

# Accounting Update 2020

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WINDHAM BRANNON  
*offering more*



# Accounting Update 2020

- **Agenda –**
  - **Current status of GAAP, IFRS, OCBOA, AICPA, PCAOB, SEC, etc**
  - **FASB 2019 - 2018 Accounting Standards Updates**
  - **Earlier FASB ASUs with current significance**
  - **Focus on Revenue Recognition and Leases**

# Accounting Update 2020

- **The Players in the Financial Reporting Arena**
  - Financial Accounting Standards Board (FASB)
  - Emerging Issues Task Force (EITF)
  - Private Company Council (PCC)
  - International Accounting Standards Board (IASB)
  - American Institute of Certified Public Accountants (AICPA)
  - International Auditing and Assurance Services Board (IAASB)
  - Public Company Accounting Oversight Board (PCAOB)
  - Securities and Exchange Commission (SEC)
  - U.S. Congress (#\* < @! > \*%#)
  - State Boards of Accountancy (SBoA)

# Accounting Update 2020

- **Financial Accounting Standards Board**
  - **Board members**



**Russ Golden, Chair**  
**Public Accounting**  
**(Deloitte)**  
**EITF Chair**  
**FASB Staff**



**Jim Kroeker, V-Chair**  
**Public**  
**Accounting/SEC**  
**(Deloitte)**  
**Chief Accountant SEC**



**Gary Buesser**  
**Research Analyst**  
**(Lazard)**  
**Not a CPA**



**Christine**  
**Botosan**  
**Education**  
**(Univ Utah)**  
**Financial**  
**Analysis Author**

# Accounting Update 2020

- **Financial Accounting Standards Board**
  - **Board members**



**Hal Schroeder**  
Investment Banking  
(Private Company)  
CFO  
EITF Member  
PCAOB Advisory  
Board



**Marsha Hunt**  
CFO  
(Cummings)  
(FASAC member)



**Susan Cospers**  
PWC Partner  
EITF Chair  
FASB Technical  
Director

# Accounting Update 2020

## FASB Accounting Standards Updates

- 2019 – 11 ASUs issues through December 2sd
- 2018 – 20 ASUs issued
- 2017 – 15 ASUs issued
- 2016 – 20 ASUs issued
- 2015 – 17 ASUs issued
- 2014 – 18 ASU's issued
- Check out FASB web site for ASUs at <http://www.fasb.org/home> click on “Standards” tab

# Accounting Update 2020

## **Update 2019-11**—Codification Improvements to Topic 326, Financial Instruments—Credit Losses

- Amends four issues, primarily affecting financial institutions
  - *Issue 1: Expected Recoveries for Purchased Financial Assets with Credit Deterioration*
  - *Issue 2: Transition Relief for Troubled Debt Restructurings*
  - *Issue 3: Disclosures Related to Accrued Interest Receivables*
  - *Issue 4: Financial Assets Secured by Collateral Maintenance Provisions*

# Accounting Update 2020

- **Update 2019-10**—Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates
  - Makes effective for Credit Losses years beginning after 12/15/19 for public entities (no change) and beginning after 12/15/22 for nonpublics
  - Makes Derivatives and Hedging effective for nonpublics in years beginning after 12/15/20
  - Makes Leases effective for nonpublics in years beginning after 12/15/20
- **Update 2019-09**—Financial Services—Insurance (Topic 944): Effective Date
  - Makes Insurance – Long Duration Contracts effective for years beginning after 12/15/21 for public entities and 12/15/23 for nonpublics



# Accounting Update 2020

- **Update 2019-08**—*Compensation—Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Codification Improvements—Share-Based Consideration Payable to a Customer*
  - *Makes Grant Date the date for determining fair value*
    - *As opposed to contract date as called for in Topic 606*
  - *Effective years beginning after 12/15/19 for all entities*
- **Update 2019-07**—*Codification Updates to SEC Sections*
  - *Disclosure Update and Simplification for 1933 Act filings*

# Accounting Update 2020

- **Update 2019-06**—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
  - Just what it says
  - NFPs may elect to amortize goodwill over 10 years and not make impairment test unless event(s) occurs
  - May elect not to recognize intangibles related to noncompete agreements and customer lists
  - Effective upon issuance

# Accounting Update 2020

- **Update 2019-05**—Financial Instruments—Credit Losses (Topic 326):  
Targeted Transition Relief
- **Narrow application relief to entities that elect the fair value option for financial assets**
- **Not to be confused with 2019-04, following**
- **Effective for years beginning after 12/15/2019**

# Accounting Update 2020

- **Update 2019-04**—Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments
- A number of narrowly focused changes to these topics related to ...
  - Credit losses
    - Allowance for credit losses on accrued interest, loans with various classifications, and consideration of expected recoveries in credit loss reserves
    - Considering equity method entity credit losses, variable rate instruments, prepayments, costs to sell

