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October 2021

# Keeping you informed

## Third quarter accounting and financial reporting developments

# Contents

# Message from Sydney Garmong

Partner, National Office

Dear readers,

This quarter brought small changes from the FASB to the leasing standard and a new proposal for determining the fair value of certain equity securities. The FASB is also looking to its future agenda as the board digests stakeholder feedback on what the FASB should address next.

Market and regulator interest continue to drive the environmental, social, and governance narrative forward, and we expect to see SEC rule proposals in the near term.

We hope you find this report useful, and we welcome any feedback.

# Third quarter highlights

During the third quarter of the 2021 calendar year, the Financial Accounting Standards Board (FASB) issued two new accounting standards addressing the following topics:

- Accounting for certain leases with variable lease payments
- Amendments to Securities and Exchange Commission (SEC) paragraphs

The FASB also issued a proposal during the quarter on fair value measurements of certain equity securities.

The SEC discussed the sustainability of environmental, social, and governance (ESG) rules; addressed ESG disclosures, the role of corporate directors in ESG issues, and fund and diversity disclosures; issued a statement on International Financial Reporting Standards sustainability standards; addressed topics for ESG stakeholders; remarked on digital engagement practices, crypto assets, and disclosures; addressed stronger investor protections for crypto assets and the lack of guidance on digital asset trading; requested comment on digital practices of broker-dealers and investment advisers; approved the Nasdaq board diversity rule; and named a new director of enforcement and a senior adviser to the chair.

The Public Company Accounting Oversight Board issued its annual broker-dealer inspection report, and two board members announced their intentions to resign.

The American Institute of Certified Public Accountants (AICPA) issued a working draft on current expected credit loss implementation guidance for broker-dealers. The AICPA also released new guidance on accounting for certain grants under COVID-19 programs.

The Center for Audit Quality published information on climate-related disclosures and related risk considerations for financial statements and observations on ESG reporting assurance from S&P 500 companies.

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 and GASB statements are provided in the appendix.

# From the FASB

## Final standards

### Certain leases with variable lease payments

On July 19, 2021, the FASB issued Accounting Standards Update (ASU) 2021-05, "Leases (Topic 842): Lessors – Certain Leases With Variable Lease Payments," to improve guidance for a lessor's accounting for lease contracts that have variable lease payments not dependent on a reference index or a rate and that would have resulted in the recognition of a selling loss at commencement if classified as a sales-type or direct financing lease. Leases that contain such variable lease payments are to be classified and accounted for as operating leases by the lessor if the lease would have been classified as a sales-type lease or a direct financing lease and the lessor would otherwise have recognized a day-one loss.

Effective dates

For all entities, the amendments are effective for fiscal years beginning after Dec. 15, 2021, including interim periods within those fiscal years for public business entities and interim periods within fiscal years beginning after Dec. 15, 2022 for all other entities. Early adoption is permitted. Entities that have not adopted Topic 842 on or before July 19, 2021, should apply the transition requirements of Topic 842. Entities that have adopted Topic 842 before July 19, 2021, have the option to apply the amendments either retrospectively or prospectively to leases that were commenced or modified on or after the adoption of Topic 842.

### Amendments to SEC paragraphs

On Aug. 9, 2021, the FASB issued ASU 2021-06, "Presentation of Financial Statements (Topic 205), Financial Services – Depository and Lending (Topic 942), and Financial Services – Investment Companies (Topic 946): Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10786, 'Amendments to Financial Disclosures About Acquired and Disposed Businesses,' and No. 33-10835, 'Update of Statistical Disclosures for Bank and Savings and Loan Registrants.'" This ASU amends various SEC paragraphs to reflect SEC Final Rule releases that address financial disclosures about acquired and disposed businesses and address updates of statistical disclosures for bank and savings and loan registrants.

Effective dates

This ASU was effective upon issuance on Aug. 9, 2021.

# Proposals

### Fair value measurement of equity securities

On Sept. 15, 2021, the FASB issued a proposed ASU, "Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions," to clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. This proposal would affect all entities that have investments in equity securities measured at fair value that are subject to contractual restrictions preventing the sale of those securities.

The proposed ASU does not yet include an effective date.

Comments are due Nov. 14, 2021.

# From the SEC

## Environmental, social, and governance (ESG) focus

**Sustainability of ESG rules**

On June 22, 2021, SEC Commissioner Elad L. Roisman spoke at the National Investor Relations Institute's virtual conference. He focused on three questions, including:

1. "What precise items of 'E,' 'S,' and 'G' information are investors not getting that are material to making informed investment decisions?
2. "If we were able to identify the information investors need, how would the SEC come up with 'E' and 'S' disclosure requirements – now, and on an ongoing basis? What expertise do we need?
3. "If the SEC were to incorporate the work of external standard-setters with respect to new ESG disclosure requirements: how would the agency oversee them – in terms of governance, funding, and substantive work product – on an ongoing basis? And what kind of new infrastructure would be required inside the SEC and at the standard-setters themselves?"

In addressing these questions, Roisman noted that determining who the investors are and understanding from those investors what ESG information is missing from the markets is vital. He also asked how the SEC would provide one list of ESG disclosures for companies that could satisfy the differing and evolving demands for ESG information. Roisman noted that any new disclosure requirements should focus on what information is material to an investment decision. He also raised questions about how the SEC will acquire and maintain expertise over environmental and social areas to develop and oversee disclosure requirements when information in these areas quickly changes. He noted concerns over how the standards would be updated over time. Roisman said that considering these questions will help the SEC meet the challenging task of creating ESG rules that are sustainable.

### Remarks from the chair on ESG

On June 23, 2021, at London City Week, SEC Chair Gary Gensler presented prepared remarks on public company disclosure, market structure, and transparency resulting from ESG initiatives. His remarks on public company disclosure focused on his requests that SEC staff consider and make recommendations on:

- Mandatory company disclosures on climate risk and human capital to address the need for consistent, comparable, and useful investment decision-making information
- Climate risk governance, strategy, and risk management, including specific metrics that might be relevant
- Potential requirements for companies that make forward-looking climate commitments
- Ways that funds are marketing themselves to investors as sustainable, green, and focused on ESG matters, and what factors support those claims
- Human capital disclosures that might include metrics such as workforce turnover, skills and development training, compensation, benefits, workforce demographics including diversity, and health and safety

### Climate, ESG matters, and the board of directors discussion

SEC Commissioner Allison Herren Lee presented the keynote address at the 2021 Society for Corporate Governance conference on June 28, 2021. She addressed the important role corporate directors play in overseeing climate and ESG issues. Lee discussed:

- Putting ESG matters in context in the recent proxy season. Lee described actions taken during the most recent proxy season and highlighted shareholder proposals related to climate and racial equity and how the increase in such activity shows the importance of addressing and integrating climate and ESG issues into decision-making, risk management, and corporate initiatives.
- Understanding ESG and board obligations. Lee noted that “boards increasingly have oversight obligations related to climate and ESG risks – identification, assessment, decision-making, and disclosure of such risks.”
- Mitigating ESG risks and maximizing ESG opportunities. Lee identified physical, transition, regulatory, reputational, and human capital risks and said enhancing board diversity, increasing board expertise, and inspiring management success present opportunities for boards to position themselves as ESG leaders.

