FINANCIAL ACCOUNTING SERIES

FASB ACCOUNTING STANDARDS UPDATE

No. 2019-10
November 2019

Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)

Effective Dates

An Amendment of the *FASB Accounting Standards Codification®*

Financial Accounting Standards Board

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Summary

Why Is the FASB Issuing This Accounting Standards Update (Update)?

Since 2014, the Board has issued several major Accounting Standards Updates (typically referred to as broad projects on the FASB's technical agenda). On the basis of feedback obtained from outreach with stakeholders and monitoring of implementation, the Board has gained a greater understanding about the implementation challenges encountered by all types of entities when adopting a major Update. The challenges are often magnified for private companies, smaller public companies, and not-for-profit organizations. The following factors (not all-inclusive) affect the severity of challenges encountered by those entities when transitioning to a major Update and the amount of time needed for implementation:

1. Availability of resources (both internal and external)
2. Timing and source(s) of education
3. Knowledge or experience gained from implementation issues encountered by larger public companies
4. Comprehensive transition requirements
5. Understanding and applying guidance from post-issuance standard-setting activities
6. The development or acquisition of:
    a. Sufficient information technology and expertise in creating and implementing new systems or effecting system changes
    b. Effective business solutions and internal controls
    c. Better data or estimation processes.

In response to those issues and requests to defer certain major Updates not yet effective for all entities, the Board developed a philosophy to extend and simplify how effective dates are staggered between larger public companies (bucket one) and all other entities (bucket two). Those other entities include private companies, smaller public companies, not-for-profit organizations, and employee benefit plans.

Under this philosophy, a major Update would first be effective for bucket-one entities, that is, public business entities that are Securities and Exchange Commission (SEC) filers, excluding entities eligible to be smaller reporting companies (SRCs) under the SEC's definition. The Master Glossary of the Codification defines public business entities and SEC filers. All other entities, including entities eligible to be SRCs, all other public business entities, and all nonpublic business entities (private companies, not-for-profit organizations, and employee benefit plans) would compose bucket two. For those entities, it is anticipated that the Board will consider requiring an effective date staggered at least two years after bucket one for major Updates. Generally, it is expected that early application would continue to be allowed for all entities.

To be eligible as an SRC, an entity must be an issuer as defined by the SEC and may not exceed established levels of public float, annual revenue, or both as defined by the SEC. Under the SEC definition, investment companies (including business development companies), asset-backed issuers, and majority-owned subsidiaries of a parent company that is not an SRC are not eligible for SRC status.

For existing major Updates not yet effective, determining whether an entity is eligible to be an SRC will be based on an entity's most recent SRC determination as of November 15, 2019 (which is the issuance date of this Update) in accordance with SEC regulations. For example, because SRC status is determined on the last business day of the most recent second quarter, the most recent determination date will be June 28, 2019, for calendar-year-end companies. For future major Updates, the one-time determination will be based on an entity's most recent SRC determination as of the date that a final Update is issued in accordance with SEC regulations.

The Board is issuing this Update to apply this change in philosophy to the effective dates for the following major Updates (including amendments issued after the issuance of the original Update):

1. Accounting Standards Update No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (Credit Losses)
2. Accounting Standards Update No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* (Hedging)
3. Accounting Standards Update No. 2016-02, *Leases (Topic 842)* (Leases).

The Board also is addressing the application of this change in philosophy to Accounting Standards Update No. 2018-12, *Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts* (Insurance), in a separate Update.

What Are the Main Provisions?

Credit Losses

Credit Losses currently is not effective for any entities; early application is allowed for fiscal years beginning after December 15, 2018. Its mandatory effective dates are as follows:

1. Public business entities that meet the definition of an SEC filer for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years
2. All other public business entities for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years

3. All other entities (private companies, not-for-profit organizations, and employee benefit plans) for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years.

Following the effective date philosophy, the mandatory effective dates for Credit Losses in this Update are as follows:

1. Public business entities that meet the definition of an SEC filer, excluding entities eligible to be SRCs as defined by the SEC, for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years
2. All other entities for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years.

