy matters across Corp Fin will be included in this group.
- **Office of Risk and Strategy.** This office will provide filing review teams with guidance on developing risks and evolving disclosures.
- **Office of Assessment and Continuous Improvement.** This new office has been established to evaluate the effectiveness of the disclosure review program.

Staffing updates

The SEC released, on June 26, 2019, a roster of Chairman Jay Clayton's executive staff, including several individuals who have joined the office recently. The executive staff advises the chairman on all matters before the SEC, works with agency staff, and helps Clayton perform all day-to-day operations needed to fulfill the SEC's mission. Positions listed in the announcement include chief of staff, deputy chief of staff, director of administration, chief counsel, and several senior advisers.

On July 3, 2019, the SEC announced that it has named Sagar Teotia to be chief accountant, after he has recently served as acting chief accountant. In the position, Teotia will be the principal adviser on accounting and auditing matters, and he will direct the 45 staff members in the SEC's Office of the Chief Accountant. He will also assist the SEC in its oversight of the FASB and the PCAOB. Prior to this position, Teotia served as deputy chief accountant since 2017.

The SEC announced that on July 8, 2019, Allison Herren Lee was sworn into office as an SEC commissioner with a term ending June 5, 2022. President Donald Trump nominated Lee, who was unanimously confirmed by the U.S. Senate. Chairman Jay Clayton said that Lee's "expertise in securities law, including from her prior tenure at the Commission, will be invaluable to our efforts to advance the interests of investors and our markets." Commissioner Lee has more than 20 years of experience practicing securities law and has written, lectured, and taught courses internationally on financial regulation and corporate law. She served previously for more than 10 years in several roles at the SEC, including as counsel to Commissioner Kara Stein and as senior counsel in the Division of Enforcement's Complex Financial Instruments Unit.

The SEC announced, on July 9, 2019, that Julie A. Erhardt, deputy chief accountant (technology and innovation) in the Office of the Chief Accountant, plans to leave the SEC in July. During her 14 years at the SEC, Erhardt worked on high-quality international accounting, auditing, and disclosure standards through policy-making, interpretative, consultative, and outreach activities. In addition, she assessed and advised on financial reporting risk and internal SEC risk.

Rules and guidance

Recordkeeping and reporting requirements for security-based swap dealers

The SEC, on Sept. 19, 2019, adopted a package of rules and rule amendments under Title VII of the *Dodd-Frank Wall Street Reform and Consumer Protection Act*. These rules and amendments institute recordkeeping and reporting requirements for security-based swap dealers and major security-based swap participants, and they modify the requirements for broker-dealers. The rules require companies to create and maintain certain business records to document and track their security-based swap operations and are designed to make it easier for the SEC to monitor compliance and reduce market risk. Among other changes, the rules establish or amend periodic reporting and annual audit requirements, establish early warning notification requirements, and amend the SEC's existing cross-border rule.

Proposal to revise statistical disclosures for banking registrants

On Sept. 17, 2019, the SEC announced a proposed rule, "Update of Statistical Disclosures for Bank and Savings and Loan Registrants," to update statistical disclosures of banking registrants currently provided under Industry Guide 3, "Statistical Disclosure by Bank Holding Companies." The proposal clarifies the types of entities within its scope and carries over, updates, or eliminates various current Guide 3 disclosures. In addition, the proposal rescinds Guide 3 and relocates required disclosures to new Subpart 1400 of Regulation S-K.

The proposal clarifies, for both domestic and foreign registrants, that banks and savings and loan registrants are subject to Subpart 1400 and, with minor exceptions (see "Credit ratios" in the following table), matches the periods required for statistical disclosures to the annual and interim periods presented in the financial statements. The proposal carries over many current Guide 3 disclosures to Subpart 1400; however, it also eliminates certain Guide 3 disclosure topics (for example, return on equity and assets and short-term borrowings) and makes minor changes to Article 9 of Regulation S-X.

