

# To the Point

## FASB considers extending effective dates of certain major standards

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The Board tentatively decided to defer certain effective dates for its new standards on credit losses, hedging and leases and to defer all effective dates for its new insurance standard.

### What you need to know

- ▶ The FASB decided to reconsider how it establishes effective dates for major projects for private companies, not-for-profit organizations and smaller public companies.
- ▶ The Board tentatively decided to use a two-bucket approach to stagger effective dates between SEC filers other than smaller reporting companies (as defined by the SEC) and all other entities.
- ▶ The Board tentatively decided to defer certain effective dates for its new standards on credit losses, hedging and leases.
- ▶ The Board also tentatively decided to defer the effective dates for its new insurance standard for all entities.
- ▶ The FASB directed the staff to draft two proposals that it would have to finalize before the effective dates for these standards would change.

### Overview

The Financial Accounting Standards Board (FASB or Board) decided to reconsider its philosophy on establishing effective dates for major projects for private companies, not-for-profit (NFP) organizations and smaller public companies. The Board added a project to its agenda and tentatively decided to defer certain effective dates for its new standards on credit losses, hedging and leases. The Board also added a separate project to defer the effective dates for its new insurance standard for all entities.

The FASB staff began researching the issue of effective dates because of feedback the Board received that highlighted the significant challenges encountered by entities that are not large public business entities (PBEs) in transitioning to a major new standard. The factors contributing to these challenges and related costs include the availability of resources, timing and source of education, lessons learned from the implementation issues encountered by larger public companies and from Securities and Exchange Commission (SEC) staff comment letters, and the development of sufficient information technology, effective business solutions and internal controls.

## Key considerations

### Effective date approach

The FASB is reconsidering its philosophy on establishing effective dates for major projects for private companies, NFP organizations and smaller public companies. The Board tentatively decided to use a two-bucket approach to stagger effective dates between larger PBEs and all other entities, including certain smaller PBEs.

The first bucket would establish the initial mandatory effective date of a major standard for SEC filers other than smaller reporting companies (SRCs), as defined by the SEC.<sup>1</sup> The second bucket would comprise all other entities, including all other PBEs, private companies, all NFP organizations, including conduit bond obligors, and all employee benefit plans (EBPs), including those that file financial statements with the SEC. The effective dates of major standards for these entities would be at least two years after the initial mandatory effective date applicable to bucket-one entities.

The Board tentatively decided that going forward, major standards would be applied by bucket-one entities in the first interim period in the fiscal year they are effective. Application of those standards to interim periods by bucket-two entities would not be required until the fiscal year after the standard is initially adopted for annual periods (i.e., it would be effective for a fiscal year and interim periods in the next fiscal year). The FASB plans to seek feedback on this approach in its upcoming proposal and will also ask stakeholders about establishing the two buckets based on the SRC threshold.

The FASB discussed whether, in light of this potential new approach, changes to effective dates should be made to existing major standards that are not yet effective for all entities.

### New effective dates for credit losses, hedging and leases

The Board tentatively decided to defer certain effective dates for its new standards on credit losses, leases and hedging, based on the challenges that bucket-two entities encountered in implementing each of the new major standards that are not yet effective for all entities. The following table reflects how calendar-year entities would be affected by the deferrals the FASB tentatively decided to propose.

	Existing effective dates			Effective dates the FASB decided to propose	
	SEC filers	Other PBEs	Other entities	SEC filers excluding SRCs	All other entities
<b>Credit losses</b>	First quarter 2020	First quarter 2021	First quarter 2022	First quarter 2020	First quarter 2023

	Existing effective dates			Effective dates the FASB decided to propose	
	SEC filers	Other PBEs	Other entities	PBEs	All other entities
<b>Hedging</b>	First quarter 2019	First quarter 2019	2020	No change from existing effective dates	2021
<b>Leases</b>	First quarter 2019	First quarter 2019*	2020	No change from existing effective dates*	2021

\* For leases, this effective date also applies to NFP conduit bond obligors and EBPs that file or furnish financial statements with or to the SEC.

The FASB decided not to amend the effective dates for the new hedging and leases standards for PBEs (and for the leases standard, for NFP conduit bond obligors and EBPs that file or furnish financial statements with or to the SEC) because these standards are currently effective for most of these entities.

### New effective dates for insurance standard

In a separate project, the Board tentatively decided to defer the effective dates for its new insurance standard for all entities. The Board has received feedback that insurance companies in their first year of implementation efforts are experiencing significant systems and data challenges and are concerned about the current implementation timeline. The following table reflects how calendar-year entities would be affected by the deferrals the FASB tentatively decided to propose.

	Existing effective dates			Effective dates the FASB decided to propose	
	SEC filers	Other PBEs	Other entities	SEC filers excluding SRCs	All other entities
<b>Insurance</b>	First quarter 2021	First quarter 2021	2022	First quarter 2022	2024

### What's next

The Board directed the staff to draft two separate proposals for vote by written ballot. Each proposal will have a 30-day comment period. The Board also asked the staff to perform outreach on implementation challenges related to the new leases standard.

### Endnote:

<sup>1</sup> This term is defined in [Part 230.405](#) of the SEC's general rules and regulations, Securities Act of 1933. Bucket one also would exclude entities defined as being in bucket two.