This Update also amends the mandatory effective date for the elimination of Step 2 from the goodwill impairment test (Accounting Standards Update No. 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* (Goodwill)). Those amendments maintain the Board's intentional alignment of the mandatory effective dates for Goodwill with those for Credit Losses. Early application of Goodwill continues to be allowed for interim and annual goodwill impairment tests with a measurement date on or after January 1, 2017.

Hedging

Hedging currently is effective for some entities. Its effective dates are as follows (early application is allowed):

1. Public business entities for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years
2. All other entities for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020.

Because Hedging already is effective for all public business entities, the Board retained the effective date for those entities, including SRCs. The Board also decided, consistent with having bucket two be at least two years after the initial effective date, to defer the mandatory effective date for Hedging for all other entities by an additional year. Therefore, Hedging is effective for entities *other than* public business entities for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early application continues to be allowed.

Leases

Leases currently is effective for some entities. Its effective dates are as follows (early application is allowed):

1. Public business entities; not-for-profit entities that have issued or are conduit bond obligors for securities that are traded, listed, or quoted on an exchange or an over-the-counter market; and employee benefit plans that file or furnish financial statements with or to the SEC for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years
2. All other entities for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020.

Because Leases already is effective for all entities within (1) above (that is, including not-for-profit conduit bond obligors), the Board retained the effective date for those entities, including SRCs. The Board also decided, consistent with having bucket two be at least two years after the initial effective date, to defer the effective date for all other entities by an additional year. Therefore, Leases is effective for entities within (2) above for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early application continues to be allowed.

Amendments to the *FASB Accounting Standards Codification*®

Introduction

1. The Accounting Standards Codification is amended as described in paragraphs 2–9. Terms from the Master Glossary are in **bold** type. Added text is <u>underlined</u>, and deleted text is ~~struck out~~.

Amendments to Subtopic 326-10

2. Amend paragraph 326-10-65-1 and its related heading, amend its pending content, with no additional link to a transition paragraph, and amend pending content transition date for all paragraphs that link to paragraph 326-10-65-1 as follows:

Financial Instruments—Credit Losses—Overall

Transition and Open Effective Date Information

> Transition Related to Accounting Standards Updates No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, ~~and~~ No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*<u>, and No. 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*</u>

326-10-65-1 The following represents the transition and effective date information related to Accounting Standards Updates No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, ~~and~~ No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*<u>, and No. 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*</u>:

a. The pending content that links to this paragraph shall be effective as follows:
   1. For **public business entities** that meet the definition of a **Securities and Exchange Commission (SEC) filer**, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The one-time determination of whether an entity is eligible to be a smaller reporting company shall be based on an entity's most recent determination as of November 15, 2019, in accordance with SEC regulations.
   2. Subparagraph superseded by Accounting Standards Update No. 2019-10.~~For public business entities that do not meet the definition of an SEC filer, for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years~~
   3. For all other entities, ~~including not-for-profit entities within the scope of Topic 958 and employee benefit plans within the scope of Topics 960 through 965 on plan accounting,~~ for fiscal years beginning after December 15, 2022 ~~2021~~, including interim periods within those fiscal years.

b. Early application of the pending content that links to this paragraph is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years.

   Note: See paragraph 250-10-S99-6 on disclosure of the impact that recently issued accounting standards will have on the financial statements of a registrant.

c. An entity shall apply the pending content that links to this paragraph by means of a cumulative-effect adjustment to the opening retained earnings as of the beginning of the first reporting period in which the pending content that links to this paragraph is effective.