Highlights of significant proposed disclosure changes include:

Topic	Significant proposed changes
Average balance, interest and yield/rate analysis, and rate/volume analysis	Further disaggregates the categories of short-term interest-earning assets and short-term interest-bearing liabilities
Investment portfolio	Deletes certain disclosures and matches, with U.S. GAAP or International Financial Reporting Standards (IFRS), the categories presented for weighted average yield disclosures for each range of maturities by category of debt securities
Loan portfolio	Deletes certain disclosures and matches, with U.S. GAAP or IFRS, the loan categories for maturity by loan category disclosures; clarifies how contractual maturities and noncontractual rollovers or extensions affect the disclosure
Allowance for credit losses	<p>Deletes the analysis of loss experience disclosure; carries over the ratio of net charge-offs during the period to average loans outstanding and requires the disclosure of the net charge-off ratio on a more disaggregated basis using loan categories under U.S. GAAP or IFRS</p> <p>Does not propose disclosures related to the new credit loss standard but requests comment on whether there are material allowance disclosures under an expected credit loss model that are not already required by SEC rules, the proposed rules, U.S. GAAP, or IFRS</p>
Credit ratios	<p>Requires disclosure of certain credit ratios on a consolidated basis and disaggregates the current credit ratio disclosure (that is, net charge-offs during the period to average loans outstanding) into each loan category disclosed under U.S. GAAP or IFRS; proposes discussion of the factors that drove material changes in the ratios, or related components, during the periods presented</p> <p>Requires five years of credit ratio disclosures for initial registration statements (including Regulation A offering statements); for other filings, would require disclosures for the financial statement periods presented in the filing</p>
Deposits	Requires disclosure of uninsured time deposits disaggregated by type and maturity

Comments are due on Dec. 2, 2019.

“Test-the-waters” expansion

The SEC announced on Sept. 26, 2019, that it voted to adopt a new rule that expands “test-the-waters” reform to all issuers.

Under this new rule, all prospective issuers, not just emerging growth companies (EGCs), are permitted to assess market interest in a possible initial public offering or other proposed registered securities offering by allowing discussions with potential qualified investors before the filing of a registration statement. These communications will be exempt from *Securities Act* Section 5 restrictions on written and oral offers prior to or after filing a registration statement. The expansion of the “test-the-waters” reform is designed to give companies more flexibility in determining whether to proceed with a registered offering before incurring the costs of preparing a registration statement.

The rule will be effective Dec. 3, 2019.

Proxy voting responsibilities of investment advisers

On Aug. 21, 2019, the SEC released clarification guidance addressing proxy voting responsibilities for investment advisers. In addition to other topics, the guidance covers the ability of investment advisers and their clients to establish a variety of voting arrangements and matters to consider when they use proxy advisory firm services.

In addition, the SEC provides interpretative guidance on the applicability of the federal proxy rules to proxy voting advice and notes that proxy voting advice provided by proxy advisory firms generally constitutes a “solicitation” under the federal proxy rules. Related guidance about the application of the proxy antifraud rule to proxy voting advice is included.

The guidance and interpretation were effective as of Sept. 10, 2019.

Proposal to modernize Regulation S-K disclosures

On Aug. 8, 2019, the SEC proposed amendments to modernize certain disclosures under Regulation S-K. The proposal addresses the description of business (Item 101), legal proceedings (Item 103), and risk factor disclosures (Item 105). The proposed amendments are targeted to “improve these disclosures for investors, and to simplify compliance efforts for registrants. Specifically, the proposed amendments are intended to improve the readability of disclosure documents, as well as discourage repetition and disclosure of information that is not material.”

Among other proposed amendments to Items 101, 103, and 105, the changes include the following:

- **Item 101.** Changes include clarification and expansion of the principles-based approach; additional disclosure topics such as human capital resources, including any human capital measures or objectives that management focuses on in managing the business, to the extent such disclosures would be material to an understanding of the registrant's business; and emphasis on the regulatory compliance requirement by including material government regulations.
- **Item 103.** To avoid duplicated disclosures, changes include specifically stating that the required information about material legal proceedings may be provided by including hyperlinks or cross-references to legal proceedings disclosure located elsewhere in the document.
- **Item 105.** Changes include requiring a summary risk factor disclosure if the risk factor section is greater than 15 pages, changing the required disclosures standard from the "most significant" factors to the "material" factors, and requiring risk factors to be organized under relevant headings.

Comments are due Oct. 22, 2019.

Updated Financial Reporting Manual

Corp Fin published an updated [Financial Reporting Manual](#) on July 1, 2019. The manual provides informal internal guidance from the Corp Fin staff on various accounting topics, financial reporting topics, and SEC rules.

