

FASB ALERT

FASB Affirms Decisions to Defer Effective Dates of Major New Accounting Standards

Details

On October 16, 2019, the FASB affirmed its decisions on two proposed Accounting Standards Updates (ASUs) to extend the deadline to implement FASB standards on current expected credit losses, ASC 326 *Financial Instruments – Credit Losses* (CECL), leases, ASC 842 *Leases*, hedging, ASC 815 *Derivatives and Hedging*, and insurance, ASC 944 *Insurance*, that are not yet effective for some or all companies. The proposed ASUs are available for CECL, hedging and leases, and for insurance.

Background

The FASB issued two proposed ASUs in August 2019 aimed at postponing effective dates of certain major accounting standards that are not yet effective for some or all entities, specifically:

- CECL,
- Hedging,
- Leases, and
- Insurance.

The FASB's proposal to defer effective dates varied by accounting standard and company type, adopting a two-bucket approach for staggering the effective dates of these standards. The two buckets included:

- **Bucket One** – SEC Filers (GAAP definition), excluding smaller reporting companies (SRCs) as defined by the SEC.
- **Bucket Two** – All Other Entities, including:
 - SRCs,
 - Private companies,
 - All not-for-profit organizations, including not-for-profit entities that have issued, or are conduit bond obligors for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market,
 - Employee benefit plans, including those that file financial statements with the SEC.

Some exceptions to the two-bucket approach had been proposed for certain major standards already effective, such as hedging and leases.

The final effective dates for CECL, leases, hedging and insurance are anticipated to be as follows when the final ASUs are issued (which is expected sometime mid-November):

Effective Dates (Calendar Year-End Companies) Utilizing New Bucket Approach

	SEC Filers Excluding SRCs	All Other Entities
CECL	January 2020 *Including interim periods	January 2023 *Including interim periods

Red = Represents a change in the effective date

Early application will continue to be permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years.

For CECL, an entity will determine its effective date based on its most recent SRC determination at the date the final ASU is issued. For example, if the final ASU on deferral of effective dates is issued in Q4 2019, a calendar year-end entity will utilize its SRC status as of June 30, 2019. The effective date for that entity will not change even if the entity subsequently loses its SRC status.

The FASB also decided to align the effective dates of ASU 2017-04, Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, with the amended CECL effective dates.

Effective Dates (Calendar Year-End Companies):

	Public Business Entities	All Other Entities
Leases ^[a]	January 2019 *Including interim periods *Includes certain Employee Benefits Plans and NFP Conduit Bond Obligators that file or provide financial statement with or to the SEC	January 2021 *Including interim periods beginning January 2022.
Hedging ^[a]	January 2019 *including interim periods	January 2021 *Including interim periods beginning January 2022.

Red = Represents a change in the effective date

[a] For Leases and Hedging, Bucket One remains all PBEs because these standards are currently effective for these entities.

Early application will continue to be permitted.

For leases, the SEC had previously announced that a public business entity (“PBE”) that otherwise would not meet the definition of a PBE except for a requirement for its financial statements or financial information to be included in another entity’s filing with the SEC could adopt leases for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020 (see ASC 842-10-S65-1).

It is expected that the SEC will make an announcement to conform the effective dates described in that prior announcement to the new effective dates affirmed by the FASB.

Effective Dates (Calendar Year-End Companies) Utilizing New Bucket Approach

	SEC Filers Excluding SRCs	All Other Entities
Insurance	January 2022 *Including interim periods	January 2024 *Including interim periods beginning January 2025.

Red = Represents a change in the effective date

Early application will continue to be permitted.

Like CECL, an entity will determine its effective date based on its most recent SRC determination at the date the final ASU is issued.

Next Steps

The FASB gave permission to the staff to draft the two final ASUs, which are expected to be issued sometime mid-November 2019.

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