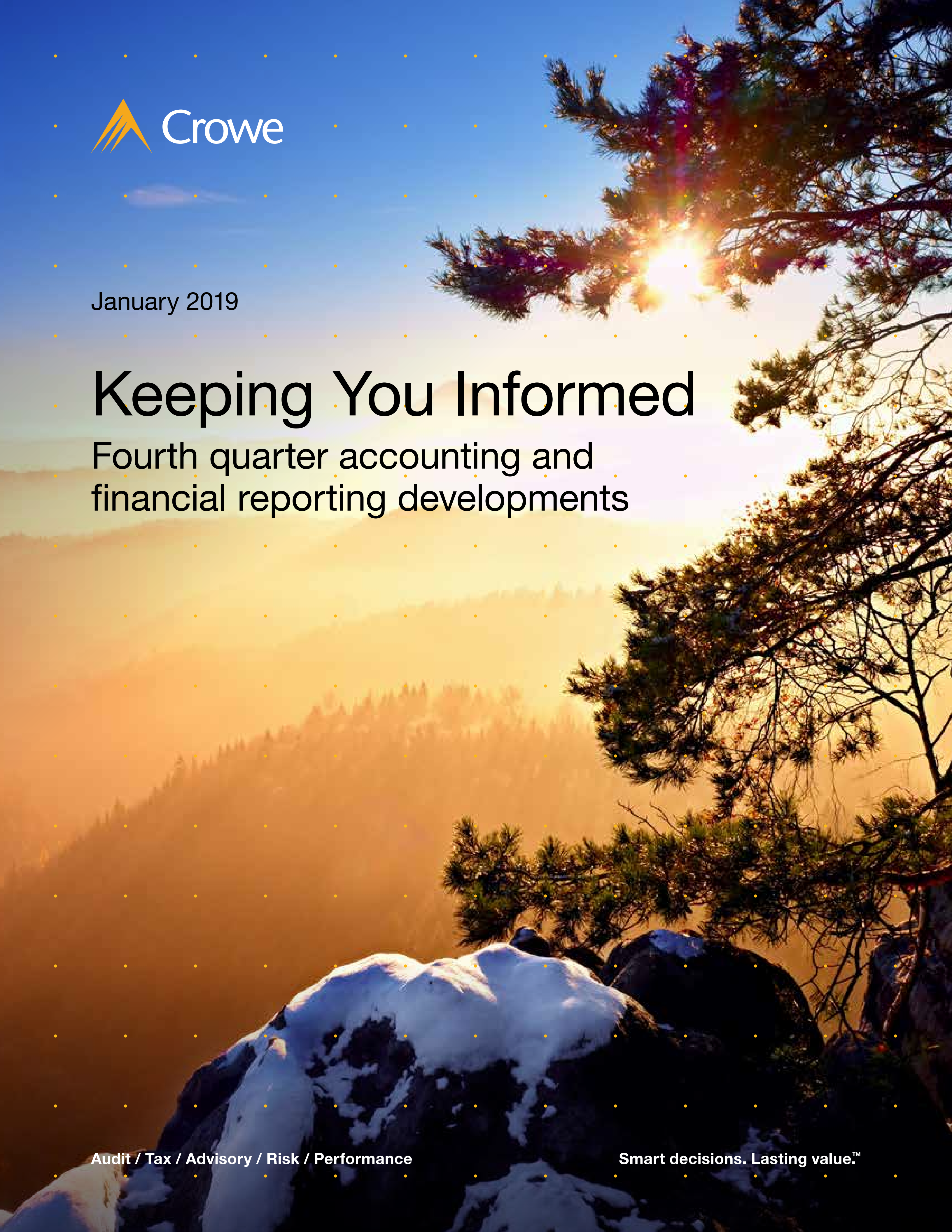

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January 2019

Keeping You Informed

Fourth quarter accounting and financial reporting developments

Audit / Tax / Advisory / Risk / Performance

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Contents

Fourth quarter highlights

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

- Improvements to lease accounting for lessors
- Clarifications to the accounting for credit losses under the current expected credit loss (CECL) model
- Clarifications on the interaction between Topics 808 and 606 for collaborative arrangements
- Targeted improvements to related party guidance for variable interest entities
- Addition of a benchmark interest rate for hedge accounting purposes

The FASB also issued proposals during the quarter for the entertainment film industry, financial instruments (related to hedge accounting, credit losses, and recognition and measurement), and clarifications for lessors that are financial institutions.

The Securities and Exchange Commission (SEC) participated in the annual American Institute of CPAs (AICPA) Conference on Current SEC and PCAOB Developments in December and issued a request for comment on quarterly reports and earnings releases.

The Public Company Accounting Oversight Board (PCAOB) issued its final five-year strategic plan, and board members were active in speechmaking during the quarter. It also released the areas of focus for 2019 inspections.

The Center for Audit Quality (CAQ) released its audit committee transparency barometer in the fourth quarter as well as a tool for audit committees and others to use during implementation of the PCAOB's standard on critical audit matters (CAMs).

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

Lease accounting improvements for lessors

On Dec. 10, 2018, the FASB issued ASU 2018-20, "Leases (Topic 842): Narrow-Scope Improvements for Lessors," to provide the following improvements to the lease accounting guidance for lessors:

- Lessors are allowed, as an accounting policy election, to not evaluate whether certain sales taxes and other similar taxes are lessor costs and, instead, to account for those costs as if they are lessee costs by excluding them from lease revenue and expense.
- Lessors will exclude from variable payments, and therefore revenue, lessor costs paid by lessees directly to third parties. Additionally, lessors will account for costs excluded from the consideration of a contract that are paid by the lessor and reimbursed by lessees as variable payments. Furthermore, lessors will record the reimbursed costs as revenue.
- Lessors will allocate, rather than recognize (as initially required by Topic 842), variable payments to lease and nonlease components. The variable payments allocated to lease components will be recognized in accordance with Topic 842; those allocated to nonlease components will be recognized in accordance with other guidance, including "Revenue From Contracts With Customers" (Topic 606).

Effective dates

For entities that have not adopted Topic 842, this ASU has the same effective date as ASU 2016-02 (for example, March 31, 2019, interim financial statements for calendar year-end public business entities (PBEs)).

For entities that have adopted Topic 842, this ASU is effective at the original effective date of Topic 842 for those entities. Alternatively, early adoption is allowed either in the first reporting period ending after the issuance of this ASU or in the first reporting period beginning after its issuance; for calendar year-end entities, that would be either the reporting period ending Dec. 31, 2018, or the period beginning Jan. 1, 2019.

Effective date and operating lease clarification for CECL model

On Nov. 15, 2018, the FASB issued ASU 2018-19, "Codification Improvements to Topic 326, Financial Instruments – Credit Losses," in order to align the annual and interim implementation dates for nonpublic business entities (non-PBEs) and clarify the scope of the CECL standard for operating leases as follows:

- Effective date for non-PBEs: With this helpful clarification, non-PBEs will now adopt CECL in fiscal years beginning after Dec. 15, 2021, and interim periods within. For calendar year-ends, CECL will be effective for the first quarter of 2022. This change in the effective date eliminates the complexity in the banking industry for regulatory reports of non-PBEs to file three call reports using the incurred loss model during 2021 and then reverse nine months of incurred loss accounting and record 12 months of CECL in the fourth quarter of 2021.
- Operating leases: Impairment of operating lease receivables is in the scope of Accounting Standards Codification (ASC) Topic No. 842, "Leases," and not within the scope of CECL.

Clarifications for collaborative arrangements

On Nov. 5, 2018, the FASB issued ASU 2018-18, "Collaborative Arrangements (Topic 808): Clarifying the Interaction Between Topic 808 and Topic 606," to address diversity in practice and uncertainties on how the guidance in Topic 606 interacts with the guidance for collaborative arrangements. A collaborative arrangement is defined in the FASB Master Glossary and Topic 808 as "a contractual arrangement that involves a joint operating activity. These arrangements involve two (or more) parties that meet both of the following requirements:

- "They are active participants in the activity.
- "They are exposed to significant risks and rewards dependent on the commercial success of the activity."