### IFRS sustainability standards

SEC Commissioner Hester M. Peirce issued a statement, on July 1, 2021, highlighting her comment letter responding to the International Financial Reporting Standards (IFRS) Foundation's proposal to amend its constitution to make possible the creation of an International Sustainability Standards Board to set sustainability standards. In her comment letter, she urges "the IFRS Foundation not to wade into sustainability standard-setting because doing so would (i) improperly equate sustainability standards with financial reporting standards, (ii) undermine the Foundation's current important, investor-centered work, and (iii) raise serious governance concerns." Peirce warns, "We must be careful not to compromise accounting standard-setting in an effort to achieve objectives other than high-quality financial reporting," as accounting and sustainability standards are fundamentally different from one another.

### Fund and diversity disclosures

On July 7, 2021, before the Asset Management Advisory Committee, Chair Gensler and Commissioners Peirce and Caroline Crenshaw presented remarks covering ESG, diversity and inclusion, private investments, and technology.

Gensler shared his thoughts on sustainability related to fund disclosures and fund names. He questioned how funds that market themselves using sustainability-related terms support those claims when often the information underlying those claims is not objective, a large range of criteria and sources are used, and no standardized meanings of the sustainability-related terms exist. Gensler said he has asked SEC staff to consider recommendations about whether fund managers should disclose the criteria and underlying data they use. He added that updates to fund disclosures and to naming conventions could bring needed transparency to the asset management industry. He concluded with comments on diversity and inclusion and noted that the asset management industry has a lot of work to do to increase racial and gender diversity; therefore, he has asked SEC staff to consider ways that the SEC can enhance transparency to improve diversity and inclusion practices.

Peirce commented on the pitfalls of ESG standard-setting before addressing diversity and inclusion in U.S. capital markets and her concerns about the committee's draft recommendations. She said that adding government-mandated diversity classifications for the asset management industry might not promote unity and empower people but rather have the opposite effect. Peirce questioned how the SEC would define diversity, how to categorize people with diverse backgrounds, and what do to with those who prefer not to identify, among others. Finally, she said that these recommendations should be open to further debate.

Crenshaw said she agrees that the SEC has a role to play in promoting diversity and inclusion in the asset management industry and she is interested in potential guidance or recommendations that would discourage discrimination by fiduciaries. She mentioned ESG disclosures and the importance that they be consistent, comparable, high quality, and decision useful. She raised concerns about lack of visibility into the private markets and the need to understand the benefits, risks, and costs of investing in the private markets. She also discussed technology-enabled personalization and how technology can be used to both benefit and harm investors.

### 10 theses for ESG stakeholder discussion

On July 20, 2021, SEC Commissioner Peirce spoke before the Brookings Institution on the SEC's role in ESG disclosures and the complexities and consequences of potential rulemaking. She presented 10 theses to encourage further discussion.

As an alternative to prescriptive ESG rules, Peirce suggested that the SEC could work within its existing regulatory framework to release updated guidance to help issuers consider how the existing disclosure framework elicits ESG disclosure and to address frequently asked questions that arise in connection with the application of the existing disclosure framework. She also suggested working with investment advisers to help investors better understand each adviser's ESG branding and investment practices.

### Stakeholder calls for climate risk disclosures

At the Principles for Responsible Investment "Climate and Global Financial Markets" webinar on July 28, 2021, Chair Gensler addressed the need for climate-related disclosures for public companies and funds to bring transparency to the capital markets.

Gensler said that investors want to understand the climate risks of the companies they invest in or are considering investing in and these investors are looking for consistent, comparable, and decision-useful disclosures on climate risks. He shared that in response to the SEC's March 2021 statement on climate disclosures, more than 550 unique comment letters were submitted and 75% of these responses supported mandatory climate disclosure rules.

Gensler noted that while companies already are trying to meet the demand for climate risk information, many use generic or boilerplate language that is not decision-useful for investors. Gensler said that both investors and companies would benefit from greater clarity over climate risk disclosures, which is why he has asked SEC staff to develop a mandatory climate risk disclosure rule proposal for consideration by the end of the year. He said that the proposal should consider consistency, comparability, the need for sufficient detail, and both quantitative and qualitative aspects of climate risk. Additionally, he asked SEC staff to consider whether certain metrics for specific industries such as banking should be included.

Additionally, Gensler noted an increase in funds marketing themselves as "green," "sustainable," "low-carbon," and similar but said little information exists to support those claims. He has directed staff to consider whether fund managers should disclose the criteria and underlying data they use in making those claims, including looking at how funds are named.

### Sample comment letter on climate change disclosure

On Sept. 22, 2021, the Division of Corporation Finance issued a sample comment letter addressing the types of comments staff might consider related to an issuer's climate-related disclosures, or lack thereof. While it does not provide an exhaustive list, the letter assists registrants in considering how current disclosure rules apply to climate-related disclosure.

## Public statements and announcements

### Remarks on digital engagement practices, crypto assets, and disclosures

On Sept. 1, 2021, Chair Gensler provided remarks on digital engagement practices, crypto assets, and disclosures before the European Parliament Committee on Economic and Monetary Affairs, the financial advisory body of the European Union.

In the evolving area of technology and finance, Gensler discussed the use of predictive data analytics underlying the trading and wealth management apps flooding the market. The apps use individualized marketing and behavioral prompts, which encourage users to engage with a digital platform. These tools are designed to increase platform revenues, data collection, and customer engagement, leading to potential conflicts between the platform and investors. Use of digital enhancements raises questions about investor protection, securities laws implications, and how these tools and models ensure access and pricing fairness. He highlighted the SEC's request for information and comment on digital engagement practices issued on Aug. 27 and warned of his concern that the broad adoption of deep learning models could contribute to a future crisis.