d. An entity shall apply prospectively the pending content that links to this paragraph for **purchased financial assets with credit deterioration** to **financial assets** for which Subtopic 310-30 was previously applied. The prospective application will result in an adjustment to the **amortized cost basis** of the financial asset to reflect the addition of the allowance for credit losses at the date of adoption. An entity shall not reassess whether recognized financial assets meet the criteria of a purchased financial asset with credit deterioration as of the date of adoption. An entity may elect to maintain pools of **loans** accounted for under Subtopic 310-30 at adoption. An entity shall not reassess whether modifications to individual acquired financial assets accounted for in pools are **troubled debt restructurings** as of the date of adoption. The noncredit discount or premium, after the adjustment for the allowance for credit losses, shall be accreted to interest income using the interest method based on the **effective interest rate** determined after the adjustment for credit losses at the adoption date. The same transition requirements should be applied to beneficial interests for which Subtopic 310-30 was applied previously or for which there is a significant difference between the contractual cash flows and expected cash flows at the date of recognition.

e. An entity shall apply prospectively the pending content that links to this paragraph to **debt securities** for which an other-than-temporary impairment had been recognized before the date of adoption, such that the amortized cost basis (including previous write-downs) of the debt security is unchanged. In addition, the effective interest rate on a security will remain unchanged as a result of the adoption of the pending content that links to this paragraph. Amounts previously recognized in accumulated other comprehensive income as of the adoption date that relate to improvements in cash flows will continue to be accreted to interest income over the remaining life of the debt security on a level-yield basis. Recoveries of amounts previously written off relating to improvements in cash flows after the date of adoption shall be recorded to income in the period received.
f. An entity shall disclose the following in the period that the entity adopts the pending content that links to this paragraph:
    1. The nature of the change in accounting principle, including an explanation of the newly adopted accounting principle.
    2. The method of applying the change.
    3. The effect of the adoption on any line item in the statement of financial position, if material, as of the beginning of the first period for which the pending content that links to this paragraph is effective. Presentation of the effect on financial statement subtotals is not required.
    4. The cumulative effect of the change on retained earnings or other components of equity in the statement of financial position as of the beginning of the first period for which the pending content that links to this paragraph is effective.
g. An entity that issues interim financial statements shall provide the disclosures in (f) in each interim financial statement of the year of change and the annual financial statement of the period of the change.
h. In the year of initial application of the pending content that links to this paragraph, a public business entity that is not within the scope of paragraph 326-10-65-1(a)(1) ~~does not meet the definition of a SEC filer~~ may phase-in the disclosure of credit quality indicators by year of origination by only presenting the three most recent origination years (including the first year of adoption). In each subsequent fiscal year, the then-current origination year will be added in the periods after adoption until a total of five origination years are presented. Origination years before those that are presented separately shall be disclosed in the aggregate. For example, the phase-in approach would work as follows assuming a calendar year-end entity:

1. For the first annual reporting period ended December 31, 2X23 ~~2X21~~, after the effective date of January 1, 2X23 ~~2X21~~, an entity would disclose the end of period amortized cost basis of the current period originations within 2X23 ~~2X21~~, as well as the two origination years of 2X22 ~~2X20~~ and 2X21 ~~2X19~~. The December 31, 2X23 ~~2X21~~ end of period amortized cost balances for all prior originations would be presented separately in the aggregate.
2. For the second annual reporting period ended December 31, 2X24 ~~2X22~~, after the effective date of January 1, 2X23 ~~2X21~~, an entity would disclose the end of period amortized cost basis of the current period originations within 2X24 ~~2X22~~, as well as the three origination years of 2X23 ~~2X21~~, 2X22 ~~2X20~~, and 2X21 ~~2X19~~. The December 31, 2X24 ~~2X22~~ ending amortized cost basis would be presented in the aggregate for all origination periods before the four years that are presented separately.
3. For the third annual reporting period ended December 31, 2X25 ~~2X23~~, after the effective date of January 1, 2X23 ~~2X21~~, an entity would disclose the end-of-period amortized cost basis of the current-period originations within 2X25 ~~2X23~~, as well as the four origination years of 2X24 ~~2X22~~, 2X23 ~~2X21~~, 2X22 ~~2X20~~, and 2X21 ~~2X19~~. The December 31, 2X25 ~~2X23~~ ending amortized cost basis would be presented in aggregate for all origination periods before the five years that are presented separately.
4. For interim-period disclosures within the years discussed above, the current year-to-date originations should be disclosed as the originations in the interim reporting period.