This ASU clarifies the following with respect to collaborative arrangements:

- Apply Topic 606 to such arrangements when the arrangement participant is a customer in the context of a unit of account.
- When assessing whether the collaborative arrangement or part of it is in the scope of Topic 606, apply the unit-of-account guidance in Topic 808 that now aligns with Topic 606 (for a distinct good or service).
- Present revenue in the scope of Topic 606 separate from the collaborative arrangement revenue that is outside the scope of Topic 606.

Effective dates

For PBEs, the update is effective for fiscal years beginning after Dec. 15, 2019, and interim periods within. For all other entities, the amendments are effective for fiscal years beginning after Dec. 15, 2020, and interim periods within fiscal years beginning after Dec. 15, 2021. Early adoption is permitted, including in an interim period.

Adoption of this update prior to the adoption of Topic 606 is prohibited.

Targeted improvements to variable interest entity (VIE) model – related party guidance

On Oct. 31, 2018, the FASB issued ASU 2018-17, "Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities," that aims to improve VIE guidance for related party matters that have arisen related to the consolidation guidance in ASU 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis."

The guidance supersedes the private company accounting alternative for common control leasing arrangements provided by ASU 2014-07, "Consolidation (Topic 810): Applying Variable Interest Entities Guidance to Common Control Leasing Arrangements," and expands it to all qualifying common control arrangements. Private entities can elect 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. The accounting policy election must be applied to all current and future legal entities under common control consistently, and other consolidation guidance including the voting interest entity guidance remains applicable. When a private company makes the policy election, it must provide detailed disclosures about involvement with, and exposure to, the legal entity under common control.

In addition, the ASU 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 (thus eliminating the requirement to consider such indirect interests as the equivalent of a direct interest). This revision is consistent with the analysis for determining whether a reporting entity in a related party group is the primary beneficiary of a VIE by including indirect interests on a proportional basis (pursuant to amendments in ASU 2016-17).

These amendments are expected to result in more decision-makers not consolidating VIEs.

Effective dates

For organizations that are not private companies, the amendments are effective for fiscal years beginning after Dec. 15, 2019, and interim periods within. The amendments are effective for private companies for fiscal years beginning after Dec. 15, 2020, and interim periods within fiscal years beginning after Dec. 15, 2021. Early adoption is permitted.

Retrospective application to the earliest period presented is required.

Additional benchmark interest rate for hedge accounting

On Oct. 25, 2018, the FASB issued ASU 2018-16, "Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes," to expand the number of benchmark interest rates that can be used in accounting hedge designations. The ASU adds the OIS rate based on SOFR as a U.S. benchmark interest rate to facilitate the transition from the London Interbank Offered Rate (LIBOR) to SOFR and provides sufficient lead time to prepare for changes to interest-rate risk hedging strategies for both risk management and hedge accounting purposes.

Existing benchmarks under Topic 815 include U.S. Treasury, the LIBOR swap rate, the OIS rate based on the Fed Funds Effective Rate, and the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Rate. The OIS rate based on SOFR would be the fifth U.S. benchmark rate. Similar to the Fed Funds OIS rate, which is a swap rate based on the underlying overnight Fed Funds Effective Rate, the OIS rate based on SOFR will be a swap rate based on the underlying overnight SOFR rate.

Including the OIS based on SOFR as a benchmark interest rate will help companies transition away from LIBOR by providing an alternative rate.

Effective dates

For entities that have not adopted ASU 2017-12 ("Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities"), this standard, ASU 2018-16, will be effective concurrent with ASU 2017-12 which is:

- For PBEs, fiscal years beginning after Dec. 15, 2018, and interim periods within
- For non-PBEs, fiscal years beginning after Dec. 15, 2019, and interim periods beginning after Dec. 15, 2020

If ASU 2017-12 was early adopted, then ASU 2018-16 can be early adopted, including in an interim period.

If ASU 2017-12 has been adopted, the effective date for ASU 2018-16 is:

- For PBEs, fiscal years beginning after Dec. 15, 2018, and interim periods within
- For non-PBEs, fiscal years beginning after Dec. 15, 2019, and interim periods within

Proposals

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

On Dec. 20, 2018, the FASB issued a proposal, "Intangibles – Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958): Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities," to allow not-for-profit (NFP) entities to apply certain accounting alternatives that previously were provided only for private companies. Specifically, an NFP entity would be allowed to elect two separate accounting alternatives: 1) amortize goodwill over 10 years or less, and test for impairment upon a triggering event as well as have the option to elect to test for impairment at the entity level, and 2) include certain customer-related intangible (CRI) assets and all noncompete agreements in goodwill as part of a business combination. An NFP entity may adopt the former alternative, to amortize goodwill, without adopting the latter alternative, to include CRIs and noncompete agreements in goodwill. However, an NFP entity that elects to include certain CRIs and noncompete agreements in goodwill must also adopt the alternative to amortize goodwill.

Comments are due Feb. 18, 2019.

Lease accounting clarifications for lessors that are financial institutions

On Dec. 19, 2018, the FASB released a proposal, "Leases (Topic 842): Codification Improvements for Lessors," that would provide two clarifications for lessors that are not manufacturers or dealers – generally for financial institutions and captive finance companies. The proposed clarifications relate to the following:

- **Fair value of the leased property.** Topic 840 provided an exception for lessors that are not manufacturers or dealers to measure the value of leased property at the underlying asset's cost, reflecting any volume or trade discounts, instead of applying Topic 820 for fair value measurement (that is, exit price). Topic 842 does not currently provide this exception, and those lessors have noted their belief that it was not the board's intention to change their financial reporting for the leased property values. The proposal would carry the exception from Topic 840 over to Topic 842 and allow lessors that are not manufacturers or dealers to measure the value of leased property at cost, reflecting any volume or trade discounts that may apply. If a significant lapse of time occurs between the asset acquisition and lease commencement, the exception would not apply, and the definition of fair value in Topic 820 would apply.
- **Presentation of principal payments received from leases under sales-type and direct financing leases for financial institutions.** Conflicting guidance on the presentation of these cash flows exists in Topic 942 (requires investing classification) and Topic 842 (requires operating classification). The proposal would require lessors in the scope of Topic 942 (that is, depository and lending institutions) to present cash flows for principal payments received from sales-type and direct financing leases in investing activities, which would be consistent with how they are presented by these institutions prior to the application of Topic 842.

Comments are due Jan. 15, 2019.

Improvements to financial instruments ASUs

On Nov. 19, 2018, the FASB issued a proposed ASU, "Codification Improvements – Financial Instruments," for a 30-day comment period. The 107-page proposal includes changes to three existing ASUs as follows:

Proposed changes to ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (11 proposed changes):

- Topic 1: Proposed changes resulting from the June 11, 2018, Transition Resource Group (TRG) for Credit Losses meeting
  - Issue 1A: Accrued interest
    - Measure the allowance on accrued interest receivable (AIR) balances separately from other components of the amortized cost basis and net investments in leases.
    - Make an accounting policy election to present AIR and the related allowance from the associated financial assets and net investments in leases on the balance sheet. If the AIR and related allowance are not presented as a separate line item on the balance sheet, an entity would disclose the AIR and related allowance for credit losses and where the balance is presented.
    - Elect a practical expedient to separately disclose the total amount of AIR included in the amortized cost basis as a single balance for certain disclosure requirements.
    - Make an accounting policy election to write off AIR by either reversing interest income or adjusting the allowance for credit losses.
    - Make an accounting policy election not to measure an allowance on AIR if an entity writes off the uncollectible accrued interest receivable balance in a timely manner.
  - Issue 1B: Transfers between classifications or categories for loans and debt securities
    - Reverse any allowance for credit losses or valuation allowance previously measured on a loan or debt security, transfer the loan or debt security to the new classification or category, and apply the applicable measurement guidance in accordance with the new classification or category.
  - Issue 1C: Recoveries
    - Clarify that an entity should include recoveries when estimating the allowance.
    - Clarify that recoverable amounts included in the allowance should not exceed the aggregate of amounts previously written off and expected to be written off. For collateral-dependent financial assets, clarify that an allowance that is added to the amortized cost basis should not exceed amounts previously written off.