In his remarks about crypto assets, Gensler reiterated his position that the SEC needs to ensure it is achieving its public policy goals: protecting investors and consumers, guarding against illicit activity, and ensuring financial stability. He noted that most crypto platforms provide direct access for investors with no broker between the public and the platform, which creates vulnerability as these platforms do not have clear obligations to protect investors. Gensler said the use of stablecoins on these platforms might help those looking to avoid many of the public policies – such as anti-money laundering policies – in the traditional banking and financial system.

Lastly, recognizing investors' increased demand for additional disclosures to understand climate risks, workforces, and cybersecurity risks of the companies they invest in, Gensler shared that he asked the SEC staff to develop a proposal for climate risk disclosure requirements and to examine information that can be learned from other frameworks and standards. He said he directed staff to review current fund branding practices and make recommendations about whether fund managers should disclose the criteria and underlying data they use to market themselves, and to consider disclosure requirements about human capital and board diversity.

## Deficient cybersecurity procedures

On Aug. 30, 2021, the SEC announced the sanctioning of eight firms in three actions for failures in their cybersecurity policies and procedures that resulted in cloud-based email account takeovers exposing personally identifying information of thousands of customers and clients at each firm. The firms are SEC-registered broker-dealers, investment advisory firms, or both. Specifically, the SEC noted that the affected accounts were not protected consistent with firm policies, breach notifications to clients included misleading language, and some of the firms failed to adopt and implement firmwide enhanced security policies and procedures after initial discovery of email account takeovers.

The SEC's orders against each of the firms found that they violated Rule 30(a) of Regulation S-P, known as the Safeguards Rule, which is aimed at protecting confidential customer information. For two of the firms, the orders also found that they violated Section 206(4) of the *Investment Advisers Act* and Rule 206(4)-7 in connection with their breach notifications to clients. Although the firms did not admit to or deny the SEC's findings, each agreed to cease and desist from future violations of the charged provisions, to be censured, and to pay a penalty.

## Digital practices of broker-dealers and investment advisers

The SEC, on Aug. 27, 2021, issued a request for information and public comment on broker-dealers' and investment advisers' use of digital engagement practices (DEPs). These DEPs include behavioral prompts, differential marketing, gamelike features, other design elements aimed at engaging with retail investors on digital platforms, and the analytical and technological tools and methods used. Investment advisers use DEPs to learn more about their clients in order to develop investment advice based on that information.

The SEC issued the request primarily to:

- Develop a better understanding of the market practices associated with the use of DEPs and the related analytical and technological tools and methods
- Learn what conflicts of interest may arise from optimization practices and whether those practices affect the determination of whether DEPs are making a recommendation or providing investment advice
- Provide market participants and other interested parties an avenue to share their perspectives on the use of DEPs and the related tools and methods
- Facilitate the SEC's assessment of existing regulations and consideration of whether regulatory action may be needed, including additional investor protections

Comments were due Oct. 1, 2021.

## Remarks on stronger investor protections for crypto assets

On Aug. 3, 2021, before the Aspen Security Forum, SEC Chair Gensler discussed the current environment for crypto asset investing and trading and identified the need for greater investor protections. Gensler said that the crypto asset class is currently worth approximately $1.6 trillion without enough investor protections over crypto assets. He warned about scams and frauds across the asset class and said no structure is in place to provide comprehensive information to investors as these assets often trade and move outside of established regulatory frameworks, platforms, and regulations.

Gensler said that trading platforms where crypto assets are being bought, sold, and traded might include unregistered securities. Therefore, these are not being regulated as other registered securities are, and they are missing required disclosures and market oversight. This creates significant gaps in investor protections. Further, Gensler said he believes these trading platforms are potentially skirting securities, commodities, and banking laws. He also touched on custody of crypto assets and noted that custody protections are important to preventing theft and protecting investors.

To address the regulatory gaps, Gensler called on Congress to act on crypto asset legislation. He noted that the SEC is ready to work with Congress, the administration, and other regulators and partners to address regulatory gaps and focus on trading and lending platforms.

## Lack of guidance on digital asset trading

On July 14, 2021, SEC Commissioners Peirce and Elad Roisman released a public statement addressing the lack of clarity for market participants around the application of the securities laws to digital assets and their trading. Referring to the recent Coinschedule Ltd. SEC order, which found that a publicized token offering included investment contracts, which are securities and therefore subject to securities laws, the commissioners expressed their disappointment that the order did not explain which digital assets in the offering were securities or how that was determined, which would have provided additional guidance.

Peirce and Roisman noted that although the SEC has provided some guidance and people can use and analogize settled SEC enforcement actions to determine if the tokens are securities, not enough clear guidance exists for the large number of factors to consider. Clues can be gathered from enforcement actions to make determinations; however, applying those clues to the facts of a completely different token offering does not necessarily produce clear answers. Peirce and Roisman both conclude that the SEC needs to prepare better guidance with clear and timely answers, as providing guidance piecemeal through enforcement actions is not the best way to move forward in this complex and evolving marketplace.

### Competition and regulatory reform at the PCAOB

On Sept. 9, 2021, the SEC's Investor Advisory Committee (IAC) met to discuss various matters including consideration of audit firm competition and regulatory reform at the Public Company Accounting Oversight Board (PCAOB). The discussion of competition and regulatory reform included panelists representing various stakeholders in the financial reporting ecosystem. Panelists debated how audit opinion customers (that is, audit committees) and consumers (that is, investors) receive and use information about audit quality as well as how communication of that information could be changed or improved to meet various stakeholder objectives. The discussion also focused on the PCAOB's current role in fostering audit quality and how that role might evolve in the ever-changing landscape of stakeholder needs and technology. Jurisdictional differences in audit regulatory regimes also arose as a topic.

The IAC meeting also included a panel discussion of investor protection in light of the behavioral design of certain online trading platforms, and the IAC also voted to provide the SEC with certain recommendations regarding special purpose acquisition companies and Rule 10b5-1 trading plans.

SEC Chair Gensler, Commissioners Peirce and Roisman, and some panelists offered prepared remarks.

### Statement on investor protection related to developments in China

On July 31, 2021, SEC Chair Gensler released a public statement addressing actions he directed the staff to take in response to recent regulatory developments in China.