# Accounting Update 2020

- **Update 2019-04—Codification Improvements ...**
- **A number of narrowly focused changes to these topics related to (continued)**
- **Derivatives and Hedging**
  - **Clarifies interest rate risk hedge fair value, amortization, disclosure of foreign exchange adjustments, private company disclosures, transition guidance**
- **Effective various dates, but generally for years beginning after 12/15/2019**

# Accounting Update 2020

- **Update 2019-03**—Not-for-Profit Entities (Topic 958): Updating the Definition of *Collections*
- Re-aligns the definition of *Collections* with the definition used by the *American Alliance of Museums*
- Applies Collections accounting to business entities
- Clarifies accounting and disclosure of use-of-proceeds upon deaccessioned collection items
- Effective for years beginning after 12/15/2019

# Accounting Update 2020

- **Update 2019-02**—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 Emerging Issues Task Force)
  - Aligns production cost accounting for “episodic television series” with Films
  - Clarifies level at which impairment testing is done
  - Adds separate disclosures for produced vs licensed content
  - Effective for years beginning after 12/15/2019 for public entities and 12/15/2020 for nonpublic entities

# Accounting Update 2020

- **Update 2019-01—Leases (Topic 842): Codification Improvements**
- **Issue 1: Determining the fair value of the underlying asset by lessors that are not manufacturers or dealers**
  - Use cost as fair value, unless significant time between acquisition and lease commencement
- **Issue 2: Presentation on the statement of cash flows – Sales type and direct financing leases**
  - Amends lease accounting to require banks (sec. 942) to include in investing activities
- **Issue 3: Transition disclosures**
  - Exception for interim financial statements
- **Effective same as new lease standard**



# Accounting Update 2020

- **Update 2018-20**—Leases (Topic 842): Narrow-Scope Improvements for Lessors (3 issues)
- **Issue #1 – Sales taxes and similar taxes collected from lessees**
  - Permits lessors to not evaluate whether sales taxes and similar taxes are lessor costs
    - Accounted for a lessee costs by excluding from the contract consideration

# Accounting Update 2020

- **Update 2018-20—Leases (Topic 842): Narrow-Scope Improvements for Lessors (3 issues - continued)**
- **Issue #2 – Certain lessor costs**
  - Exclude from variable payments certain lessor costs paid by lessees directly to third parties
  - Include costs excluded from the consideration of a contract that are paid by the lessor and reimbursed by the lessee as variable payments

# Accounting Update 2020

- **Update 2018-20**—Leases (Topic 842): Narrow-Scope Improvements for Lessors (3 issues - continued)
- Issue #3 – Recognition of variable payments for contracts with lease and nonlease components
  - Allocate (rather than recognize) certain variable payments to the lease and nonlease components when the facts and circumstances on which variable payment is based occur
  - Will report lease component as income and nonlease component as revenue or other credits
- Effective same as for Lease standard

# Accounting Update 2020

- **Update 2018-19** — Codification Improvements to Topic 326, Financial Instruments—Credit Losses
  - Minor amendments regarding transition for nonpublic companies and lessor operation lease credit losses
  - Effective same as Credit Loss Standard (2020 and 2021)
- **Update 2018-18** — Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606
  - Clarifies revenue accounting when customer is also a joint venture of the entity
  - Effective same as revenue recognition standard

# Accounting Update 2020

- **Update 2018-17** – Targeted improvements to Related Party guidance for Variable Interest Entities
  - Extends private companies the option of not applying VIE guidance to entities under common control
  - Effective years beginning after 12/15/2019 for public companies and 12/15/20 for nonpublics
- **Update 2018-16** – Derivatives and Hedging; Adding a benchmark interest rate
  - Just what it says
  - Effective now for public companies, years beginning after 12/15/2019 for nonpublics

# Accounting Update 2020

- **Update 2018-15**—Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (a consensus of the FASB Emerging Issues Task Force)
  - Issued to cover implementation costs of service contract (not in ASU 2015-05)
  - Follow guidance in Internal Use Software
    - Consider stage, nature and timing
  - Effective years beginning after 12/15/2019 for publics, 12/15/20 for nonpublics

# Accounting Update 2020

- **Update No. 2018-14** —Compensation—Retirement Benefits—Defined Benefit Plans—General (Topic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans
  - For sponsors, removes several disclosure requirements no longer considered cost beneficial
  - Adds explanation of reasons for significant gains/losses related to changes in benefit obligation
  - Effective for public years ending after 12/15/20 and nonpublic years ending after 12/15/21