- Topic 2: Proposed changes identified by stakeholders
  - Issue 2A: Conforming amendment to Subtopic 310-40, "Receivables – Troubled Debt Restructurings by Creditors" – proposed change to correct a cross-reference such that an entity is required to use the fair value of collateral when foreclosure is probable.
  - Issue 2B: Conforming amendment to Subtopic 323-10, "Investments – Equity Method and Joint Ventures (Topic 323)" – proposed reference to Subtopic 323-10 for subsequent accounting when the investor has other investments, such as loans and debt securities, in the equity method investee.
  - Issue 2C: Clarification that reinsurance recoverables are within the scope of Subtopic 326-20 – clarify the board's intent to include all reinsurance recoverables in the scope.
  - Issue 2D: Projections of interest-rate environments for variable-rate financial instruments – clarify the board's intent to provide flexibility by removing the prohibition of using projections of future interest-rate environments when using a discounted cash flow method to measure expected credit losses on variable-rate financial instruments. An entity should use the same projections or expectations of future interest-rate environments both in estimating expected cash flows and in determining the effective interest rate used to discount those expected cash flows.
  - Issue 2E: Consideration of prepayments in determining the effective interest rate (EIR) – permit an accounting policy election to adjust the EIR used to discount expected future cash flows for expected prepayments to appropriately isolate credit risk in determining the allowance.
  - Issue 2F: Consideration of estimated costs to sell when foreclosure is probable – specifically require that an entity consider the estimated costs to sell if it intends to sell, rather than operate, the collateral when foreclosure is probable.

- Topic 5: Proposed changes resulting from the Nov. 1, 2018, TRG for Credit Losses meeting
  - Issue 5A: Vintage disclosures – line-of-credit arrangements converted to term loans – proposed to present the amortized cost basis of line-of-credit arrangements that are converted to term loans within each credit quality indicator in the origination year that corresponds with the period in which the most recent credit decision after original credit decision was made. If a line is converted to term without an additional credit decision or because of a troubled debt restructuring, it will be presented in a separate column as proposed in example 15.
  - Issue 5B: Contractual extensions and renewals – clarify that an entity should consider extension or renewal options (excluding those that are accounted for as derivatives in accordance with Topic 815) that are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the entity.

Proposed changes to ASU 2016-01, "Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" (four proposed changes):

- Issue 4A: Scope clarifications for Subtopics 320-10, "Investments – Debt Securities – Overall," and 321-10, "Investments – Equity Securities – Overall" – clarify board intent to exclude health and welfare plans accounted for under Topic 965, "Plan Accounting – Health and Welfare Benefit Plans," from the scope of Subtopics 320-10 and 321-10.
- Issue 4B: Held-to-maturity debt securities fair value disclosures – clarify the board's intent to remove the disclosure of the fair value of held-to-maturity debt securities measured at amortized cost basis for non-PBEs.
- Issue 4C: Applicability of Topic 820, "Fair Value Measurement," to the measurement alternative – require an entity to remeasure an equity security without readily determinable fair value at fair value when an orderly transaction is identified for an identical or similar investment of the same issuer in accordance with Topic 820, using fair value as of the date the observable transaction occurred. Applicable disclosure requirements in ASC 320 should be followed for a nonrecurring fair value.
- Issue 4D: Remeasurement of equity securities at historical exchange rates – clarify that the only equity securities required to follow paragraph 830-10-45-18 and remeasure at historical exchange rates are those equity securities without readily determinable fair values accounted for under the measurement alternative.

Proposed changes to ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities" (eight proposed changes):

- Issue 3A: Partial-term fair value hedges of interest-rate risk
  - Clarify that an entity may designate and measure the change in fair value of a hedged item attributable to both interest-rate risk and foreign exchange risk in a partial-term fair value hedge. The proposal also clarifies that one or more separately designated partial-term fair value hedging relationships of a single financial instrument can be outstanding at the same time.
- Issue 3B: Amortization of fair value hedge basis adjustments
  - Clarify that an entity may, but is not required to, begin to amortize a fair value hedge basis adjustment before the fair value hedging relationship is discontinued. If an entity elects to amortize the basis adjustment during an outstanding partial-term hedge, that basis adjustment should be fully amortized on or before the hedged item's assumed maturity date in accordance with paragraph 815-25-35-13B.
- Issue 3C: Disclosure of fair value hedge basis adjustments
  - Clarify that available-for-sale debt securities should be disclosed at their amortized cost and that fair value hedge basis adjustments related to foreign exchange risk should be excluded from the disclosures required by paragraph 815-10-50-4EE.
- Issue 3D: Consideration of the hedged contractually specified interest rate under the hypothetical derivative method
  - Clarify that an entity should consider the contractually specified interest rate being hedged when applying the hypothetical derivative method.
- Issue 3E: Scope for not-for-profit entities
  - Clarify that a not-for-profit entity that does not separately report earnings may not elect the amortization approach for amounts excluded from the assessment of effectiveness for fair value hedging relationships. Also update the cross-references in paragraph 815-10-15-1 to further clarify the scope of Topic 815 for entities that do not report earnings separately.

- Issue 3F: Hedge accounting provisions applicable to certain private companies and not-for-profit entities
  - Clarify that a private company that is not a financial institution as described in paragraph 942-320-50-1 should document the analysis supporting a last-of-layer hedge designation concurrently with hedge inception. Also clarify that not-for-profit entities (except for not-for-profit entities that have issued, or are a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market) should be provided with the same subsequent quarterly hedge effectiveness assessment timing relief provided to certain private companies in paragraph 815-20-25-142.
- Issue 3G: Application of a first-payments-received cash flow hedging technique to overall cash flows on a group of variable interest payments
  - Clarify that application of the first-payments-received cash flow hedging technique to overall cash flows on a group of variable interest payments continues to be permitted.
- Issue 3H: Update ASU 2017-12 transition guidance
  - Provide clarification about the three transition requirements in ASU 2017-12:
    1. Clarify that when an entity modifies a fair value hedge to measuring the hedged item using the benchmark rate component of the contractual coupon, the hedging relationship can be rebalanced, but new hedged items and hedging instruments cannot be added to the hedge.
    2. Clarify that an entity may transition from a quantitative method of hedge effectiveness assessment to a method comparing critical terms without dedesignating an existing relationship.
    3. Clarify that debt securities reclassified from held-to-maturity (HTM) to available-for-sale following paragraph 815-20-65-3(e)(7) would not call into question an entity's assertion to hold to maturity those securities that continue to be classified as HTM, are not required to be designated in a last-of-layer hedge relationship, and may be sold after reclassification.

Comment deadline extended

The board received two comment letters requesting an extension of the deadline to 60 days and, at its Dec. 19 meeting, decided to extend the deadline. Stakeholders expressed a need for additional time to perform an appropriate analysis of the many implications and potential consequences of the proposal. While the board initially attempted to avoid a January deadline given the focus on financial reporting matters during that time, the requests for additional time came from preparers, which prompted the decision.

Comments are due Jan. 18, 2019.

Film industry

On Nov. 7, 2018, the FASB issued a proposal, "Entertainment – Films – Other Assets – Film Costs (Subtopic 926-20) and Entertainment – Broadcasters – Intangibles – Goodwill and Other (Subtopic 920-350): Improvements to Accounting for Costs of Films and License Agreements for Program Materials (a Consensus of the FASB Emerging Issues Task Force)," that would apply to only those entities in the film and episodic television series industry.

The proposal would:

- Align the accounting for production costs of episodic television series with the accounting for production costs of films
- Require that an entity test films and license agreements in the scope of Subtopic 920-350 for impairment at the film group level, when the film is predominantly monetized with other films and license agreements
- Add presentation and disclosure requirements

Comments were due on Dec. 7, 2018.

