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FASB Proposes Staggered Effective Dates for Major Accounting Standards

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On July 17, the Financial Accounting Standards Board (FASB) met to reconsider its philosophy on establishing effective dates for major projects for private companies, not-for-profit organizations and smaller public companies, as well as to discuss the amendment of certain upcoming effective dates for existing major standards that are not yet effective.

The FASB ultimately directed the Staff to draft a Proposed Accounting Standards Update (ASU) to be exposed for public comment; the proposed ASU will introduce the following two bucket approach to stagger effective dates:

- Bucket One includes U.S. Securities and Exchange Commission (SEC) filers, as defined by U.S. Generally Accepted Accounting Principles (GAAP), excluding smaller reporting companies (SRC) as defined by the SEC.
- Bucket Two includes all other entities, such as SRC, public business entities (PBE) that are not SEC filers, private companies, all not-for-profit entities – including conduit bond obligors – and all employee benefit plans.

The proposals address the following major standards that are not yet effective:

- For Leases and the Derivatives and Hedging standards, PBEs have already adopted and will not be provided additional time for implementation. However, the effective date for non-public business entities would be extended an additional year to January 1, 2021, for calendar year-end entities.
- For Credit Losses (CECL), Bucket One entities would still remain effective for annual reporting and interim reporting periods beginning January 1, 2020, for calendar year-end entities. However, Bucket Two entities would be granted additional time, with an effective date beginning January 1, 2023, for calendar year-end entities. (Note: the FASB also issued a **second Q&A document** regarding CECL and announced its plan for a series of CECL educational workshops to be held in various U.S. locations.)
- For Long-Duration Insurance Contracts, Bucket One entities would be granted an additional year, with an effective date beginning January 1, 2022, for calendar year-end entities. For Bucket Two entities, the effective date would extend out to January 1, 2024, for calendar year-end entities.

The FASB noted that there could be some comparability issues for SRCs that make them less attractive and could potentially affect their ability to raise capital. Therefore, the FASB plans to consult with public companies during the comment period to determine if SRCs are the correct breaking point between Bucket One and Bucket Two. The one-year difference between public and private companies would remain in place for other ASUs not mentioned above.

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DHG is supportive of the FASB's effort to provide additional time for entities to evaluate impact and effectively implement these significant accounting standards. However, despite the proposed additional time, entities should not slow down their implementation efforts. If voted upon, this additional time should be utilized to enhance entities' efforts to implement a robust approach in adopting these accounting standards that meets all their compliance and system needs.

For more information or questions regarding implementation efforts of these new accounting standards, reach out to us at **info@dhg.com**, or contact the authors listed below.

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