Pending Content:

Transition Date: *(P) December 16, 2019; (N) December 16, 2022~~2021~~* │**Transition Guidance:** 326-10-65-3

> Transition Related to Accounting Standards Updates No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*, ~~and~~ No. 2019-05, *Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief*, and No. 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*

326-10-65-1 The following represents the transition and effective date information related to Accounting Standards Updates No. 2016-13, *Financial Instruments—*

Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*, ~~and~~ No. 2019-05, *Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief*, and No. 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*:

a. The pending content that links to this paragraph shall be effective as follows:
   1. For **public business entities** that meet the definition of a **Securities and Exchange Commission (SEC) filer**, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The one-time determination of whether an entity is eligible to be a smaller reporting company shall be based on an entity's most recent determination as of November 15, 2019, in accordance with SEC regulations.
   2. Subparagraph superseded by Accounting Standards Update No. 2019-10.~~For public business entities that do not meet the definition of an SEC filer, for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years~~
   3. For all other entities, ~~including not-for-profit entities within the scope of Topic 958 and employee benefit plans within the scope of Topics 960 through 965 on plan accounting,~~ for fiscal years beginning after December 15, 2022 ~~2021~~, including interim periods within those fiscal years.

b. Early application of the pending content that links to this paragraph is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years.

   Note: See paragraph 250-10-S99-6 on disclosure of the impact that recently issued accounting standards will have on the financial statements of a registrant.

c. An entity shall apply the pending content that links to this paragraph by means of a cumulative-effect adjustment to the opening retained earnings as of the beginning of the first reporting period in which the pending content that links to this paragraph is effective.

d. An entity shall apply prospectively the pending content that links to this paragraph for **purchased financial assets with credit deterioration** to **financial assets** for which Subtopic 310-30 was previously applied. The prospective application will result in an adjustment to the **amortized cost basis** of the financial asset to reflect the addition of the allowance for credit losses at the date of adoption. An entity shall not reassess whether recognized financial assets meet the criteria of a purchased financial asset with credit deterioration as of the date of adoption. An entity may elect to maintain pools of **loans** accounted for under Subtopic 310-30 at adoption. An entity shall not reassess whether modifications to individual acquired financial assets accounted for in pools are **troubled debt restructurings** as of the date of adoption. The noncredit discount or premium, after the adjustment for the allowance for credit losses, shall be accreted to interest income using the interest method based on the **effective interest rate** determined after the adjustment for credit losses at the adoption date. The same transition requirements should be applied to beneficial interests for which Subtopic 310-30 was applied previously or for which there is a significant difference between the contractual cash flows and expected cash flows at the date of recognition.

e. An entity shall apply prospectively the pending content that links to this paragraph to **debt securities** for which an other-than-temporary impairment had been recognized before the date of adoption, such that the amortized cost basis (including previous write-downs) of the debt security is unchanged. In addition, the effective interest rate on a security will remain unchanged as a result of the adoption of the pending content that links to this paragraph. Amounts previously recognized in accumulated other comprehensive income as of the adoption date that relate to improvements in cash flows will continue to be accreted to interest income over the remaining life of the debt security on a level-yield basis. Recoveries of amounts previously written off relating to improvements in cash flows after the date of adoption shall be recorded to income in the period received.

f. An entity shall disclose the following in the period that the entity adopts the pending content that links to this paragraph:
   1. The nature of the change in accounting principle, including an explanation of the newly adopted accounting principle.
   2. The method of applying the change.
   3. The effect of the adoption on any line item in the statement of financial position, if material, as of the beginning of the first period for which the pending content that links to this paragraph is effective. Presentation of the effect on financial statement subtotals is not required.
   4. The cumulative effect of the change on retained earnings or other components of equity in the statement of financial position as of the beginning of the first period for which the pending content that links to this paragraph is effective.

g. An entity that issues interim financial statements shall provide the disclosures in (f) in each interim financial statement of the year of change and the annual financial statement of the period of the change.