The updated sections are marked "Last updated: 7/1/2019." Among them:

- **Section 1610.** Certain guidance on the effect of adopting new accounting standards on selected financial data is removed.
- **Topic 2, 2020.1.** Application of Rule 3-13 and Note 5 to Rule 8-01 of Regulation S-X is clarified.
- **Sections 2030.1, 2030.3.** Guidance has been removed. Requests to omit financial statements should be submitted through the Rule 3-13 waiver process.
- **Section 5240.** Information is consolidated with note to Topic 2.
- **Section 10110.** Revenue threshold for EGCs is updated pursuant to SEC Release 33-10332.

Auditor independence rules amendments

The SEC adopted, on June 18, 2019, a final rule, “Auditor Independence With Respect to Certain Loans or Debtor-Creditor Relationships,” that amends the SEC’s auditor independence rules about the analysis that must be done to determine whether an auditor is independent when the auditor has a lending relationship with certain shareholders of an audit client at any time during an audit or professional engagement period under Rule 2-01(c)(1)(ii)(A) of Regulation S-X (the Loan Provision). The amendments will do the following:

- Focus the analysis on beneficial ownership rather than on both record and beneficial ownership.
- Replace the existing 10% bright-line shareholder ownership test with a “significant influence” test.
- Add a “known through reasonable inquiry” standard for identifying beneficial owners of the audit client’s equity securities.
- For the definition of “audit client,” for a fund under audit, exclude any other funds that otherwise would be considered affiliates of the audit client under the rules for certain lending relationships.

The amendments were effective Oct. 3, 2019.

Changes to private securities offering exemptions

With the intention of expanding investment opportunities and promoting capital formation, the SEC issued, on June 18, 2019, a request for public comment on ways to simplify, harmonize, and improve the exempt offering framework.

The SEC is looking for input on possible changes to the exemptions for both companies and investors, including identifying potential overlap or gaps within the framework. The release considers limitations on who can invest in certain exempt offerings, or the amount they can invest; steps to assist in the transition from one offering to another or to a registered offering; expanding an entity’s ability to raise capital through pooled investment funds; and revising exemptions covering the secondary trading of securities initially issued in exempt offerings.

Comments were due Sept. 24, 2019.

From the PCAOB

SEC approves new PCAOB standards on auditing estimates and using the work of specialists

On July 1, 2019, the SEC approved PCAOB adoption of 1) the new standard to enhance the requirements that apply when auditing accounting estimates, including fair value measurements, and 2) amendments to the auditing standards to strengthen requirements for auditors using the work of specialists in an audit.

The SEC also approved the application of both standards to the audits of EGCs as necessary or appropriate in the public interest, after considering the protection of investors and whether the action will promote efficiency, competition, and capital formation.

The new standard and amendments are effective for audits of financial statements for fiscal years ending on or after Dec. 15, 2020. The PCAOB has created implementation pages addressing the new estimates standard and the amendments on the auditor's use of the work of specialists.

Subsequent to the approval by the SEC, the PCAOB issued, on Aug. 22, 2019, four staff guidance documents to provide information on the new estimates and specialists audit requirements. These documents detail aspects of the new standard and improvements made to integrate the risk assessment requirements when auditing accounting estimates, including fair value measurements. The documents also describe features of the new requirements that apply when auditors use the work of specialists and when they use the work of a company specialist as audit evidence.

The four staff guidance documents are:

- “Auditing Accounting Estimates”
- “Auditing the Fair Value of Financial Instruments”
- “Supervising or Using the Work of an Auditor's Specialist”
- “Using the Work of a Company's Specialist”

New resources on CAMs

The PCAOB released, on July 11, 2019, two new resource documents that give audit committees and investors information about the requirement for auditors to communicate critical audit matters (CAMs) in the auditors' reports. The new resources are "[Audit Committee Resource: Critical Audit Matters](#)" and "[Investor Resource: Critical Audit Matters](#)."

The audit committee resource is intended to inform audit committees in engaging with their auditors on the CAMs requirements. It includes an overview and basics of CAMs as well as PCAOB staff responses to frequently asked questions. It also provides questions audit committees might consider asking their auditors.

The investor resource gives investors information about changes to the auditor's report and understanding the auditor's report, includes FAQs about CAMs, and covers the implementation of the standard.