# Accounting Update 2020

- **Update No. 2018-13** —Fair Value Measurement (Topic 820):  
Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement
  - Removes disclosures of transfers between Level 1 and 2, valuation processes for Level 3, and for nonpublics, the changes in unrealized gains/losses for Level 3
  - Modifies Level 3 disclosures from roll-forward to disclosure, and other minor matters
  - Adds some disclosures for public entities
  - Effective years beginning after 12/15/2019 for all entities



# Accounting Update 2020

- **Update No. 2018-12** —Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts
  - Applies only to insurance entities
  - Effective years beginning after 12/15/2021 for public entities and 12/15/23 for nonpublics

# Accounting Update 2020

- **Update No. 2018-11** —Leases (Topic 842): Targeted Improvements
  - Eases transition reporting for leases that expire during transition period
  - Provides lessors the practical expedient to not separate nonlease components
  - Effective with new Lease Standard
- **Update No. 2018-10** —Codification Improvements to Topic 842, Leases
  - 16 Narrow issues clarified
  - Effective with new Lease Standard

# Accounting Update 2020

- [Update No. 2018-09](#) —Codification Improvements
- Amends 9 (nine) areas to clarify, correct or make minor improvements – Various effective dates
  1. Income statement – reporting comprehensive income (applies to non-cash income taxes in quasi-reorganizations)
  2. Debt – modifications and extinguishments (deals with fair value determination and classification of gains and losses when debt carried at fair value is extinguished)
  3. Distinguishing liabilities from equity (conforms example with guidance)
  4. Stock compensation – income taxes (recognize tax benefit when amount is determined)

# Accounting Update 2020

- **Update No. 2018-09** —Codification Improvements
  - Amends 9 (nine) areas (continued)
  - **5. Business combinations – income taxes (removes tax guidance from Business Combinations because it is inconsistent with guidance in *Income Taxes*)**
  - **6. Derivatives and hedging (minor clarification re Offsetting)**
  - **7. Fair value measurement (minor change for fair value of liabilities or instruments included in equity)**
  - **8. Brokers and dealers – liabilities (aligns B/D with other guidance)**

# Accounting Update 2020

- **Update No. 2018-09** —Codification Improvements
- Amends 9 (nine) areas (continued)
- **9. Plan accounting; Defined contribution plans – Investments (Removes stable value common collective trust fund from illustration)**

# Accounting Update 2020

- **Update No. 2018-08** —Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made
- Additional guidance on exchange transactions vs contribution, and when contribution is conditional
- Effective years beginning after 12/15/2018

# Accounting Update 2020

- **Update No. 2018-07** — Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting
  - Expands scope to include payments for acquiring goods and services
  - Consistent with current guidance in *Equity Based Payments to Non-employees*
  - Permits non-public entities to use intrinsic value method
  - Effective for public years beginning after 12/15/18 and for nonpublics after 12/15/19

# Accounting Update 2020

- **Update No. 2018-06** —Codification Improvements to Topic 942, Financial Services—Depository and Lending
- Supersedes outdated guidance related to Comptroller of Currency directive that has been rescinded
- Effective upon issuance



# Accounting Update 2020

- [Update No. 2018-05](#) —Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118 (SEC Update)
  - Addresses SEC SAB re Tax Cuts and Jobs Act
- [Update No. 2018-04](#) —Investments—Debt Securities (Topic 320) and Regulated Operations (Topic 980): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 117 and SEC Release No. 33-9273 (SEC Update)
  - Supersedes SEC guidance re debt securities

# Accounting Update 2020

- **Update No. 2018-03** —Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities
  - Clarifies some elements of ASU 2016-01
  - Equity securities without readily determinable fair value
  - Forward contracts, purchased options and hybrid financial liabilities
  - Option liabilities denominated in foreign currency
  - Effective years beginning after 12/15/17

# Accounting Update 2020

- **Update No. 2018-02** —Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income
  - In response to 2017 Tax Act, FASB clarified that an entity can elect to run the income tax effect on Other Comprehensive Income thru retained earnings rather than current earnings
  - Disclose whether elected or not, and disclose amounts and accounts affected
  - Effective years beginning after 12/15/18

# Accounting Update 2020

- **Update No. 2018-01** —Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842
  - Optional transition guidance to not evaluate existing or expired land easements they were not accounted for as a lease
  - All new land easements should be evaluated to determine if they are a lease
  - Effective with new Leases Standard

# Accounting Update 2020

- **Update No. 2017-12** — Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities
  - Intended to align hedge accounting with the entity's risk management
  - Facilitates and expands opportunities for hedge accounting by eliminating many of the “beans” in current Guidance
  - Hedge effectiveness determination does not have to be contemporaneous
  - Long ASU (330 pages + 70 pages of Background and Basis)
  - Effective for public companies for years beginning after 12/15/18 and 12/15/20 for nonpublics