h. In the year of initial application of the pending content that links to this paragraph, a public business entity that is not within the scope of paragraph 326-10-65-1(a)(1) ~~does not meet the definition of a SEC filer~~ may phase-in the disclosure of credit quality indicators by year of origination by only presenting the three most recent origination years (including the first year of adoption). In each subsequent fiscal year, the then-current origination year will be added in the periods after adoption until a total of five origination years are presented. Origination years before those that are presented separately shall be disclosed in the aggregate. For example, the phase-in approach would work as follows assuming a calendar year-end entity:

1. For the first annual reporting period ended December 31, 2X23 ~~2X21~~, after the effective date of January 1, 2X23 ~~2X21~~, an entity would disclose the end of period amortized cost basis of the current period originations within 2X23 ~~2X21~~, as well as the two origination years of 2X22 ~~2X20~~ and 2X21 ~~2X19~~. The December 31, 2X23 ~~2X21~~ end of period amortized cost balances for all prior originations would be presented separately in the aggregate.
2. For the second annual reporting period ended December 31, 2X24 ~~2X22~~, after the effective date of January 1, 2X23 ~~2X21~~, an entity would disclose the end of period amortized cost basis of the current period originations within 2X24 ~~2X22~~, as well as the three origination years of 2X23 ~~2X21~~, 2X22 ~~2X20~~, and 2X21 ~~2X19~~. The December 31, 2X24 ~~2X22~~ ending amortized cost basis would be presented in the aggregate for all origination periods before the four years that are presented separately.
3. For the third annual reporting period ended December 31, 2X25 ~~2X23~~, after the effective date of January 1, 2X23 ~~2X21~~, an entity would disclose the end-of-period amortized cost basis of the current-period originations within 2X25 ~~2X23~~, as well as the four origination years of 2X24 ~~2X22~~, 2X23 ~~2X21~~, 2X22 ~~2X20~~, and 2X21 ~~2X19~~. The December 31, 2X25 ~~2X23~~ ending amortized cost basis would be presented in aggregate for all origination periods before the five years that are presented separately.
4. For interim-period disclosures within the years discussed above, the current year-to-date originations should be disclosed as the originations in the interim reporting period.

i. An entity may irrevocably elect the fair value option in accordance with Subtopic 825-10 for financial instruments within the scope of Subtopic 326-20, except for those financial assets in paragraph 326-20-15-2(a)(2), that also are eligible items in Subtopic 825-10.

Pending Content:

Transition Date: *(P) December 16, 2019; (N) December 16, 2022~~2021~~* │**Transition Guidance:** 326-10-65-1

Note: These transition date changes will be made in a Maintenance Update.

Amendments to Subtopic 350-20

3. Amend paragraph 350-20-65-3 and its related heading and amend pending content transition date for all paragraphs that link to paragraph 350-20-65-3 as follows:

Intangibles—Goodwill and Other

Transition and Open Effective Date Information

> Transition Related to Accounting Standards ~~Update~~ <u>Updates</u> No. 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*<u>, and No. 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*</u>

350-20-65-3 The following represents the transition and effective date information related to Accounting Standards ~~Update~~ <u>Updates</u> No. 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*<u>, and No. 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*</u>:

a. The pending content that links to this paragraph shall be effective for annual and any interim impairment tests performed for periods beginning after:
   1. December 15, 2019, for **public business entities** that are U.S. **Securities and Exchange Commission (SEC) filers**<u>, excluding entities eligible to be smaller reporting companies as defined by the SEC. The one-time determination of whether an entity is eligible to be a smaller reporting company shall be based on an entity's most recent determination as of November 15, 2019, in accordance with SEC regulations.</u>
   2. <u>Subparagraph superseded by Accounting Standards Update No. 2019-10.</u>~~December 15, 2020, for public business entities that are not SEC filers~~
   3. December 15, <u>2022</u> ~~2021~~, for all other entities~~, including not-for-profit entities~~.
b. Early adoption is permitted for interim and annual goodwill impairment tests with a measurement date on or after January 1, 2017.