Annual broker-dealer inspection report

On Aug. 20, 2019, the PCAOB released its [annual report](#) on 2018 inspections of broker-dealer auditors. The report includes observations from inspections during 2018, insights into applicable standards, and examples of effective procedures. The report highlights that the percentage of deficiencies for audit and attestation engagements remained high and that continued improvement is needed. The PCAOB believes that auditors could achieve significant positive impact on audit quality if they:

- Focus on improving their quality control systems
- Increase their knowledge and understanding of PCAOB standards
- Focus on improving their testing of internal controls when employing controls-reliance audit strategies and for examination engagements

The PCAOB also noted this report should help broker-dealer owners and audit committees or equivalents as they oversee the work of their auditors.

From the AICPA

Practice aid for credit losses standard

On Sept. 9, 2019, the AICPA issued a practice aid, [“Allowance for Credit Losses – Audit Considerations,”](#) to help auditors as they communicate with management and audit committees on ASC 326, “Financial Instruments – Credit Losses.” The practice aid addresses considerations in auditing the allowance for credit losses related to loans under ASU 2016-13, “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” Key areas within the auditing process include:

- Gaining an understanding of the entity
- Assessing risks
- Identifying audit-relevant controls
- Crafting an audit response
- Performing audit procedures
- Evaluating audit results and disclosure considerations

The publication is aimed primarily at auditors, but it also will help lenders preparing to implement ASU 2016-13. The practice aid, part of a broader AICPA initiative, will be included in the AICPA Credit Losses Auditing and Accounting Guide planned for release in 2020.

Working drafts on credit losses standard implementation issues

On Aug. 15, 2019, the AICPA’s Financial Reporting Executive Committee (FinREC) [issued](#) three new working drafts that provide guidance on implementation issues related to ASU 2016-13, “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.”

The drafts focus on depository and lending institutions and include:

- [Issue #21: Advances of Taxes and Insurance](#)
- [Issue #23: Zero Expected Credit Losses Factors for Financial Assets Secured by Collateral](#)
- [Issue #28: Scope Exception for Loans and Receivables Between Entities Under Common Control](#)

The working drafts will be included in the AICPA Allowance for Credit Losses – Audit and Accounting Guide upon issuance.

Comments are due Oct. 15, 2019.

Proposed SAS on auditing accounting estimates

The AICPA's Auditing Standards Board (ASB) issued, on Aug. 22, 2019, a proposed Statement on Auditing Standards (SAS), "Auditing Accounting Estimates and Related Disclosures." The proposed SAS makes the AICPA's standard conform with that of the International Auditing and Assurance Standards Board, with language changes to follow usage in the U.S. The proposed SAS, if adopted as proposed, would supersede SAS 122, "Statements on Auditing Standards: Clarification and Recodification," as amended, Section 540, "Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures" (AU-C Section 540). The ASB also incorporated elements of the PCAOB's recently adopted Auditing Standard 2501.

Among other items, the proposed SAS:

- Explains the nature of estimation uncertainty
- Provides guidance on scalability of the requirements
- Requires separate assessment of inherent risk and control risk
- Provides enhanced risk assessment requirements tailored to estimates
- Requires that further audit procedures must respond to the reasons for the assessed risks of material misstatement
- Discusses the exercise of professional skepticism and how it is affected by the auditor's evaluation of inherent risk factors

The effective date for audits of financial statements would be for periods ending on or after Dec. 15, 2022.

Comments are due Nov. 22, 2019.

From the GASB

Final standards

Implementation guidance on leases

On Aug. 15, 2019, the GASB issued Implementation Guide No. 2019-3, "Leases." The guide contains questions and answers to clarify, explain, or elaborate on the GASB's new standards on accounting and financial reporting for leases, GASB Statement 87, "Leases."

Statement 87, released in June 2017, includes guidance that establishes a single approach to accounting for and reporting leases by state and local governments based on the foundational principle that leases are financings of the right to use an underlying asset.