## Rules and guidance

### Nasdaq board diversity rule

On Aug. 6, 2021, the SEC approved Nasdaq's new board diversity rule, which requires Nasdaq-listed entities to:

- Provide standardized annual public disclosure of board-level diversity statistics
- Maintain two directors, one female and the other of an under-represented minority or LGBTQ, or explain why it does not

The rule provides additional flexibility for smaller reporting companies, foreign issuers, and entities with five or fewer directors. It also specifies Nasdaq will provide one year of complimentary board recruiting services to eligible companies, which will facilitate identifying and evaluating diverse board candidates.

An entity must comply with the annual board-level diversity disclosure requirements by the later of Aug. 8, 2022, or the date the entity files its proxy or information statement for its annual shareholder meeting during 2022. The entity may provide the disclosure either in its SEC filings or on its website.

Entities must meet the requirement to have two diverse directors or explain why not, using a phased-in approach based on the Nasdaq tier on which the entity's securities trade. Nasdaq has provided a summary of the rule and transition requirements.

## Rulemaking agenda

On Sept. 14, 2021, SEC Chair Gensler testified before the Senate Committee on Banking, Housing, and Urban Affairs. His testimony focused on current work of SEC staff on areas identified in the most recent SEC rulemaking agenda, including:

- Market structure (Treasury, non-Treasury fixed income, equity, security-based swaps, and crypto asset markets)
- Predictive data analytics
- Issuers and issuer disclosure (including climate risk, human capital, cybersecurity, special purpose acquisition companies, China, and 10b5-1 plans)
- Funds and investment management

Gensler concluded his remarks with observations about the SEC's enforcement and examinations activities.

## Staffing updates

The SEC announced, on Aug. 25, 2021, the appointment of Barbara Roper as senior adviser to Chair Gensler. Roper's focus will be on retail investor protections, broker-dealer and investment adviser oversight, and examinations. She joins the SEC after 35 years at the Consumer Federation of America, most recently as director of investor protection, and is a leading consumer spokesperson on investor protection issues, specifically the standards that apply to investment professionals that investors rely on for advice and recommendations. Roper said she plans to bring that focus to her new position.

On June 29, 2021, the SEC announced that Gurbir S. Grewal has been named director of the Division of Enforcement, effective July 26, 2021. Grewal has served as the New Jersey attorney general since January 2018.

# From the PCAOB

## Final inspection and investigations rule

On Sept. 22, 2021, the PCAOB adopted a final rule related to its responsibilities under the *Holding Foreign Companies Accountable Act* (HFCAA). The HFCAA requires the board to determine whether it is unable to inspect or investigate registered public accounting firms located in a foreign jurisdiction and communicate the determination to the SEC. The SEC, in certain circumstances under the law, will be required to take further action related to registrants with audit opinions rendered in those foreign jurisdictions.

The final rule is subject to SEC approval before becoming effective.

## Board members intentions to resign

On Aug. 23, 2021, in a joint public statement, PCAOB board members Rebekah Goshorn Jurata and Megan Zietsman announced their intention to resign from the PCAOB on the earlier of Oct. 1, 2021, or the appointment of new board members. Both expressed gratitude to the staff. They said it was an honor to serve and that they would remain committed to the mission and work of the PCAOB until they depart.

## Annual broker-dealer inspection report

On Aug. 19, 2021, the PCAOB released its annual report on the 2020 interim inspections of broker-dealer auditors. The report includes observations from inspections during 2020, guidance about and examples of effective procedures, and information about the inspection approach. According to the report, the percentage of firms with audit and attestation engagement deficiencies dropped 14% from 2019 but remained high, and continued improvement is needed.

The PCAOB also notes that this report should help broker-dealer owners and audit committees or equivalents as they oversee the work of their auditors and engage on financial reporting.With the report, the PCAOB released "Supplementary Information Related to Audits of Brokers and Dealers," which provides comparative data about selected firms and engagements and the results of PCAOB inspections over multiyear periods.

# From the AICPA

## New working draft

### CECL implementation guidance for broker-dealers

The AICPA's Financial Reporting Executive Committee (FinREC) issued a working draft detailing proposed updates to the AICPA Accounting Guide "Brokers and Dealers in Securities." The proposed guidance addresses implementation of ASC Topic 326.

The proposed updates include the following:

- A new section in Exhibit 6-8, Note 2, "Current Expected Credit Losses (CECL)," with guidance on:
  - Financial assets measured at amortized cost basis that are eligible for the collateral maintenance practical expedient and those that are not
  - Off balance sheet credit exposures
  - Receivables from customers
  - Securities borrowed
  - Receivables from broker-dealers and clearing organizations
- Updates to Note 9 in Exhibit 6-8 for "Receivable From and Payable to Customers"
- Additions to Chapter 5 to provide guidance for SEC-registered broker-dealers as they develop an accounting policy footnote titled "Financial Instruments – Credit Losses"

Comments were due July 17, 2021.

## New TQAs

### Accounting for certain grants received under COVID-19 programs

The AICPA, on Aug. 9, 2021, issued a new Technical Question and Answer (TQA), Other Income, Section 5270.01, "Recipient Accounting for Shuttered Venue Operators Grants and Restaurant Revitalization Fund Grants Received Under the Small Business Administration COVID-19 Relief Programs." The TQA provides guidance on how a recipient should account for a Shuttered Venue Operators Grant (SVOG), which is available to private businesses and not-for-profit entities, or a Restaurant Revitalization Fund (RRF) Grant, which is available only to private business entities. The terms of these grants, which are issued under the Small Business Administration COVID-19 relief programs, do not require recipients to repay the funding as long as funds are used for eligible purposes by the dates stipulated in the programs. TQA 5270.01 presents the differing accounting models that apply, depending on whether the entity is not-for-profit or for-profit.

# From the CAQ

Current requirements for climate-related considerations

The Center for Audit Quality (CAQ), on Sept. 9, 2021, released "Audited Financial Statements and Climate-Related Risk Considerations," which provides information on the direct and indirect impacts of climate-related risks on financial statements and audits. As a foundation for preparing for upcoming regulatory changes, the document explores the current requirements under U.S. GAAP and PCAOB auditing standards for addressing climate-related risks and disclosures.

## ESG reporting and assurance across S&P 500 companies

On Aug. 9, 2021, the CAQ released summary observations of the nature and extent, including any assurance obtained, of publicly available ESG reports using the most recently available data for S&P 500 companies. The summary provides additional observations focused on S&P 100 companies.

# From the GASB

## Proposals

### Omnibus 20XX

On July 19, 2021, the Governmental Accounting Standards Board (GASB) issued an exposure draft, "Omnibus 20XX," which addresses accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements or during the due process on other pronouncements.