[The remainder of this paragraph is not shown here because it is unchanged.]

Pending Content:

Transition Date: *(P) December 16, 2019; (N) December 16, 2022~~2021~~* │**Transition Guidance:** 350-20-65-3

Note: These transition date changes will be made in a Maintenance Update.

Amendments to Subtopic 815-20

4. Amend paragraph 815-20-65-3 and its related heading, amend its pending content, with no additional link to a transition paragraph, and amend pending content transition date for all paragraphs that link to paragraph 815-20-65-3 as follows:

Derivatives and Hedging—Hedging—General

Transition and Open Effective Date Information

> Transition Related to Accounting Standards ~~Update~~ Updates No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, and No. 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*

815-20-65-3 The following represents the transition and effective date information related to Accounting Standards ~~Update~~ Updates No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, and No. 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*:

a. For **public business entities**, the pending content that links to this paragraph shall be effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years.
b. For all other entities, the pending content that links to this paragraph shall be effective for fiscal years beginning after December 15, 2020 ~~2019~~, and interim periods within fiscal years beginning after December 15, 2021 ~~2020~~.
c. Early adoption, including adoption in an interim period, of the pending content that links to this paragraph is permitted. If an entity early adopts the pending content that links to this paragraph in an interim period, any adjustments shall be reflected as of the beginning of the fiscal year that includes that interim period (that is, the initial application date).

[The remainder of this paragraph is not shown here because it is unchanged.]

Pending Content:

Transition Date: *(P) December 16, 2018; (N) December 16, 2020~~2019~~* │**Transition Guidance:** 815-20-65-5

> Transition Related to Accounting Standards ~~Update~~ Updates No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments,* and No. 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*

815-20-65-3 The following represents the transition and effective date information related to Accounting Standards ~~Update~~ Updates No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments,* and No. 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*:

a. For **public business entities**, the pending content that links to this paragraph shall be effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years.
b. For all other entities, the pending content that links to this paragraph shall be effective for fiscal years beginning after December 15, 2020 ~~2019~~, and interim periods within fiscal years beginning after December 15, 2021 ~~2020~~.
c. Early adoption, including adoption in an interim period, of the pending content that links to this paragraph is permitted. If an entity early adopts the pending content that links to this paragraph in an interim period, any adjustments shall be reflected as of the beginning of the fiscal year that includes that interim period (that is, the initial application date).

[The remainder of this paragraph is not shown here because it is unchanged.]

Pending Content:

Transition Date: *(P) December 16, 2018; (N) December 16, 2020~~2019~~* │**Transition Guidance:** 815-20-65-3

Note: These transition date changes will be made in a Maintenance Update.

Amendments to Subtopic 842-10

5. Amend paragraphs 842-10-65-1 and 842-10-65-4 and their related headings and amend pending content transition date for all paragraphs that link to paragraphs 842-10-65-1 and 842-10-65-4 as follows:

Leases—Overall

Transition and Open Effective Date Information

> Transition Related to Accounting Standards Updates No. 2016-02*, Leases (Topic 842)*, No. 2018-01, *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*, No. 2018-10, *Codification Improvements to Topic 842*, *Leases,* No. 2018-11, *Leases (Topic 842): Targeted Improvements*, No. 2018-20, *Leases (Topic 842): Narrow-Scope Improvements for Lessors*, ~~and~~ No. 2019-01, *Leases (Topic 842): Codification Improvements*, and No. 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*

842-10-65-1 The following represents the transition and effective date information related to Accounting Standards Updates No. 2016-02, *Leases (Topic 842)*, No. 2018-01, *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*, No. 2018-10, *Codification Improvements to Topic 842, Leases*, No. 2018-11, *Leases (Topic 842): Targeted Improvements*, No. 2018-20, *Leases (Topic 842): Narrow-Scope Improvements for Lessors*, ~~and~~ No. 2019-01, *Leases (Topic 842): Codification Improvements*, and No. 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*: [**Note**: See paragraph 842-10-S65-1 for an SEC Staff Announcement on transition related to Update 2016-02.]