The implementation guide includes 80 new Q&As to address accounting and financial reporting topics for leases relative to the following areas:

- Scope and applicability of Statement 87 (1-11)
- Lease term (12-16)
- Short-term leases (17-20)
- Contracts that transfer ownership (21-22)
- Lessee and lessor recognition and measurement for leases other than short-term leases and contracts that transfer ownership (23-36) and (43-53)
- Notes to financial statements – lessees and lessors (37-42) and (54-55)
- Lease incentives (56-57)
- Contracts with multiple components (58-62)
- Contract combinations (63-64)
- Lease modifications and terminations (65-70)
- Sale-leaseback transactions (71-72)
- Lease-leaseback transactions (73-74)
- Intra-entity leases (75)
- Effective date and transition of Statement 87 (76-77)

The requirements of this statement are effective for reporting periods beginning after Dec. 15, 2019. Early application is encouraged if Statement 87 has been implemented.

Proposals

Replacement of interbank offered rates

On Sept. 26, 2019, the GASB issued an exposure draft, "Replacement of Interbank Offered Rates," to assist state and local governments in the transition away from existing interbank offered rates (IBORs) to other reference rates.

Governments, on occasion, have entered into agreements in which variable payments made or received depend on an IBOR, such as the LIBOR. Due to global reference rate reform, LIBOR is expected to cease to exist in its current form in 2021, so governments are amending or replacing financial instruments tied to LIBOR.

If this reference rate upon which variable payments are made or received is changed, current GASB guidance will be affected. For instance:

- The provisions of Statement 53, "Accounting and Financial Reporting for Derivative Instruments," require that governments terminate hedge accounting if they change a critical term of a hedging derivative instrument, such as the reference rate of its variable payment.
- Under Statement 87, "Leases," replacement of the rate on which variable payments depend in a lease contract would require that a government apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

The exposure draft addresses accounting and financial reporting implications that result from IBOR replacement by proposing the following:

- "Providing an exception for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument
- "Clarifying the hedge accounting termination provisions when an IBOR is replaced as the reference rate of a hedged item
- "Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether a hedged expected transaction is probable
- "Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap

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- “Identifying the Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
 - “Clarifying the definition of reference rate, as it is used in Statement 53
 - “Providing an exception to the lease modifications guidance in Statement 87 for certain lease contracts that are amended to replace an IBOR as the rate upon which variable payments depend”

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

Omnibus 20XX

To improve consistency and comparability in accounting and financial reporting, on July 9, 2019, the GASB issued an exposure draft, “Omnibus 20XX,” which addresses accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements.

The exposure draft covers these issues:

- “The effective date of Statement No. 87, ‘Leases,’ for interim financial reports
- “Reporting of intra-entity transfers of assets between a primary government employer and a component unit pension plan or other postemployment benefit (OPEB) plan
- “The applicability of Statements No. 73, ‘Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,’ as amended, and No. 74, ‘Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,’ as amended, to reporting assets accumulated for postemployment benefits
- “The applicability of certain requirements of Statement 84, ‘Fiduciary Activities,’ to postemployment benefit arrangements
- “Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- “Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- “Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- “Terminology used to refer to derivative instruments”

Comments were due to the GASB by Oct. 4, 2019.

Accounting Standards Updates (ASU) effective dates

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

Checklist A

ASU effective dates for public business entities (PBEs)

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
<p>Codification Updates to SEC Sections (ASU 2019-07)</p> <p>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.</p>	<p>Upon issuance, July 26, 2019</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>Permitted, including in an interim period</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>Leases (ASU 2016-02)</p> <p>Revises recognition and measurement for lease contracts by lessors and lessees; operating leases are recorded on the balance sheet for lessees. Replaces Topic 840 with Topic 842.</p> <p>Clarifying standards:</p> <p>ASU 2018-01 – Provides a practical expedient in transition to not evaluate existing or expired land easements under Topic 842 that were not previously accounted for as leases under Topic 840.</p> <p>ASU 2018-10 – Provides 16 improvements and clarifications to the guidance in Topic 842.</p> <p>ASU 2018-11 – Provides an optional transition method for adopting Topic 842 that will eliminate comparative period reporting under the new guidance in the adoption year. Provides a practical expedient for lessors to not separate nonlease components from the associated lease component in specified circumstances.</p> <p>ASU 2018-20 – Provides improvements specific to lessors for evaluating sales taxes, recording reimbursed costs, and allocating variable payments to lease and nonlease components.</p> <p>ASU 2019-01 – Provides improvements in determining fair value of underlying 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^{2,3}</p> <p>For ASU 2019-01, March 31, 2020, except for transition disclosure amendments which are consistent with ASU 2016-02</p>	<p>Permitted</p>
<p>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>March 31, 2019</p>	<p>Permitted, including in an interim period</p>

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.