# Accounting Update 2020

**Update No. 2017-11**—Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception

- Part I addresses equity linked instruments that reduce strike price on the basis of future equity offerings
- Part II removes *Indefinite Deferral* for recognition of mandatorily redeemable equity of a nonpublic entity as a liability, and instead provides a scope exception
- Effective for public entities for years beginning after 12/15/18 and 12/15/19 for nonpublics

# Accounting Update 2020

- **Update No. 2017-08**—Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities
  - Requires amortization to earliest call date
  - Effective for publics for years beginning after 12/15/18 and 12/15/19 for nonpublics

# Accounting Update 2020

- **Update No. 2017-07**—Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost
  - Requires specific income statement classification and disclosure for defined benefit plan pension costs
  - Effective for public entities for annual periods beginning after 12/15/17
  - Effective for other entities for annual periods beginning after 12/15/18



# Accounting Update 2020

- **Update No. 2017-04**—Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment
  - Makes parts of the Private Company Council standard applicable to all entities
  - Eliminates the requirement to determine the fair value of assets and liabilities if the carrying amount exceeds the entities fair value
  - If fair value of the entity exceeds its carrying amount, recognize impairment up to that amount
  - Effective years beginning after 12/15/19 for publics and 12/15/22 for nonpublics

# Accounting Update 2020

- **Update No. 2016 – 18 Statement of Cash Flows; Restricted Cash and Restricted Cash Equivalents**

- Issued to resolve differences in classification of restricted cash and restricted cash equivalents on statement of cash flows
- Requires restricted cash and restricted cash equivalents to be included in cash and cash equivalents
- Does not provide a definition of “restricted cash”
- Does not address cash and cash equivalents included in investments on the balance sheet
- Effective years beginning after 12/15/2017 for public entities, and years beginning after 12/15/2018 for non-public entities (early adoption permitted)

# Accounting Update 2020

- **Update No. 2016 – 15 Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)**
  - Addresses eight specific transactions of narrow focus
    - Debt extinguishment costs – financing
    - Zero coupon bonds settlement accreted interest – operations
    - Contingent consideration from business combination – split between operations and financing
    - Settlement of insurance claims – based on nature of loss
    - Proceeds from corporate owned life insurance policy – investing
      - Premiums may be operating, investing or a combination

# Accounting Update 2020

## **Update No. 2016 – 15 Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments**

- **Addresses eight specific transactions of narrow focus (cont)**
- **Distributions from equity method investees – Its complicated**
  - **Cumulative earnings approach – basically investing**
  - **Nature of distribution – based on source of distribution, if known**
- **Beneficial interest in securitization transactions – investing**
- **Application of predominance principle – figure it out yourself**
- **Effective years beginning after 12-15-2017 for public and 12-15-2018 for non-public**

# Accounting Update 2020

- **Update No. 2016 – 13 Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments**
  - Revises current “probable incurred losses” methodology to apply “expected losses” methodology
  - Includes using a broader range of reasonable and supportable information
  - Based on past events, historical experience, current conditions and reasonable and supportable forecasts
  - Effective for public years beginning 12-15-2019, and for non-public years beginning 12-15-20

# Accounting Update 2020

- **Update No. 2016 – 09 Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting**
  - Part of Simplification Initiative
    - Puts income taxes into one “bucket”
    - Can elect to recognize forfeitures up front or as they occur
    - Non-publics can apply “practical expedient” when determining term of award
  - ***A non-public can use the intrinsic value method***
  - Effective 12-15-16 for publics, 12-15-17 for non-publics

# Accounting Update 2020

- **Update No. 2016 – 04 Liabilities—Extinguishments of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products (a consensus of the Emerging Issues Task Force)**
  - Says prepaid cards are a financial liability and should be accounted for as provided in ASU 2014-09 (Revenue Recognition)
  - Effect is to eliminate up-front recognition of estimated non-redemptions (“breakage”) except when it is “probable” to happen
  - Effective for public entities in years beginning after 12-15-17, and 12-15-18 for non-publics
    - Early adoption is permitted

# Accounting Update 2020

- **Update No. 2016 – 01 Financial Instruments (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities**
  - Represents FASB divergence from IFRS convergence project for Financial Instruments
  - Requires changes in fair value of investments in equity securities (other than equity method investees) to be recognized in income
  - May elect to carry non-marketable securities at cost plus or minus changes resulting from observable price changes



# Accounting Update 2020

## Update No. 2016 – 01 Financial Instruments (cont)

- Provides for a qualitative assessment of impairments
- Eliminates some details of current disclosures
- Revises balance sheet presentation of financial assets and liabilities to conform to new measurement categories
- For liability instruments carried at fair value, requires separation of credit risk change from market risk in other comprehensive income
- Other beans
- Does not change accounting for debt instruments

# Accounting Update 2020

In Conclusion .....

***Bon Appetite!***

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