The exposure draft covers these issues:

- Accounting and financial reporting for exchange or exchangelike financial guarantees
- Classification and reporting of certain derivative instruments that are neither hedging derivative instruments nor investment derivative instruments
- Clarification of certain provisions of:
  - Statement No. 87, "Leases," related to the determination of the lease term, short-term lease classification, identification of lease incentives, and the recognition and measurement of lease liabilities and lease assets
  - Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements," related to 1) the determination of the public-private and public-public partnership (PPP) term and 2) recognition and measurement of installment payments and the transfer of the underlying PPP asset
  - Statement No. 96, "Subscription-Based Information Technology Arrangements," related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of subscription liabilities
- Extending the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of certain interest-rate swaps
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)
- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government
- Updating certain terminology for consistency with existing authoritative standards

Comments were due Sept. 17, 2021.

## Financial statement disclosures criteria concepts statement

On July 20, 2021, the GASB issued a revised exposure draft of the proposed concepts statement "Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements – an Amendment of GASB Concepts Statement No. 3." The statement would provide enhanced guidance when the GASB establishes note disclosure requirements for state and local governments and would establish new criteria for state and local governments to follow in developing their disclosures for notes to financial statements.

The revised exposure draft describes the purpose of notes to financial statements and the intended users of notes. It addresses the types of information that are appropriate or not appropriate for note disclosures. In addition, the proposal addresses the degree of importance that information disclosed in the notes should possess and the characteristics that distinguish information that is considered essential to users in making economic, social, or political decisions or assessing accountability. Information is considered essential if it is distinguished by the following characteristics:

- Users utilize the information in their analyses for making decisions or assessing accountability or would modify those analyses to incorporate the information if it were made available.
- The information has or would have a meaningful effect on users' analyses for making decisions or assessing accountability.
- A breadth or depth of users utilize or would utilize the information in their analyses for making decisions or assessing accountability.

The GASB issued an exposure draft on this topic in early 2020. The GASB has issued this revised exposure draft to incorporate feedback received from stakeholders on the previous exposure draft and to seek feedback on the resulting proposed revisions, which the GASB believes will improve the final concepts.

Comments are due Oct. 15, 2021.

# 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 |
|---|---|---|
| **Leases**<br>**(ASU 2016-02)**<br>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.<br>Clarifying standards:<br>**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.<br>**ASU 2018-10** – Provides 16 improvements and clarifications to the guidance in Topic 842.<br>**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.<br>**ASU 2018-20** – Provides improvements specific to lessors for evaluating sales taxes, recording reimbursed costs, and allocating variable payments to lease and nonlease components.<br>**ASU 2019-01** – Provides improvements in determining fair value of underlying assets by lessors that are not manufacturers or dealers, presentation of the statement of cash flows for sales-type and direct financing leases, and transition disclosures.<br>**ASU 2021-05** – Provides that lessors should classify and account for a lease with variable lease payments that do not depend on a reference index or a rate as an operating lease if certain criteria are met. | **March 31, 2019[1,2]**<br><br>**For ASU 2019-01, March 31, 2020, except for transition disclosure amendments which are consistent with ASU 2016-02**<br><br>**For ASU 2021-05, March 31, 2022** | **Permitted** |

[1] Codified in ASU 2020-02, an SEC staff announcement at the December 2019 AICPA National Conference on Current SEC and PCAOB Developments specifically related to PBEs that qualify as a PBE solely due to the requirement to include or the inclusion of its financial statements or financial information in another entity's SEC filing ("certain PBEs") states that the SEC will not object to it adopting Topic 842 for fiscal years beginning after Dec. 15, 2020, and interim period within fiscal years beginning after Dec. 15, 2021, in accordance with ASU 2019-10.

[2] ASU 2020-05 defers, for one year, the required effective date for a not-for-profit entity that has issued or is a conduit bond obligor for securities that are traded, listed, or quoted on an exchange or an over-the-counter market that has not yet issued its financial statements (or made financial statements available for issuance) as of June 3, 2020. Those entities may elect to adopt the guidance for annual reporting periods beginning after Dec. 15, 2019, and for interim reporting periods within those fiscal years.s for calendar year-end entities.

| Accounting Standards Update (ASU) | Effective dates for Dec. 31 year-end PBEs | Early adoption |
|---|---|---|
| **Goodwill Impairment Testing (ASU 2017-04)**<br>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.<br>**ASU 2019-10** – Deferral of effective dates. | **For SEC filers, excluding smaller reporting companies, tests performed on or after Jan. 1, 2020**<br>**For all other PBEs, including smaller reporting companies, tests performed on or after Jan. 1, 2023** | **Permitted for interim or annual goodwill impairment tests performed on testing dates on or after Jan. 1, 2017** |
| **Credit Losses (ASU 2016-13)**<br>Replaces the incurred loss model with the current expected credit loss (CECL) model for financial assets, including trade receivables, debt securities, and loan receivables.<br>Clarifying standards:<br>**ASU 2018-19** – Clarifies that impairment of operating lease receivables is in the scope of ASC Topic 842, "Leases," and not the CECL model.<br>**ASU 2019-04** – Provides specific improvements and clarifications to the guidance in Topic 326. Addresses accrued interest, transfers between classifications or categories for loans and debt securities, recoveries, vintage disclosures, and contractual extensions and renewal options.<br>**ASU 2019-05** – Targeted transition relief provides an option to irrevocably elect the fair value option, on an instrument-by-instrument basis, for certain financial assets (excluding held-to-maturity debt securities) previously measured at amortized cost.<br>**ASU 2019-10** – Deferral of effective dates.<br>**ASU 2019-11** – Provides specific improvements and clarifications to the guidance in Topic 326. Addresses expected recoveries for purchased financial assets with credit deterioration, transition relief for troubled debt restructurings, disclosures related to accrued interest receivables, financial assets secured by collateral maintenance provisions, and conforming cross-references to Subtopic 805-20.<br>**ASU 2020-03** – Aligns contractual term to measure expected credit losses for a net investment in a lease to be consistent with the lease term determined under Topic 842. Clarifies that when an entity regains control of financial assets sold, an allowance for credit losses should be recorded. | **For SEC filers, excluding smaller reporting companies, March 31, 2020**<br>**For all other PBEs, including smaller reporting companies, March 31, 2023**<br>**For ASU 2019-04, ASU 2019-05, ASU 2019-11, and ASU 2020-03, March 31, 2020, for entities that have adopted ASU 2016-13; otherwise effective dates the same as ASU 2016-13** | **Permitted as of the fiscal years beginning after Dec. 15, 2018, including interim periods within** |
| **Amendments to Various SEC Paragraphs (ASU 2020-09)**<br>Amends and supersedes various SEC paragraphs to reflect SEC Release No. 33-10762, which includes amendments to financial disclosure requirements applicable to registered debt offerings that include credit enhancements, such as subsidiary guarantees. SEC rules make it easier for a registrant to qualify for an exception to the requirement to file separate audited financial statements of a subsidiary issuer or guarantor of registered debt securities. | **SEC rules are effective Jan. 4, 2021** | **Permitted** |

