

# FASB Prepares to Give Private Companies More Time to Implement New Accounting Standards

David J. Cich III

dcich@dopkins.com

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In a move that may bring some relief to private companies who have just expended significant time and effort implementing the new revenue recognition standard, the Financial Accounting Standard Board (FASB) voted unanimously during its July 17, 2019 meeting in favor of considering an extension of the effective dates for private companies of four upcoming Accounting Standards Updates (ASU's). Most significantly, this proposal would delay the effective date of ASU 2016-02, which make significant revisions to accounting for leases, from years beginning after December 15, 2019 to years beginning after December 15, 2020. Other affected standards include ASU 2016-13, which affects accounting for credit losses, as well as new guidance on derivatives and hedging and on accounting by insurance companies.

The proposal for the extension is in line with FASB Chairman Russell Golden's May 2019 suggestion for the Board to reconsider their philosophy on the effective dates for major standards. After conducting research into the impact of effective dates on different entity types, the FASB voted unanimously to adopt a "two bucket approach" to stagger effective dates for major standards, with most public companies falling into Bucket One and most other entities falling into Bucket Two. The implementation issues faced by entities in Bucket One are magnified for those in Bucket Two as smaller entities often have fewer resources to devote to assessing the impact of new standards and modifying their policies and procedures. Accordingly, the Board unanimously agreed Bucket Two entities should be afforded an additional two years from the Bucket One effective date, rather than one year, as has been common practice in the past.

In order for the delayed implementation dates to be formally adopted, the FASB must complete certain procedures including preparing an exposure draft, which is expected to be complete during the third quarter of 2019. Once the exposure draft is published, the public will have thirty days to submit their thoughts to the FASB on the proposal. Once the thirty day window expires, the Board will redeliberate and, later, vote on the final proposed Accounting Standard Update (ASU) delaying the effective dates of the four standards. While the formal process is not yet complete, little resistance to the delay is expected.

*For more information, please contact:*

## **David A. Cich, III**

**Associate**

dcich@dopkins.com • (716)634-8800

David is part of the Assurance Services Department and helps provide management with financial information by researching and analyzing accounts and preparing financial statements. He is a 2019 recipient of The Talal Abu-Ghazaleh International Award for Excellence in the Graduate Accounting Program from Canisius College.