³ See “From the FASB, Proposals” section for proposed deferrals of effective dates for credit impairment, leases, hedging, and long-duration contracts guidance.

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
<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> <p>Clarifying standards:</p> <p>ASU 2019-04 – Provides specific improvements and clarifications to the guidance in Topic 815. Among other areas, addresses partial-term fair value hedges of interest-rate risk, amortization and disclosure of fair value hedge basis adjustments, and consideration of hedged contractually specified interest rate under the hypothetical derivative method.</p>	<p>March 31, 2019⁴</p> <p>For ASU 2019-04, March 31, 2020</p>	Permitted, including in an interim period
<p>Additional Benchmark Interest Rate for Hedging (ASU 2018-16)</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>	March 31, 2019 (consistent with ASU 2017-12)	Permitted, including in an interim period, if ASU 2017-12 was early adopted
<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>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.</p>	March 31, 2019	Permitted, including in an interim period

⁴ See “From the FASB, Proposals” section for proposed deferrals of effective dates for credit impairment, leases, hedging, and long-duration contracts guidance.

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>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
<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 affects not-for-profit entities, it applies to all entities, including business entities, that receive or make contributions of cash and other assets.</p>	March 31, 2019 (See the ASU for noncalendar year-end effective dates because they vary for contributions received and contributions made).	Permitted
<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>	Permitted for interim or annual goodwill impairment tests performed on testing dates on or after Jan. 1, 2017
<p>Credit Losses (ASU 2016-13)</p> <p>Replaces the incurred loss model with the current expected credit loss (CECL) model for financial assets, including trade receivables, debt securities, and loan receivables.</p> <p>Clarifying standards:</p> <p>ASU 2018-19 – Clarifies that impairment of operating lease receivables is in the scope of ASC Topic 842, “Leases,” and not the CECL model.</p> <p>ASU 2019-04 – Provides specific improvements and clarifications to the guidance in Topic 326. Addresses accrued interest, transfers between classifications or categories for loans and debt securities, recoveries, vintage disclosures, and contractual extensions and renewal options.</p> <p>ASU 2019-05 – Targeted transition relief provides an option to irrevocably elect the fair value option, on an instrument-by-instrument basis, for certain financial assets (excluding held-to-maturity debt securities) previously measured at amortized cost.</p>	<p>For SEC filers, March 31, 2020⁵</p> <p>For PBEs that are <u>not</u> SEC filers, March 31, 2021</p> <p>For ASU 2019-04 and ASU 2019-05, March 31, 2020, for entities that have adopted ASU 2016-13; otherwise effective dates the same as ASU 2016-13</p>	Permitted as of the fiscal years beginning after Dec. 15, 2018, including interim periods within
<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>	March 31, 2020	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>	March 31, 2020	Permitted, including in an interim period

⁵ See “From the FASB, Proposals” section for proposed deferrals of effective dates for credit impairment, leases, hedging, and long-duration contracts guidance.

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
<p>Variable Interest Entity (VIE) Model – Targeted Improvements for Related Parties (ASU 2018-17)</p> <p>Revises the analysis for determining whether a decision-making fee paid by a VIE is a variable interest such that indirect interests in a VIE held through related parties in common control arrangements would be considered on a proportional basis (instead of as the equivalent to a direct interest).</p>	March 31, 2020	Permitted, including in an interim period
<p>Collaborative Arrangements (Topic 808) (ASU 2018-18)</p> <p>Requires that Topic 606 be applied to collaborative arrangements when the arrangement participant is a customer and aligns the unit-of-account guidance in Topic 808 with Topic 606. Revenue in the scope of Topic 606 should be presented separate from revenue outside its scope.</p>	March 31, 2020	Permitted, including in an interim period
<p>Certain Costs in Media and Entertainment Industry (ASU 2019-02)</p> <p>Applies to broadcasters and entities that produce and distribute films and episodic television series. Aligns the accounting of episodic television series with films, and provides more relevant financial reporting information to users of financial statements.</p>	March 31, 2020	Permitted, including in an interim period
<p>Improvements to Recognition and Measurement of Financial Instruments (ASU 2019-04)</p> <p>Contains various improvements to ASU 2016-01, including scope, fair value measurement alternative, held-to-maturity debt securities fair value disclosures, and remeasurement of equity securities at historical exchange rates. (Also contains clarification and improvements to ASU 2016-13 and ASU 2017-12, which are included as clarifying standards.)</p>	March 31, 2020	Permitted, including in an interim period
<p>Defined Benefit Plan Disclosure for Sponsors (ASU 2018-14)</p> <p>Removes and clarifies certain disclosures for sponsors of defined benefit plans. Adds disclosure for weighted-average interest credit rates for certain plans and the reasons for significant gains and losses in the benefit obligation.</p>	Dec. 31, 2020	Permitted
<p>Updating the Definition of Collections (ASU 2019-03)</p> <p>Improves the definition of collections. Requires additional disclosure. Although the ASU primarily affects not-for-profits, it applies to all entities that maintain collections.</p>	Dec. 31, 2020	Permitted, including in an interim period
<p>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>	March 31, 2021 ⁶	Permitted