From the SEC

AICPA Conference on Current SEC and PCAOB Developments

The annual AICPA Conference on Current SEC and PCAOB Developments took place in Washington, D.C., on Dec. 10-12, 2018. The following SEC representatives delivered remarks:

- Wesley Bricker, chief accountant – Statement on matters discussed with Julie Erhardt, Jenifer Minke-Girard, Marc Panucci, and Sagar Teotia during a deputy chief accountant panel, including those related to the financial reporting structure, FASB standard-setting activities, PCAOB oversight, accounting consultations, monitoring the International Financial Reporting Standards Foundation's activities, and monitoring the Public Interest Oversight Board's activities
- Tom W. Collens, professional accounting fellow – Remarks on internal control over financial reporting (ICFR), specifically on the evaluation of control deficiencies
- Emily L. Fitts, professional accounting fellow – Remarks on ICFR, including the evaluation of operating effectiveness of controls and preparation of material weakness disclosures
- Sarah N. Esquivel, associate chief accountant – Remarks on revenue recognition consultations, including identifying performance obligations and evaluating the existence of a significant financing component
- Sheri L. York, professional accounting fellow – Remarks on revenue recognition consultations, including the application of the principal versus agent guidance and the identification of performance obligations
- Andrew W. Pidgeon, professional accounting fellow – Remarks on lease accounting, including lessee transition for minimum rental payment composition policies, lessee transition for minimum rental payment measurement policies, and certain lessee and lessor costs
- Rahim M. Ismail, professional accounting fellow – Remarks on CECL implementation and a consultation on the shift away from the London Interbank Offered Rate (LIBOR)
- Kevin L. Vaughn, senior associate chief accountant – Remarks on accounting consultations in general and subsequent events in the CECL model

Public statements and announcements

Public statement on U.S.-listed companies with significant operations in China

On Dec. 7, 2018, SEC Chairman Jay Clayton, SEC Chief Accountant Wesley Bricker, and PCAOB Chairman William Duhnke issued a public statement in light of current information access issues to entities in China. According to the statement, "One of the most significant current issues relates to the ability of the PCAOB to inspect the audit work and practices of PCAOB-registered auditing firms in China (including Hong Kong-based audit firms, to the extent their audit clients have operations in mainland China) with respect to their audit work of U.S.-listed companies with operations in China." The statement covers information access issues in more detail as well as remedial measures that have been used in the past to address those issues.

Public statement on digital asset transactions

On Nov. 16, 2018, the SEC's Divisions of Corporation Finance, Investment Management, and Trading and Markets released "Statement on Digital Asset Securities Issuance and Trading." It covers recent enforcement actions and the interaction of existing federal securities laws with the innovative technologies used for digital asset securities transactions. Specifically, it addresses offers and sales of digital asset securities, investment vehicles investing in digital asset securities (such as managers of hedge funds that invest in digital asset securities). For those involved in trading digital asset securities, the statement addresses both exchange and broker-dealer registration requirements.

Website for innovation and technology engagement

The SEC on Oct. 18, 2018, launched its Strategic Hub for Innovation and Financial Technology (FinHub), which will serve as a resource for issues such as distributed ledger technology (including digital assets), automated investment advice, digital marketplace financing, and artificial intelligence and machine learning.

In its press release, the SEC outlined five FinHub activities:

- “Provide a portal for industry and the public to engage directly with SEC staff on innovative ideas and technological developments;
- “Publicize information regarding the SEC’s activities and initiatives involving [financial technology] on the FinHub page;
- “Engage with the public through publications and events, including a FinTech Forum focusing on distributed ledger technology and digital assets planned for 2019;
- “Act as a platform and clearinghouse for SEC staff to acquire and disseminate information and FinTech-related knowledge within the agency; and
- “Serve as a liaison to other domestic and international regulators regarding emerging technologies in financial, regulatory, and supervisory systems.”

Clayton said, “The FinHub provides a central point of focus for our efforts to monitor and engage on innovations in the securities markets that hold promise, but which also require a flexible, prompt regulatory response to execute our mission.”

Reports and strategic plan

Division of enforcement – annual update

On Nov. 2, 2018, the SEC’s Division of Enforcement released its annual update for 2018 in which the co-directors qualitatively evaluate the performance of the division against five priorities:

- Focus on the Main Street investor
- Focus on individual accountability
- Keep pace with technological change
- Impose remedies that most effectively further enforcement goals
- Constantly assess the allocation of resources

In addition, the annual report provides discussion and analysis of enforcement actions on a quantitative basis.

Investigative report on cyberthreats

On Oct. 16, 2018, the SEC released an investigative report with a recommendation: "public companies should consider cyber threats when implementing internal accounting controls." The report analyzes the SEC Enforcement Division's investigations of nine public companies that experienced financial losses as a result of cyberfraud. It emphasizes the need to consider cyberthreats as part of a public company's obligation to maintain internal accounting controls.

Strategic plan

The SEC announced its new strategic plan on Oct. 11, 2018. It features three goals:

- "Focus on the long-term interests of our Main Street investors. … Initiatives under this goal will include modernizing disclosure and expanding investor choice."
- "Recognize significant developments and trends in our evolving capital markets and adjust our efforts to ensure we are effectively allocating our resources. … by analyzing market developments, evaluating existing rules and procedures, understanding the continually changing cyber-landscape and ensuring the appropriate resources are dedicated to each area."
- "Elevate the SEC's performance by enhancing our analytical capabilities and human capital development. The SEC will invest in data and technology … "

Rules and guidance

Quarterly reports and earnings releases – request for comment

On Dec. 18, 2018, the SEC released a request for public comment, "Request for Comment on Earnings Releases and Quarterly Reports," on potential changes to earnings releases and quarterly reports. The SEC is exploring ways to promote efficiency in periodic reporting by reducing unnecessary duplication that companies disclose and examining how such changes could reduce costs and affect capital formation while enhancing, or at least maintaining, appropriate investor protection.

The release also seeks comment on whether the SEC should provide companies, or certain classes of companies, with flexibility as to the frequency of their periodic reporting. Last, the SEC is seeking comment on how the existing periodic reporting system, earnings releases, and earnings guidance may affect corporate decision-making and strategic thinking, whether positive or negative, and whether the result is an inefficient outlook by focusing on short-term results.

The comment period closes on March 21, 2019.

Exchange Act reporting companies and Regulation A exemption

On Dec. 19, 2018, the SEC adopted final rules to allow *Exchange Act* reporting companies to apply the registration exemption offered by Regulation A. This will allow those companies to complete *Securities Act* offerings of securities up to $50 million in a 12-month period without separately registering those offerings with the SEC and without additional reporting obligations.

The final rules are effective upon publication in the Federal Register.

Disclosure updates and simplifications

The SEC previously voted, on Aug. 17, 2018, to amend its disclosure requirements in order to simplify them and make them consistent with GAAP and other SEC guidance, by issuing its Disclosure Update and Simplification rule (DUSTR). On Oct. 4, 2018, DUSTR, was published in the Federal Register, and the effective date for the rule is Nov. 5, 2018. However, the new interim requirement to present changes in stockholders' equity in Form 10-Q is not required until the interim period beginning after Nov. 5, 2018, pursuant to staff guidance in Compliance and Disclosure Interpretation (C&DI) 105.09. Therefore, a calendar year-end institution must first comply with the new stockholders' equity disclosure in its March 31, 2019, Form 10-Q.

Mining disclosures

On Oct. 31, 2018, the SEC adopted amendments to modernize property disclosure requirements for mining registrants. The amendments require a registrant with material mining operations to disclose specified information in its SEC filings concerning its mineral resources, in addition to its mineral reserves. Currently, nonreserve estimates are permitted to be disclosed only in limited circumstances.

The final rules provide a two-year transition period. Compliance is required in a registrant's first fiscal year beginning on or after Jan. 1, 2021.

The press release includes a fact sheet that summarizes the new rules.

Revised smaller reporting company (SRC) definition

On Nov. 7, 2018, the SEC's Division of Corporation Finance updated its interpretive guidance to reflect recent changes in the SRC definition:

- The C&DIs for Regulation S-K address questions on the interaction between SRC and accelerated filer status as well as SRC qualifications.
- The C&DIs for *Exchange Act* Forms address a question that may arise related to executive compensation and other disclosure required by Part III of Form 10-K.
- Certain C&DIs for *Exchange Act* Rules were removed.

From the PCAOB

Strategic plan

On Nov. 15, 2018, the PCAOB approved its five-year strategic plan for 2018 through 2022, which emphasizes the PCAOB's core values: integrity, excellence, effectiveness, collaboration, and accountability.