| Accounting Standards Update (ASU) | Effective dates for Dec. 31 year-end PBEs | Early adoption |
|---|---|---|
| **Clarifying Reference Rate Reform (ASU 2021-01)**<br><br>Clarifies that certain optional expedients and exceptions in Topic 848 (reference rate reform) for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. If an entity elects certain provisions in Topic 848, those provisions apply to derivative instruments that use an interest rate for margining, discounting, or contract price alignment that is modified as a result of reference rate reform. Clarifies that the provisions in Topic 848 optionally apply to all entities that designate receive-variable rate, pay-variable-rate cross-currency interest-rate swaps as hedging instruments in net investment hedges that are modified as a result of reference rate reform. | **Upon issuance on Jan. 7, 2021** | **Not applicable** |
| **Simplifying Accounting for Income Taxes (ASU 2019-12)**<br><br>Simplifies the accounting for income taxes by removing certain exceptions in Topic 740. Improves consistent application of other areas of guidance within Topic 740 by clarifying and amending existing guidance. | **March 31, 2021** | **Permitted, including in an interim period** |
| **Interaction Between Accounting for Equity Securities, Equity Method Investments, and Certain Derivative Instruments (ASU 2020-01)**<br><br>Clarifies the interaction of the accounting for equity securities under Topic 321 and investments accounted for under the equity method of accounting in Topic 323 and the accounting for certain forward contract and purchased options accounted for under Topic 815. | **March 31, 2021** | **Permitted, including in an interim period** |
| **Accounting for Purchased Callable Debt Securities (ASU 2020-08)**<br><br>Clarifies amendments in ASU 2017-08, which amended the amortization period for certain purchased callable debt securities held at a premium by shortening the period to the earliest call date. The amendments require an entity to reevaluate whether a callable debt security that has multiple call dates is within the scope of paragraph 310-20-35-33 for each reporting period. | **March 31, 2021** | **Not permitted** |
| **Various Codification Improvements (ASU 2020-10)**<br><br>Amendments improve codification by having all disclosure-related guidance available in the disclosure sections of the codification. Prior to this ASU, various disclosure requirements or options to present information on the face of the financial statements or as a note to the financial statements were not included in the appropriate disclosure sections of the codification. Contains various other minor amendments to codification that are not expected to have a significant effect on current accounting practice. | **March 31, 2021** | **Permitted, including an interim period** |

| Accounting Standards Update (ASU) | Effective dates for Dec. 31 year-end PBEs | Early adoption |
|---|---|---|
| **Amendments to SEC Paragraphs (ASU 2021-06)**<br>Amends various SEC paragraphs to reflect SEC Final Rule Releases No. 33-10786, which addresses financial disclosures about acquired and disposed businesses, and No. 33-10835, which addresses update of statistical disclosures for bank and savings and loan registrants. | **Upon issuance on Aug. 9, 2021** | **Not applicable** |
| **Convertible Instruments and Contracts in an Entity's Own Equity (ASU 2020-06)**<br>Clarifies the accounting for certain financial instruments with characteristics of liabilities and equity. The amendments reduce number of accounting models for convertible debt instruments and convertible preferred stock. The cash conversion and beneficial conversion feature models were removed. Limiting the accounting models will result in fewer embedded conversion features being separately recognized from the host contract. Improves disclosure requirements for convertible instruments and earnings-per-share guidance. Revises derivatives scope exception guidance to reduce form-over- substance-based accounting conclusions driven by remote contingent events. | **For SEC filers, excluding smaller reporting companies, March 31, 2022**<br>**For all other PBEs, including smaller reporting companies, March 31, 2024** | **Permitted as of the fiscal years beginning after Dec. 15, 2020.**<br>**An entity must adopt the guidance as of the beginning of the fiscal year and not in a subsequent interim.** |
| **Long-Duration Insurance Contracts (ASU 2018-12)**<br>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.<br>Clarifying standards:<br>**ASU 2019-09** – Deferral of effective dates.<br>**ASU 2020-11** – Deferral of effective dates. | **For SEC filers, excluding smaller reporting companies, March 31, 2023**<br>**For all other PBEs, including smaller reporting companies, Dec. 31, 2025** | **Permitted** |
| **Issuer's Accounting for Modifications or Exchanges of Freestanding Written Call Options That Are Classified in Equity (ASU 2021-04)**<br>Clarifies the guidance for a modification or an exchange of a freestanding equity-classified written call option (for example, warrants). The amendments provide that an entity should treat such modification or exchange as an exchange of the original instrument for a new instrument. The amendments provide guidance on how an entity should measure and recognize the effect of a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange. The amendments do not affect a holder's accounting for freestanding call options. | **March 31, 2022** | **Permitted, including in an interim period** |