⁶ See “From the FASB, Proposals” section for proposed deferrals of effective dates for credit impairment, leases, hedging, and long-duration contracts guidance.

Checklist B

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

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
<p>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>Upon issuance, July 16, 2018</p> <p>Dec. 31, 2019</p> <p>Dec. 31, 2020</p>	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>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.</p>	March 31, 2019	Permitted, including in an interim period
<p>Extending Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities (ASU 2019-06)</p> <p>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.</p>	Upon issuance, May 30, 2019	Not applicable
<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

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>ASU 2019-04 – 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.</p>	<p>Dec. 31, 2019</p> <p>For ASU 2019-04, Dec. 31, 2020</p>	<p>Not permitted, except for two provisions</p> <p>For ASU 2018-03 and ASU 2019-04, 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>

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

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
<p>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 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.</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 affects not-for-profit entities, it applies to all entities, including business entities, that receive or make contributions of cash and other assets.</p>	<p>For contributions received, Dec. 31, 2019</p> <p>For contributions made, Dec. 31, 2020</p>	Permitted

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>ASU 2018-20 – Provides improvements specific to lessors for evaluating sales taxes, recording reimbursed costs, and allocating variable payments to lease and nonlease components.</p>	Dec. 31, 2020 ¹	Permitted
<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>	Dec. 31, 2020	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 EPS, requires the effect of the down-round feature in a warrant or other freestanding equity-classified instrument to be presented as a dividend and an adjustment to EPS when it is triggered. Regardless of whether the entity presents EPS, requires the effect of the down-round feature in a convertible instrument such as debt or preferred stock to follow existing guidance for contingent beneficial conversion features and be presented as a discount to the convertible instrument with an offsetting credit to paid-in capital when it is triggered.</p> <p>Part II – Changes the indefinite deferral available to private companies with mandatorily redeemable financial instruments and certain noncontrolling interests to a scope exception, which does not have an accounting effect.</p>	Dec. 31, 2020	Permitted, including in an interim period

¹ See “From the FASB, Proposals” section for proposed deferrals of effective dates for credit impairment, leases, hedging, and long-duration contracts guidance.

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

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
<p>Hedging Activities (ASU 2017-12)</p> <p>Expands the nonfinancial and financial risk components that can qualify for hedge accounting and simplifies financial reporting for hedging activities.</p> <p>Clarifying standards:</p> <p>ASU 2019-04 – Provides specific improvements and clarifications to the guidance in Topic 815. Among other areas, addresses partial-term fair value hedges of interest-rate risk, amortization and disclosure of fair value hedge basis adjustments, and consideration of hedged contractually specified interest rate under the hypothetical derivative method.</p>	Dec. 31, 2020 ²	Permitted, including in an interim period
<p>Additional Benchmark Interest Rate for Hedging (ASU 2018-16)</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>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>Updating the Definition of Collections (ASU 2019-03)</p> <p>Improves the definition of collections. Requires additional disclosure. Although the ASU primarily affects not-for-profits, it applies to all entities that maintain collections.</p>	Dec. 31, 2020	Permitted, including in an interim period
<p>Certain Costs in Media and Entertainment Industry (ASU 2019-02)</p> <p>Applies to broadcasters and entities that produce and distribute films and episodic television series. Aligns the accounting of episodic television series with films, and provides more relevant financial reporting information to users of financial statements.</p>	March 31, 2021	Permitted, including in an interim period

² See “From the FASB, Proposals” section for proposed deferrals of effective dates for credit impairment, leases, hedging, and long-duration contracts guidance.