The plan includes the following strategic goals:

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

Board speeches

Recently, board members including PCAOB Chairman William D. Duhnke have been speaking about the new board and its new strategic initiatives. The following speeches have been delivered recently:

- Dec. 12, 2018, George Botic, director of the Division of Registration and Inspections – "Protecting Investors Through Change" at the AICPA Conference on Current SEC and PCAOB Developments in Washington, D.C. He covered changes at the PCAOB under the new board that will affect the 2019 inspection cycle, including the PCAOB's assessment of a firm's quality control system and control environment, engagement of U.S. company audit committee chairs to provide insight into the inspection process, and establishment of a program to share audit firm practices that promote or enhance audit quality. He also shared his expectation for changes to the inspection reports and the process for remediation. In the PCAOB's information-gathering activities in 2019, the staff will consider which metrics may be predictive of audit quality (audit quality indicators), and Botic recommends that audit firms do the same.

Additional topics included:

- Frequent inspection findings for revenue, accounting estimates, and internal control over financial reporting
- Root cause analysis as a good audit firm practice
- Form AP
- Others areas of focus for 2019 inspections including technology risks and implementation of the new auditor's reporting model including critical audit matters (CAMs)

- Nov. 30, 2018, Kathleen M. Hamm – "Quality Control: The Next Frontier" on the PCAOB's focus on quality control at audit firms in the context of the PCAOB's primary activities: registrations, inspections, standard-setting, and enforcement; and five things that an audit firm can do to improve its quality control related to a firm's strategy, governance, risk and control assessment, processes for monitoring audit quality, and periodic re-evaluations of its quality control strategy and programs
- Nov. 2, 2018, Kathleen M. Hamm – "Mexican Mangos, Diamonds, Cargo Shipping Containers, Oh My! What Auditors Need to Know About Blockchain and Other Emerging Technologies: A Regulator's Perspective"
- Nov. 1, 2018, James G. Kaiser – "A Board Member's Perspective: PCAOB's 5-Year Strategic Plan, Transformation Initiatives, and Current Developments" on the strategic plan; transformation initiatives for inspections, standard-setting, and data and technology; and current developments related to standard-setting, the auditor's reporting model, new accounting standards, inspections, cybersecurity, and interim inspections for broker-dealer audits
- Oct. 22, 2018, Hamm – "Driving Audit Quality Forward: PCAOB 2.0" on the new board, creation of the board, the board's mission and core duties, the state of audit quality, five strategic goals of the new board, and emerging technologies
- Oct. 18, 2018, Duhnke – "Keynote Speech to ALI's Accountants' Liability 2018 Conference" on inspections, enforcement, standard setting, and external engagement

New audit standard for estimates and using the work of others

The PCAOB adopted a new auditing standard, "Auditing Accounting Estimates, Including Fair Value Measurements," on Dec. 20, 2018, to replace three existing PCAOB auditing standards on estimates. Changes to the auditing standard address the auditor's professional skepticism, including potential management bias, and specific direction on auditing fair values of financial instruments that are based on information from third-party pricing sources. Concurrent with the new standard, the PCAOB adopted amendments related to using the work of a company's employed or engaged specialists and the work of an auditor's employed or engaged specialists. Subject to approval by the SEC, the new and amended standards are effective for audits of financial statements for fiscal years ending on or after Dec. 15, 2020.

Staffing updates

The PCAOB named Megan Zietsman as chief auditor on Dec. 13, 2018. Zietsman is expected to assume her role in early 2019. She will join the PCAOB from Deloitte, where she has served as a partner in its professional practice network. She has served on the International Auditing and Assurance Standards Board since 2014, currently as the deputy chair. She also served on the AICPA's Auditing Standards Board from 2007 to 2011.

On Nov. 12, 2018, the PCAOB announced that Torrie Miller Matous was named director of the newly formed Office of External Affairs. The new office combines certain existing offices and will include new liaison staff for the investor and business communities to assist the board in achieving the transparency and accessibility goals outlined in its draft strategic plan.

On Nov. 1, the PCAOB announced that George Botic was named the director of the Division of Registration and Inspections. Botic had been the acting director of the division since May and will lead the PCAOB's efforts related to registration and inspection of domestic and foreign accounting firms that audit public companies or broker-dealers.

Also on Nov. 1, the board announced that Liza McAndrew Moberg was named director of the Office of International Affairs. She had been the acting director since May and "will lead the PCAOB's efforts to advance cross-border engagement with others involved in investor protection efforts and to implement and maintain cooperative agreements that facilitate the PCAOB's oversight activities outside of the U.S."

On Oct. 9, 2018, the PCAOB announced the appointment of Ryan Sack as director of the Office of Internal Oversight and Performance Assurance, which provides examination of the PCAOB's internal operations and programs. Sack has more than 20 years of experience in the internal audit and assurance field and was most recently at Orbital ATK as internal audit vice president.

Standing Advisory Group (SAG) meeting

The PCAOB's SAG comprises various stakeholders – investors, auditors, audit committee members, public company executives, and others – and advises the PCAOB on audit and professional practice standards.

The PCAOB held a SAG meeting on Nov. 29, 2018, and the agenda included the following topics:

- Governance and leadership in firm quality control systems
- Communications about PCAOB standards

Auditor inspections outlook

The PCAOB posted the "Inspections Outlook for 2019" to its website on Dec. 6, 2018. The report includes key areas of focus for planned 2019 inspections of audits of issuers and brokers and dealers. It covers the following topics:

- System of quality control
- Independence
- Recurring inspection deficiencies
- External considerations
- Cybersecurity risks
- Software audit tools
- Digital assets
- Audit quality indicators
- Changes in the auditor's report
- Implementation of new accounting standards

Sample auditor's report for broker-dealer audits

On Dec. 17, 2018, the board posted a sample unqualified auditor's report under Auditing Standard (AS) 3101 (which went into effect on Dec. 15, 2017) on the financial statements of a broker or dealer reporting under Rule 17a-5 of the *Securities Exchange Act of 1934*. The sample report includes marked changes that result from AS 3101.

From the CAQ

Emerging technologies tool for audit committees

On Dec. 12, 2018, the CAQ released a new tool, "Emerging Technologies: An Oversight Tool for Audit Committees," that highlights artificial intelligence and robotic process automation. According to the CAQ, the tool "provides a framework and questions that audit committees may ask management and auditors to help inform their oversight of financial reporting as emerging technologies take hold."

Critical audit matters: Lessons learned from dry runs

The CAQ released a publication, "Critical Audit Matters: Lessons Learned, Questions to Consider, and an Illustrative Example," on Dec. 10, 2018, offering initial observations from applying the new PCAOB guidance related to CAMs. Included are lessons learned from the dry runs of applying the CAMs guidance related to:

- The determination of which matters are CAMs
- Auditor communication with management and the audit committee
- Planning and timing of implementation
- Challenges in drafting CAMs

It also offers 10 questions for audit committees to consider related to including CAMs in the auditor's report as well as an illustrative example of a CAM disclosure.

Audit committee transparency barometer report

On Nov. 1, 2018, the CAQ and Audit Analytics jointly issued their fifth annual report, "2018 Audit Committee Transparency Barometer." The report shows an increase from 2014 (the first year these barometer reports were issued) in the percent of public company audit committees disclosing the following in proxy statements:

- Considerations in appointing the audit firm
- Length of audit firm engagement
- Criteria considered when evaluating the audit firm
- That the audit committee is involved in audit partner selection
- That the evaluation of the external auditor is at least an annual event

The report also presents examples of public company disclosures to illustrate best practices.

From the GASB

Proposals

Implementation guidance update

On Nov. 27, 2018, the GASB issued an exposure draft, "Implementation Guidance Update – 2019," to clarify, explain, or elaborate on certain GASB pronouncements.

The exposure draft proposes 15 new questions and answers to address application of existing GASB standards covering various topics including the following:

- Cash flows reporting
- Postemployment benefits – plan and employer
- Derivative instruments
- Nonexchange transactions
- Impairment of capital assets and insurance recoveries
- Intra-entity transfers of assets
- Fund balance reporting and government fund type definitions
- Tax abatement disclosures
- Irrevocable split-interest agreements

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

Comments are due to the GASB by Jan. 31, 2019.