# 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 |
|---|---|---|
| **Accounting Alternative for Evaluating Triggering Events (ASU 2021-03)**<br>Provides accounting alternative to perform goodwill impairment triggering event evaluation as of the end of the reporting period, whether reporting period is an interim or annual period. An entity that elects this alternative is not required to monitor for goodwill impairment triggering events during the reporting period but, instead, should evaluate the facts and circumstances as of the end of each reporting period to determine whether a triggering event exists and, if so, whether it is more likely than not that goodwill is impaired. | **Dec. 31, 2020** | **Permitted only as of annual periods beginning after Dec. 15, 2019, including interim periods within that have not been issued or made available for issuance as of March 30, 2021** |
| **Premium Amortization on Purchased Callable Debt (ASU 2017-08)**<br>Shortens the amortization period for premiums on purchased callable debt securities to the earliest call date, instead of to the maturity date.<br>Clarifying standards:<br>**ASU 2020-08** – Clarifies that an entity should reevaluate whether a callable debt security that has multiple call dates is within the scope of paragraph 310-20-35-33 for each reporting period. | **Dec. 31, 2020**<br>**For ASU 2020-08, Dec. 31, 2022** | **Permitted, including in an interim period**<br>**For ASU 2020-08, permitted only as of annual periods beginning after Dec. 15, 2020, including interim periods within** |
| **Clarifying Reference Rate Reform (ASU 2021-01)**<br>Clarifies that certain optional expedients and exceptions in Topic 848 (reference rate reform) for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. If an entity elects certain provisions in Topic 848, those provisions apply to derivative instruments that use an interest rate for margining, discounting, or contract price alignment that is modified as a result of reference rate reform. Clarifies that the provisions in Topic 848 optionally apply to all entities that designate receive-variable rate, pay-variable-rate cross-currency interest-rate swaps as hedging instruments in net investment hedges that are modified as a result of reference rate reform. | **Upon issuance on Jan. 7, 2021** | **Not applicable** |
| **Practical Expedient for Applying Topic 606 by Franchisors (ASU 2021-02)**<br>Provides a targeted practical expedient to Topic 606 (revenue from contracts with customers) for nonpublic business entities that meet the definition of a franchisor. Allows nonpublic franchisors the option to account for certain preopening services as a distinct performance obligation separate from the franchise license. If elected, a franchisor may also make accounting policy election to account for all preopening services as a single performance obligation; otherwise, it would need to apply the guidance in Topic 606 to determine whether the preopening services are distinct from one another. | **Dec. 31, 2021** | **Permitted, including in an interim period** |

| Accounting Standards Update (ASU) | Effective dates for Dec. 31 year-end non-PBEs | Early adoption |
|---|---|---|
| **Hedging Activities**<br>**(ASU 2017-12)**<br>Expands the nonfinancial and financial risk components that can qualify for hedge accounting and simplifies financial reporting for hedging activities.<br>Clarifying standards:<br>**ASU 2019-04** – Provides specific improvements and clarifications to the guidance in Topic 815. Among other areas, addresses partial-term fair value hedges of interest-rate risk, amortization and disclosure of fair value hedge basis adjustments, and consideration of hedged contractually specified interest rate under the hypothetical derivative method.<br>**ASU 2019-10** – Deferral of effective dates. | **Dec. 31, 2021** | **Permitted, including in an interim period** |
| **Certain Costs in Media and Entertainment Industry**<br>**(ASU 2019-02)**<br>Applies to broadcasters and entities that produce and distribute films and episodic television series. Aligns the accounting of episodic television series with films, and provides more relevant financial reporting information to users of financial statements. | **Dec. 31, 2021** | **Permitted, including in an interim period** |
| **Defined Benefit Plan Disclosure for Sponsors**<br>**(ASU 2018-14)**<br>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)**<br>**(ASU 2018-15)**<br>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** |
| **Variable Interest Entity (VIE) Model –**<br>**Targeted Improvements for Related Parties**<br>**(ASU 2018-17)**<br>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** |

| Accounting Standards Update (ASU) | Effective dates for Dec. 31 year-end non-PBEs | Early adoption |
|---|---|---|
| **Collaborative Arrangements (Topic 808)**<br>**(ASU 2018-18)**<br>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 separately from revenue outside its scope. | **Dec. 31, 2021** | **Permitted, including in an interim period** |
| **Simplifying Accounting for Income Taxes**<br>**(ASU 2019-12)**<br>Simplifies the accounting for income taxes by removing certain exceptions in Topic 740. Improves consistent application of other areas of guidance within Topic 740 by clarifying and amending existing guidance. | **Dec. 31, 2022** | **Permitted, including in an interim period** |
| **Interaction Between Accounting for Equity Securities, Equity Method Investments, and Certain Derivative Instruments**<br>**(ASU 2020-01)**<br>Clarifies the interaction of the accounting for equity securities under Topic 321 and investments accounted for under the equity method of accounting in Topic 323 and the accounting for certain forward contract and purchased options accounted for under Topic 815. | **Dec. 31, 2022** | **Permitted, including in an interim period** |
| **Leases**<br>**(ASU 2016-02)**<br>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.<br>Clarifying standards:<br>**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.<br>**ASU 2018-10** – Provides 16 improvements and clarifications to the guidance in Topic 842.<br>**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.<br>**ASU 2018-20** – Provides improvements specific to lessors for evaluating sales taxes, recording reimbursed costs, and allocating variable payments to lease and nonlease components.<br>**ASU 2019-01** – Provides improvements in determining fair value of underlying assets by lessors that are not manufacturers or dealers, presentation of the statement of cash flows for sales-type and direct financing leases, and transition disclosures.<br>**ASU 2019-10** – Deferral of effective dates<br>**ASU 2020-05** – Deferral of effective dates.<br>**ASU 2021-05** – Provides that lesssors should classify and account for a lease with variable lease payments that do not depend on a reference index or a rate as an operating lease if certain criteria are met. | **Dec. 31, 2022** | **Permitted** |