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
<p>Defined Benefit Plan Disclosure for Sponsors (ASU 2018-14)</p> <p>Removes and clarifies certain disclosures for sponsors of defined benefit plans. Adds disclosure for weighted-average interest credit rates for certain plans, and the reasons for significant gains and losses in the benefit obligation.</p>	Dec. 31, 2021	Permitted
<p>Implementation Costs for Cloud Computing Arrangements (CCAs) (ASU 2018-15)</p> <p>Aligns accounting for implementation costs of CCAs with or without a license (that is, regardless of whether the CCA is a service contract) by capitalizing implementation costs during the application development stage and amortizing the costs over the term of the arrangement.</p>	Dec. 31, 2021	Permitted, including in an interim period
<p>Variable Interest Entity (VIE) Model – Targeted Improvements for Related Parties (ASU 2018-17)</p> <p>Provides a private company accounting alternative not to apply VIE consolidation guidance to any arrangement with legal entities that are under common control if neither the parent nor the legal entity is a PBE (thus expanding the alternative for common control leasing arrangements to all common control arrangements). Also, revises the analysis for determining whether a decision-making fee paid by a VIE is a variable interest such that indirect interests in a VIE held through related parties in common control arrangements would be considered on a proportional basis (instead of as the equivalent to a direct interest).</p>	Dec. 31, 2021	Permitted, including in an interim period
<p>Collaborative Arrangements (Topic 808) (ASU 2018-18)</p> <p>Requires that Topic 606 be applied to collaborative arrangements when the arrangement participant is a customer and aligns the unit-of-account guidance in Topic 808 with Topic 606. Revenue in the scope of Topic 606 should be presented separate from revenue outside its scope.</p>	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

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

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
<p>Credit Losses (ASU 2016-13)</p> <p>Replaces the incurred loss model with the CECL model for financial assets, including trade receivables, debt securities, and loan receivables.</p> <p>Clarifying standards:</p> <p>ASU 2018-19 – Clarifies the effective date for non-PBEs and that impairment of operating lease receivables is in the scope of ASC Topic 842, “Leases,” and not the CECL model.</p> <p>ASU 2019-04 – Provides specific improvements and clarifications to the guidance in Topic 326. Addresses accrued interest, transfers between classifications or categories for loans and debt securities, recoveries, vintage disclosures, and contractual extensions and renewal options.</p> <p>ASU 2019-05 – Targeted transition relief provides an option to irrevocably elect the fair value option, on an instrument-by-instrument basis, for certain financial assets (excluding held-to-maturity debt securities) previously measured at amortized cost.</p>	<p>Dec. 31, 2022³</p> <p>For ASU 2019-04 and ASU 2019-05, Dec. 31, 2020, for entities that have adopted ASU 2016-13; otherwise effective dates the same as ASU 2016-13</p>	<p>Permitted as of the fiscal years beginning after Dec. 15, 2018, including interim periods within</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>Dec. 31, 2022³</p>	<p>Permitted</p>

³ See “From the FASB, Proposals” section for proposed deferrals of effective dates for credit impairment, leases, hedging, and long-duration contracts guidance.

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>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>
<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>

GASB statement	Effective dates – reporting periods beginning after	Early adoption
<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, 2019</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, 2019</p>	<p>Permitted</p>
<p>Conduit Debt Obligations (GASB Statement 91)</p> <p>Clarifies the definition of a conduit obligation and stipulates that a conduit debt obligation is a liability of the third-party obligor, not the issuer, thus eliminating the option for government issuers to recognize a conduit debt obligation as a liability. Establishes standards for accounting and financial reporting of additional commitments extended by issuers and arrangements associated with conduit debt obligations and improves required note disclosures.</p>	<p>Dec. 15, 2020</p>	<p>Permitted</p>



Learn more

Sydney Garmong

Partner

+1 202 779 9911

sydney.garmong@crowe.com

For more information about GASB topics:

Brian Archambeault

Partner

+1 574 236 7610

brian.archambeault@crowe.com

Tony Boras

+1 630 706 2053

tony.boras@crowe.com

crowe.com

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