Accounting Standards Updates (ASU) effective dates

Checklist A

ASU effective dates for public business entities (PBEs)

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
Tax Reform – SEC Accounting and Disclosure Guidance (ASU 2018-05) Codifies the SEC's SAB 118, which provides guidance on accounting for income tax effects of the *Tax Cuts and Jobs Act* (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.	**Dec. 22, 2017 – enactment of H.R. 1, included in the Dec. 31, 2017, annual financial statements**	**Not applicable**
Codification Improvements (ASU 2018-09) Contains 30 improvements in all, including income taxes for certain quasi reorganizations, fair value option debt extinguishments, financial instruments, excess tax benefits, tax allocation methods, offsetting derivative assets and liabilities, transfer restrictions for fair value measurement, balance sheet offsetting for broker-dealers, and valuation for a stable value common collective trust fund.	**Varies by issue (see pages 8 and 9 of the ASU)** **March 31, 2018** **Upon issuance, July 16, 2018** **March 31, 2019**	**Permitted, including in an interim period**
Revenue Recognition (ASU 2014-09) For all entities, the transaction- and industry-specific recognition methods are eliminated and revenue is recognized by applying a defined principles-based approach. Clarifying standards: **ASU 2015-14** – Deferral of Effective Date **ASU 2016-08** – Principal Versus Agent Considerations (Gross Versus Net Reporting) **ASU 2016-10** – Identifying Performance Obligations and Licensing **ASU 2016-11** – Rescission of Certain SEC Guidance in Topic 605 (Staff Announcements at March 3, 2016, EITF Meeting) **ASU 2016-12** – Narrow-Scope Improvements and Practical Expedients **ASU 2016-20** – Technical Corrections and Improvements **ASU 2017-14** – Rescission of SEC SAB Topics 8 and 13 and bill-and-hold guidance; revision of SAB Topic 11.A and SEC guidance for certain vaccine manufacturers	**March 31, 2018**[1]	**Permitted only as of annual periods beginning after Dec. 15, 2016, including interims within**

[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.

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
Derecognition and Partial Sales of Nonfinancial Assets (ASU 2017-05) 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.	**March 31, 2018, consistent with ASU 2014-09**	**Permitted only as of annual periods beginning after Dec. 15, 2016, including interims within**
Service Concession Arrangements for Operators of Public Infrastructure (ASU 2017-10) 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.	**March 31, 2018 (unless ASU 2014-09 was previously adopted)**	**Permitted, including in an interim period**
Recognition and Measurement (ASU 2016-01) 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. Clarifying standards: **ASU 2018-03** – Clarifications for equity securities without a readily determinable fair value and fair value option liabilities **ASU 2018-04** – (SAB 117) Rescission of SEC guidance on AFS equities	**March 31, 2018** **For ASU 2018-03, Sept. 30, 2018**	**Not permitted, except for two provisions** **For ASU 2018-03, permitted, including in an interim period, if ASU 2016-01 has been adopted**
Breakage for Prepaid Cards (ASU 2016-04) 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.	**March 31, 2018**	**Permitted, including in an interim period**
Statement of Cash Flows: Certain Clarifications (ASU 2016-15) 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.	**March 31, 2018**	**Permitted, including in an interim period**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
Income Taxes for Intra-Entity Asset Transfers (ASU 2016-16) 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.	**March 31, 2018**	**Permitted as of the beginning of an annual period for which financial statements have not been issued**
Statement of Cash Flows: Restricted Cash (ASU 2016-18) 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.	**March 31, 2018**	**Permitted, including in an interim period**
Definition of a Business (ASU 2017-01) 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.	**March 31, 2018**	**Permitted for certain transactions**
Presentation of Net Periodic Pension and Postretirement Benefit Costs (ASU 2017-07) 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.	**March 31, 2018**	**Permitted as of the beginning of an annual period, in the first interim period**
Share-Based Payment Modification Accounting (ASU 2017-09) Requires modification accounting when an award's fair value, vesting provisions, or classification changes subsequent to a modification of the award.	**March 31, 2018**	**Permitted, including in an interim period**
Rescission of Obsolete Deferred Tax Guidance for Financial Institutions (ASU 2018-06) Supersedes guidance that originated from the Office of the Comptroller of the Currency's (OCC's) Banking Circular 202, "Accounting for Net Deferred Tax Charges." Because the OCC previously rescinded this guidance, it is no longer relevant.	**Upon issuance, May 7, 2018**	**Not applicable**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
Leases **(ASU 2016-02)** Revises recognition and measurement for lease contracts by lessors and lessees; operating leases are recorded on the balance sheet for lessees. Replaces Topic 840 with Topic 842. Clarifying standards: **ASU 2018-01** – Provides a practical expedient in transition to not evaluate existing or expired land easements under Topic 842 that were not previously accounted for as leases under Topic 840. **ASU 2018-10** – Provides 16 improvements and clarifications to the guidance in Topic 842. **ASU 2018-11** – Provides an optional transition method for adopting Topic 842 that will eliminate comparative period reporting under the new guidance in the adoption year. Provides a practical expedient for lessors to not separate nonlease components from the associated lease component in specified circumstances. **ASU 2018-20** – Provides improvements specific to lessors for evaluating sales taxes, recording reimbursed costs, and allocating variable payments to lease and nonlease components.	**March 31, 2019**[2]	**Permitted**
Premium Amortization on Purchased Callable Debt **(ASU 2017-08)** Shortens the amortization period for premiums on purchased callable debt securities to the earliest call date, instead of to the maturity date.	**March 31, 2019**	**Permitted, including in an interim period**
Financial Instruments With Down-Round Features (Part I) and Scope Exception for Certain Mandatorily Redeemable Financial Instruments (Part II) **(ASU 2017-11)** 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. 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.	**March 31, 2019**	**Permitted, including in an interim period**

[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.

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
Hedging Activities (ASU 2017-12) Expands the nonfinancial and financial risk components that can qualify for hedge accounting and simplifies financial reporting for hedging activities.	**March 31, 2019**	**Permitted, including in an interim period**
Additional Benchmark Interest Rate for Hedging (ASU 2018-16) Expands the number of benchmark interest rates that can be used in accounting hedge designations to include the Overnight Index Swap (OIS) rate based on the Secured Overnight Financing Rate (SOFR) and stems from concerns about the sustainability of the London Interbank Offered Rate (LIBOR).	**March 31, 2019 (consistent with ASU 2017-12)**	**Permitted, including in an interim period, if ASU 2017-12 was early adopted**
Certain Deferred Taxes for Steamship Entities (ASU 2017-15) Requires steamship entities to recognize any remaining deferred taxes on certain statutory reserve deposits in accordance with Topic 740.	**March 31, 2019**	**Permitted, including in an interim period**
Tax Reform – Reclassification of Stranded Tax Effects in AOCI (ASU 2018-02) An entity may elect to reclassify stranded tax effects in AOCI specifically affected by the *Tax Cuts and Jobs Act* from AOCI to retained earnings, instead of recognizing those effects in earnings.	**March 31, 2019**	**Permitted, including in an interim period**
Nonemployee Stock Compensation Simplifications (ASU 2018-07) Aligns the accounting guidance for nonemployee stock payments with the guidance for employee stock compensation in ASC Topic 718.	**March 31, 2019**	**Permitted, including in an interim period, but no earlier than the adoption of Topic 606**
Contributions Received and Made for Not-for-Profit Entities (ASU 2018-08) Improves the guidance on contributions and exchange transactions. Although the ASU primarily affects not-for-profit entities, it applies to all entities, including business entities, that receive or make contributions of cash and other assets.	**March 31, 2019 (See the ASU for noncalendar year-end effective dates because they vary for contributions received and contributions made).**	**Permitted**
Goodwill Impairment Testing (ASU 2017-04) 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.	**For SEC filers, tests performed on or after Jan. 1, 2020** **For PBEs that are not SEC filers, tests performed on or after Jan. 1, 2021**	**Permitted for interim or annual goodwill impairment tests performed on testing dates on or after Jan. 1, 2017**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
Credit Losses **(ASU 2016-13)** Replaces the incurred loss model with the current expected credit loss (CECL) model for financial assets, including trade receivables, debt securities, and loan receivables. Clarifying standards: **ASU 2018-19** – Clarifies that impairment of operating lease receivables is in the scope of ASC Topic 842, "Leases," and not the CECL model.	**For SEC filers, March 31, 2020** **For PBEs that are not SEC filers, March 31, 2021**	**Permitted as of the fiscal years beginning after Dec. 15, 2018, including interim periods within**
Fair Value Measurement Disclosure **(ASU 2018-13)** Removes, modifies, or adds certain fair value measurement disclosures related to financial instrument transfers and Level 3 instruments, among others.	**March 31, 2020**	**Permitted**
Implementation Costs for Cloud Computing Arrangements (CCAs) **(ASU 2018-15)** 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.	**March 31, 2020**	**Permitted, including in an interim period**
Variable Interest Entity (VIE) Model – **Targeted Improvements for Related Parties** **(ASU 2018-17)** Revises the analysis for determining whether a decision-making fee paid by a VIE is a variable interest such that indirect interests in a VIE held through related parties in common control arrangements would be considered on a proportional basis (instead of as the equivalent to a direct interest).	**March 31, 2020**	**Permitted, including in an interim period**
Collaborative Arrangements (Topic 808) **(ASU 2018-18)** Requires that Topic 606 be applied to collaborative arrangements when the arrangement participant is a customer and aligns the unit-of-account guidance in Topic 808 with Topic 606. Revenue in the scope of Topic 606 should be presented separate from revenue outside its scope.	**March 31, 2020**	**Permitted, including in an interim period**
Defined Benefit Plan Disclosure for Sponsors **(ASU 2018-14)** Removes and clarifies certain disclosures for sponsors of defined benefit plans. Adds disclosure for weighted-average interest credit rates for certain plans and the reasons for significant gains and losses in the benefit obligation.	**Dec. 31, 2020**	**Permitted**
Long-Duration Insurance Contracts **(ASU 2018-12)** Revises the accounting for life insurance and annuity contracts by eliminating the method of locking in liability assumptions and the premium deficiency test for traditional and limited-payment contracts, among other methodology changes. Requires additional disclosure.	**March 31, 2021**	**Permitted**

