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FASB ALERT

FASB Proposes to Defer Effective Dates of Major New Accounting Standards

Details

The proposed ASU would amend the effective dates of certain major accounting standards that are not yet effective for some or all entities, specifically:

- Leases (ASC 842)
- Hedging (ASC 815 – *Derivatives and Hedging*)
- CECL (ASC 326 – *Financial Instruments – Credit Losses*)

The proposed ASU reflects a new FASB viewpoint about effective dates that would stagger the implementation dates of new major accounting standards for larger public entities compared to all other entities, including smaller public companies, private companies, employee benefit plans and not-for-profit organizations. Going forward, a new standard would first be effective for larger public companies. All other entities would generally have two additional years to implement, although the FASB would maintain the discretion to establish effective dates that vary from this guideline, as needed.

Main Provisions

The FASB is proposing to defer effective dates that vary by accounting standard and company type, adopting a two-bucket approach for staggering the effective dates of these standards. The two buckets would include:

- Bucket One – SEC Filers (GAAP definition), excluding smaller reporting companies (SRCs) as currently 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.

The proposed effective dates for CECL, Leases, and Hedging are as follows. Note that early adoption would continue to be permitted.

Effective Dates (Calendar Year-End Companies) utilizing the new two-bucket approach:

	SEC Filers excluding SRCs	All Other Entities
CECL	January 2020	January 2023 *Including interim periods beginning January 2022.

**Represents a change in the effective date*

Effective Dates (Calendar Year-End Companies):

	Public Business Entities	All Other Entities
Leases	January 2019 *Also includes certain Employee Benefit Plans and NFP Conduit Bond Obligors that file or provide financial statements with or to the SEC.	January 2021 *Including interim periods beginning January 2022.
Hedging	January 2019	January 2021 *Including interim periods beginning January 2022.

**Represents a change in the effective date*

** For Leases and Hedging, Bucket One remains all PBEs because these standards are currently effective for these entities*

A public entity would 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 would utilize its SRC status as of June 30, 2019. The effective date for that entity would not change even if the entity subsequently loses its SRC status.

Next Steps

The FASB is looking for feedback on the proposed effective dates and its two-bucket approach by September 16, 2019.

Looking Forward

The FASB is continuing to evaluate possible amendments for the insurance standard (ASC 944) and will issue a separate proposed Update. For future major standards only, the FASB also tentatively decided in July to align the annual and interim transition requirements for all entities in Bucket Two. All entities in Bucket Two, including SRCs, would benefit from an additional year to apply amendments to their interim financial statements, consistent with current private companies transition requirements. As part of the proposed ASU, the FASB is requesting feedback on this approach to interim period effective dates for entities in Bucket Two.

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