| Accounting Standards Update (ASU) | Effective dates for Dec. 31 year-end non-PBEs | Early adoption |
|---|---|---|
| **Contributed Nonfinancial Assets of Not-for-Profit Entities (ASU 2020-07)**<br>Improves financial reporting for not-for-profit entities by providing specific presentation and disclosure requirements for contributed nonfinancial assets other than contributed services. | **Dec. 31, 2022** | **Permitted for interim or annual goodwill impairment tests performed on testing dates on or after Jan. 1, 2017** |
| **Various Codification Improvements (ASU 2020-10)**<br>Amendments improve codification by having all disclosure-related guidance available in the disclosure sections of the codification. Prior to this ASU, various disclosure requirements or options to present information on the face of the financial statements or as a note to the financial statements were not included in the appropriate disclosure sections of the codification. Contains various other minor amendments to codification that are not expected to have a significant effect on current accounting practice. | **Dec. 31, 2022** | **Permitted** |
| **Issuer's Accounting for Modifications or Exchanges of Freestanding Written Call Options That Are Classified in Equity (ASU 2021-04)**<br>Clarifies the guidance for a modification or an exchange of a freestanding equity-classified written call option (for example, warrants). The amendments provide that an entity should treat such modification or exchange as an exchange of the original instrument for a new instrument. The amendments provide guidance on how an entity should measure and recognize the effect of a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange. The amendments do not affect a holder's accounting for freestanding call options. | **Dec. 31, 2022** | **Permitted, including in an interim period** |
| **Goodwill Impairment Testing (ASU 2017-04)**<br>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.<br>Clarifying standards:<br>**ASU 2019-10** – Deferral of effective dates. | **Tests performed on or after Jan. 1, 2023** | **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 non-PBEs | Early adoption |
|---|---|---|
| **Credit Losses (ASU 2016-13)**<br>Replaces the incurred loss model with the CECL model for financial assets, including trade receivables, debt securities, and loan receivables.<br>Clarifying standards:<br>**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.<br>**ASU 2019-04** – Provides specific improvements and clarifications to the guidance in Topic 326. Addresses accrued interest, transfers between classifications or categories for loans and debt securities, recoveries, vintage disclosures, and contractual extensions and renewal options.<br>**ASU 2019-05** – Targeted transition relief provides an option to irrevocably elect the fair value option, on an instrument-by-instrument basis, for certain financial assets (excluding held-to-maturity debt securities) previously measured at amortized cost.<br>**ASU 2019-10** – Deferral of effective dates.<br>**ASU 2019-11** – Provides specific improvements and clarifications to the guidance in Topic 326. Addresses expected recoveries for purchased financial assets with credit deterioration, transition relief for troubled debt restructurings, disclosures related to accrued interest receivables, financial assets secured by collateral maintenance provisions, and conforming cross-references to Subtopic 805-20.<br>**ASU 2020-03** – Aligns contractual term to measure expected credit losses for a net investment in a lease to be consistent with the lease term determined under Topic 842. Clarifies that when an entity regains control of financial assets sold, an allowance for credit losses should be recorded. | **Dec. 31, 2023**<br>**For ASU 2019-04, ASU 2019-05, ASU 2019-11, and ASU 2020-03, March 31, 2020, for entities that have adopted ASU 2016-13; otherwise, effective dates the same as ASU 2016-13** | **Permitted as of the fiscal years beginning after Dec. 15, 2018, including interim periods within** |
| **Convertible Instruments and Contracts in an Entity's Own Equity (ASU 2020-06)**<br>Clarifies the accounting for certain financial instruments with characteristics of liabilities and equity. The amendments reduce number of accounting models for convertible debt instruments and convertible preferred stock. The cash conversion and beneficial conversion feature models were removed. Limiting the accounting models will result in fewer embedded conversion features being separately recognized from the host contract. Improves disclosure requirements for convertible instruments and earnings-per-share guidance. Revises derivatives scope exception guidance to reduce form-over-substance-based accounting conclusions driven by remote contingent events. | **Dec. 31, 2024** | **Permitted as of the fiscal years beginning after Dec. 15, 2020, including interim periods within** |
| **Long-Duration Insurance Contracts (ASU 2018-12)**<br>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.<br>Clarifying standards:<br>**ASU 2019-09** – Deferral of effective dates.<br>**ASU 2020-11** – Deferral of effective dates. | **Dec. 31, 2025** | **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 |
|---|---|---|
| **Postponement of the Effective Dates of Certain Authoritative Guidance (GASB Statement 95)**<br>Postpones the effective dates of certain provisions in statements and implementation guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. | **Upon issuance, May 8, 2020** | **Not applicable** |
| **Fiduciary Activities (GASB Statement 84)**<br>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.<br>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, 2019** | **Permitted** |
| **Majority Equity Interests (GASB Statement 90)**<br>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, 2019** | **Permitted** |
| **Replacement of Interbank Offered Rates (GASB Statement 93)**<br>Addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notably the London Interbank Offered Rate (LIBOR), which is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments tied to LIBOR. | **June 15, 2020, except:**<br>**Paragraph 11b, periods ending after Dec. 15, 2021**<br>**Paragraphs 13 & 14, June 15, 2021** | **Permitted** |

| GASB statement | Effective dates – reporting periods beginning after | Early adoption |
|---|---|---|
| **Accounting for Interest Cost Incurred Before the End of a Construction Period (GASB Statement 89)**<br><br>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, 2020** | **Permitted** |
| **Leases (GASB Statement 87)**<br><br>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. | **June. 15, 2021** | **Permitted** |
| **Omnibus 2020 (GASB Statement 92)**<br><br>Addresses a variety of topics including the effective date of Statement 87 and Implementation Guide No. 2019-3 for interim financial reports; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; the applicability of Statements 73 and 74 to reporting assets accumulated for postemployment benefits (PEBs); the applicability of certain requirements of Statement 84 to postemployment benefit arrangements; measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and terminology used to refer to derivative instruments. | **Varies by issue (see pages 5 and 6 of the statement and page 2 of statement 95)**<br><br>**Upon issuance, Feb. 5, 2020**<br><br>**June 15, 2021** | **Permitted by topic** |

| GASB statement | Effective dates – reporting periods beginning after | Early adoption |
|---|---|---|
| **Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans (GASB Statement 97)**<br>Clarifies how the absence of a governing board should be considered in determining whether a primary government is financially accountable for purposes of evaluating potential component units and modifies the applicability of certain component unit criteria as they relate to defined contribution pension and OPEB plans, and other employee benefit plans (for example, certain Section 457 plans). Establishes accounting and financial reporting requirements for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. | **Varies by issue (see pages 4 and 5 of the statement)**<br>**Upon issuance, June 23, 2020**<br>**June 15, 2021** | **Permitted by topic** |
| **Conduit Debt Obligations (GASB Statement 91)**<br>Clarifies the definition of a conduit obligation and stipulates that a conduit debt obligation is a liability of the third-party obligor, not the issuer, thus eliminating the option for government issuers to recognize a conduit debt obligation as a liability. Establishes standards for accounting and financial reporting of additional commitments extended by issuers and arrangements associated with conduit debt obligations and improves required note disclosures. | **Dec. 15, 2021** | **Permitted** |
| **Public-Private and Public-Public Partnerships and Availability Payment Arrangements (GASB Statement 94)**<br>Provides guidance for public-private and public-public partnership arrangements (PPPs), including those that are outside of the scope of the GASB's existing guidance for those transactions – namely Statement 60, "Accounting and Financial Reporting for Service Concession Arrangements," and Statement 87, "Leases." The statement also makes certain improvements to the guidance previously included in Statement 60 and provides accounting and financial reporting guidance for availability payment arrangements (APAs). | **June 15, 2022** | **Permitted** |
| **Subscription-Based Information Technology Arrangements (GASB Statement 96)**<br>Provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. Defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. | **June 15, 2022** | **Permitted** |

## Learn more

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