Checklist B

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

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
Tax Reform – SEC Accounting and Disclosure Guidance (ASU 2018-05) Codifies the SEC's SAB 118, which provides guidance on accounting for income tax effects of the *Tax Cuts and Jobs Act* (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.	**Dec. 22, 2017 – Enactment of H.R. 1, included in the Dec. 31, 2017, annual financial statements**	**Not applicable**
Share-Based Payment Modification Accounting (ASU 2017-09) Requires modification accounting when an award's fair value, vesting provisions, or classification changes subsequent to a modification of the award.	**March 31, 2018**	**Permitted, including in an interim period**
Rescission of Obsolete Deferred Tax Guidance for Financial Institutions (ASU 2018-06) 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.	**Upon issuance, May 7, 2018**	**Not applicable**
Codification Improvements (ASU 2018-09) Contains 30 improvements in all, including income taxes for certain quasi reorganizations, fair value option debt extinguishments, financial instruments, excess tax benefits, tax allocation methods, offsetting derivative assets and liabilities, transfer restrictions for fair value measurement, balance sheet offsetting for broker-dealers, and valuation for a stable value common collective trust fund.	**Varies by issue (see pages 8 and 9 of the ASU)** **Upon issuance, July 16, 2018** **Dec. 31, 2019** **Dec. 31, 2020**	**Permitted, including in an interim period**
Classification of Deferred Taxes (ASU 2015-17) Simplifies classification of deferred taxes in a classified balance sheet. Classification as noncurrent only is required.	**Dec. 31, 2018**	**Permitted as of the beginning of an interim or annual period**
Derivative Novations (ASU 2016-05) Applies when there is a change in the counterparty to a derivative instrument that has been designated as a hedging instrument.	**Dec. 31, 2018**	**Permitted, including in an interim period**
Contingent Puts and Calls on Debt Instruments (ASU 2016-06) 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.	**Dec. 31, 2018**	**Permitted, including in an interim period**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
Share-Based Payments (ASU 2016-09) 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.	**Dec. 31, 2018**	**Permitted, including in an interim period**
Not-for-Profit Entities – Financial Statements (ASU 2016-14) 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.	**Dec. 31, 2018**	**Permitted**
Certain Deferred Taxes for Steamship Entities (ASU 2017-15) Requires steamship entities to recognize any remaining deferred taxes on certain statutory reserve deposits in accordance with Topic 740.	**March 31, 2019**	**Permitted, including in an interim period**
Tax Reform – Reclassification of Stranded Tax Effects in AOCI (ASU 2018-02) An entity may elect to reclassify stranded tax effects in AOCI specifically affected by the *Tax Cuts and Jobs Act* from AOCI to retained earnings, instead of recognizing those effects in earnings.	**March 31, 2019**	**Permitted, including in an interim period**
Revenue Recognition (ASU 2014-09) For all entities, the transaction- and industry-specific recognition methods are eliminated and revenue is recognized by applying a defined principles-based approach. Clarifying standards: **ASU 2015-14** – Deferral of Effective Date **ASU 2016-08** – Principal Versus Agent Considerations (Gross Versus Net Reporting) **ASU 2016-10** – Identifying Performance Obligations and Licensing **ASU 2016-11** – Rescission of Certain SEC Guidance in Topic 605 (Staff Announcements at March 3, 2016, EITF Meeting) **ASU 2016-12** – Narrow-Scope Improvements and Practical Expedients **ASU 2016-20** – Technical Corrections and Improvements **ASU 2017-14** – Rescission of SEC SAB Topics 8 and 13 and bill-and-hold guidance; revision of SAB Topic 11.A and SEC guidance for certain vaccine manufacturers	**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
Derecognition and Partial Sales of Nonfinancial Assets (ASU 2017-05) Primarily applies to the real estate industry but can affect other entities. Clarifies the scope of Subtopic 610-20 by defining an "in substance nonfinancial asset" and provides guidance on partial sales, such as when an entity retains an equity interest in the entity that owns the transferred nonfinancial assets.	**Dec. 31, 2019, consistent with ASU 2014-09**	**Permitted only as of annual periods beginning after Dec. 15, 2016, including interims within**
Service Concession Arrangements for Operators of Public Infrastructure (ASU 2017-10) In all service concession arrangements between a public sector entity and the operator of the public sector entity's infrastructure, the public sector entity (or the grantor) should be identified as the customer.	**Dec. 31, 2019 (unless ASU 2014-09 has been adopted)**	**Permitted, including in an interim period**
Recognition and Measurement (ASU 2016-01) Applies to the classification and measurement of financial instruments. Removes the available-for-sale category for equities. Equities (excluding equity method and consolidated investments) will be carried at fair value; however, the changes will run through the income statement rather than OCI. Clarifying standards: **ASU 2018-03** – Clarifications for equity securities without a readily determinable fair value and fair value option liabilities **ASU 2018-04** – (SAB 117) Rescission of SEC guidance on AFS equities	**Dec. 31, 2019**	**Not permitted, except for two provisions** **For ASU 2018-03, permitted, including in an interim period, if ASU 2016-01 has been adopted**
Breakage for Prepaid Cards (ASU 2016-04) Applies to prepaid stored-value products that are redeemable for monetary values of goods or services but also may be redeemable for cash, such as certain prepaid gift cards, prepaid telecommunication cards, and traveler's checks.	**Dec. 31, 2019**	**Permitted, including in an interim period**
Statement of Cash Flows: Certain Clarifications (ASU 2016-15) Provides guidance on how eight specific cash flows should be classified in the statement of cash flows, including debt prepayment or extinguishment costs, settlement of zero-coupon bonds, contingent consideration payments, insurance settlement proceeds, company-owned life insurance (COLI) policy settlements and premiums, equity method investee distributions, beneficial interests in securitization transactions, and predominance principle for receipts and payments.	**Dec. 31, 2019**	**Permitted, including in an interim period**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
Income Taxes for Intra-Entity Asset Transfers (ASU 2016-16) Applies to asset transfers between legal entities, including related parties (e.g., bank and investment subsidiary); transferor recognizes the current and deferred tax effects when the transfers occur.	**Dec. 31, 2019**	**Permitted as of the beginning of an annual period for which financial statements have not been issued or made available for issuance**
Statement of Cash Flows: Restricted Cash (ASU 2016-18) Requires that restricted cash and cash equivalents be presented in total cash and cash equivalents in the statement of cash flows, and the nature of restrictions on restricted cash and cash equivalents be disclosed.	**Dec. 31, 2019**	**Permitted, including in an interim period**
Definition of a Business (ASU 2017-01) Applies to the analysis of whether an asset or business is acquired (which determines whether goodwill is recognized), as well as asset derecognition and business deconsolidation transactions.	**Dec. 31, 2019**	**Permitted for certain transactions**
Employee Benefit Plan Master Trust Reporting (ASU 2017-06) Applies to disclosures of plans that have an interest in a master trust, which is a trust for which a regulated financial institution serves as a trustee or custodian and in which assets of more than one plan sponsored by an employer or employers under common control are held.	**Dec. 31, 2019**	**Permitted**
Presentation of Net Periodic Pension and Postretirement Benefit Costs (ASU 2017-07) Rather than reporting pension expense as a net amount, the service cost component will be presented consistent with similar compensation for the same employees, and the other components will be separately presented in the income statement.	**Dec. 31, 2019**	**Permitted as of the beginning of an annual period, in the first interim period if interim financial statements are issued**
Contributions Received and Made for Not-for-Profit Entities (ASU 2018-08) Improves the guidance on contributions and exchange transactions. Although the ASU primarily affects not-for-profit entities, it applies to all entities, including business entities, that receive or make contributions of cash and other assets.	**For contributions received, Dec. 31, 2019** **For contributions made, Dec. 31, 2020**	**Permitted**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
Leases **(ASU 2016-02)** Revises recognition and measurement for lease contracts by lessors and lessees; operating leases are recorded on the balance sheet for lessees. Replaces Topic 840 with Topic 842. Clarifying standards: **ASU 2018-01** – Provides a practical expedient in transition to not evaluate existing or expired land easements under Topic 842 that were not previously accounted for as leases under Topic 840. **ASU 2018-10** – Provides 16 improvements and clarifications to the guidance in Topic 842. **ASU 2018-11** – Provides an optional transition method for adopting Topic 842 that will eliminate comparative period reporting under the new guidance in the adoption year. Provides a practical expedient for lessors to not separate nonlease components from the associated lease component in specified circumstances. **ASU 2018-20** – Provides improvements specific to lessors for evaluating sales taxes, recording reimbursed costs, and allocating variable payments to lease and nonlease components.	**Dec. 31, 2020**	**Permitted**
Premium Amortization on Purchased Callable Debt **(ASU 2017-08)** Shortens the amortization period for premiums on purchased callable debt securities to the earliest call date, instead of to the maturity date.	**Dec. 31, 2020**	**Permitted, including in an interim period**
Financial Instruments With Down-Round Features (Part I) and Scope Exception for Certain Mandatorily Redeemable Financial Instruments (Part II) **(ASU 2017-11)** 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. 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.	**Dec. 31, 2020**	**Permitted, including in an interim period**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
Hedging Activities (ASU 2017-12) Expands the nonfinancial and financial risk components that can qualify for hedge accounting and simplifies financial reporting for hedging activities.	**Dec. 31, 2020**	**Permitted, including in an interim period**
Additional Benchmark Interest Rate for Hedging (ASU 2018-16) Expands the number of benchmark interest rates that can be used in accounting hedge designations to include the Overnight Index Swap (OIS) rate based on the Secured Overnight Financing Rate (SOFR) and stems from concerns about the sustainability of the London Interbank Offered Rate (LIBOR).	**Dec. 31, 2020 (consistent with ASU 2017-12)** **March 31, 2020, if ASU 2017-12 was early adopted**	**Permitted, including in an interim period, if ASU 2017-12 was early adopted**
Nonemployee Stock Compensation Simplifications (ASU 2018-07) Aligns the accounting guidance for nonemployee stock payments with the guidance for employee stock compensation in ASC Topic 718.	**Dec. 31, 2020**	**Permitted, including in an interim period, but no earlier than the adoption of Topic 606**
Fair Value Measurement Disclosure (ASU 2018-13) Removes, modifies, or adds certain fair value measurement disclosures related to financial instrument transfers and Level 3 instruments, among others.	**Dec. 31, 2020**	**Permitted**
Defined Benefit Plan Disclosure for Sponsors (ASU 2018-14) Removes and clarifies certain disclosures for sponsors of defined benefit plans. Adds disclosure for weighted-average interest credit rates for certain plans, and the reasons for significant gains and losses in the benefit obligation.	**Dec. 31, 2021**	**Permitted**
Implementation Costs for Cloud Computing Arrangements (CCAs) (ASU 2018-15) Aligns accounting for implementation costs of CCAs with or without a license (that is, regardless of whether the CCA is a service contract) by capitalizing implementation costs during the application development stage and amortizing the costs over the term of the arrangement.	**Dec. 31, 2021**	**Permitted, including in an interim period**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
Variable Interest Entity (VIE) Model – Targeted Improvements for Related Parties (ASU 2018-17) Provides a private company accounting alternative not to apply VIE consolidation guidance to any arrangement with legal entities that are under common control if neither the parent nor the legal entity is a PBE (thus expanding the alternative for common control leasing arrangements to all common control arrangements). Also, revises the analysis for determining whether a decision-making fee paid by a VIE is a variable interest such that indirect interests in a VIE held through related parties in common control arrangements would be considered on a proportional basis (instead of as the equivalent to a direct interest).	**Dec. 31, 2021**	**Permitted, including in an interim period**
Collaborative Arrangements (Topic 808) (ASU 2018-18) Requires that Topic 606 be applied to collaborative arrangements when the arrangement participant is a customer and aligns the unit-of-account guidance in Topic 808 with Topic 606. Revenue in the scope of Topic 606 should be presented separate from revenue outside its scope.	**Dec. 31, 2021**	**Permitted, including in an interim period**
Goodwill Impairment Testing (ASU 2017-04) Removes step two – the requirement to perform a hypothetical purchase price allocation when the carrying value of a reporting unit exceeds its fair value – of the goodwill impairment test.	**Tests performed on or after Jan. 1, 2022**	**Permitted for interim or annual goodwill impairment tests performed on testing dates on or after Jan. 1, 2017**
Credit Losses (ASU 2016-13) Replaces the incurred loss model with the CECL model for financial assets, including trade receivables, debt securities, and loan receivables. Clarifying standards **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.	**Dec. 31, 2022**	**Permitted as of the fiscal years beginning after Dec. 15, 2018, including interim periods within**
Long-Duration Insurance Contracts (ASU 2018-12) Revises the accounting for life insurance and annuity contracts by eliminating the method of locking in liability assumptions and the premium deficiency test for traditional and limited-payment contracts, among other methodology changes. Requires additional disclosure.	**Dec. 31, 2022**	**Permitted**

Governmental Accounting Standards Board (GASB) statement effective dates

Checklist C

Effective dates for all GASB statements

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

GASB statement	Effective dates – reporting periods beginning after	Early adoption
Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements (GASB Statement 88) Clarifies which liabilities governments should include in their note disclosures related to debt and requires that all debt disclosures present direct borrowings and direct placements of debt separately from other types of debt.	**June 15, 2018**	**Permitted**
Fiduciary Activities (GASB Statement 84) Improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Establishes criteria for identifying fiduciary activities of all state and local governments focused on 1) whether a government is controlling the assets of the fiduciary activity and 2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.	**Dec. 15, 2018**	**Permitted**
Majority Equity Interests (GASB Statement 90) Revises and clarifies the guidance for reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units.	**Dec. 15, 2018**	**Permitted**
Leases (GASB Statement 87) Revises recognition and measurement for lease contracts by lessors and lessees by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.	**Dec. 15, 2019**	**Permitted**
Accounting for Interest Cost Incurred Before the End of a Construction Period (GASB Statement 89) Supersedes guidance set forth in Statement 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," which generally required capitalization of interest cost incurred before the end of a construction period. Statement 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus and not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.	**Dec. 15, 2019**	**Permitted**

Learn more

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