a. A **public business entity**, 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, and an employee benefit plan that files or furnishes financial statements with or to the U.S. Securities and Exchange Commission shall apply the pending content that links to this paragraph for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Earlier application is permitted.
b. All other entities shall apply the pending content that links to this paragraph for financial statements issued for fiscal years beginning after December 15, 2020 ~~2019~~, and interim periods within fiscal years beginning after December 15, 2021 ~~2020~~. Earlier application is permitted.

[The remainder of this paragraph is not shown here because it is unchanged.]

Pending Content:

Transition Date: *(P) December 16, 2018; (N) December 16, 2020~~2019~~* │**Transition Guidance:** 842-10-65-1

Note: These transition date changes will be made in a Maintenance Update.

> Transition Related to Accounting Standards ~~Update~~ Updates No. 2019-01, *Leases (Topic 842): Codification Improvements*, and No. 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*

842-10-65-4 The following represents the transition and effective date information related to Accounting Standards ~~Update~~ Updates No. 2019-01, *Leases (Topic 842): Codification Improvements*, and No. 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates:*

a. All entities within the scope of paragraph 842-10-65-1(a) shall apply the pending content that links to this paragraph for financial statements issued for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. All other entities shall apply the pending content that links to this paragraph for financial statements issued for fiscal years beginning after December 15, 2020 ~~2019~~, and interim periods within fiscal years beginning after December 15, 2021 ~~2020~~. Early application is permitted.
b. An entity shall apply the pending content that links to this paragraph as of the date that it first applied the pending content that links to paragraph 842-10-65-1 and shall apply the same transition method elected for the pending content that links to paragraph 842-10-65-1 in accordance with paragraph 842-10-65-1(c).

Pending Content:

Transition Date: *(P) December 16, 2019; (N) December 16, 2020~~2019~~* │**Transition Guidance:** 842-10-65-4

Note: These transition date changes will be made in a Maintenance Update.

Amendments to Status Sections

6. Amend paragraph 326-10-00-1, by adding the following item to the table, as follows:

326-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
326-10-65-1	Amended	2019-10	11/15/2019

7. Amend paragraph 350-20-00-1, by adding the following item to the table, as follows:

350-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
350-20-65-3	Amended	2019-10	11/15/2019

8. Amend paragraph 815-20-00-1, by adding the following item to the table, as follows:

815-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
815-20-65-3	Amended	2019-10	11/15/2019

9. Amend paragraph 842-10-00-1, by adding the following items to the table, as follows:

842-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
842-10-65-1	Amended	2019-10	11/15/2019
842-10-65-4	Amended	2019-10	11/15/2019

The amendments in this Update were adopted by the unanimous vote of the seven members of the Financial Accounting Standards Board:

Russell G. Golden, *Chairman*
James L. Kroeker, *Vice Chairman*
Christine A. Botosan
Gary R. Buesser
Susan M. Cosper
Marsha L. Hunt
R. Harold Schroeder

Background Information and Basis for Conclusions

Introduction

BC1. The following summarizes the Board's considerations in reaching the conclusions in this Update. It includes reasons for accepting some alternatives and rejecting others. Individual Board members gave greater weight to some factors than to others.

BC2. Since 2014, the Board has issued several major Updates (typically referred to as broad projects on the FASB's technical agenda). On the basis of feedback obtained from outreach with stakeholders and monitoring of implementation, the Board has gained a greater understanding about the implementation challenges encountered by all types of entities when adopting a major Update. The challenges are often magnified for private companies, smaller public companies, and not-for-profit organizations. The following factors (not all-inclusive) affect the severity of challenges encountered by those entities when transitioning to a major Update and the amount of time needed for implementation:

a. *Availability of resources (both internal and external)*. Private companies, smaller public companies, and not-for-profit organizations often have fewer dedicated internal resources and less access to external resources (primarily because of financial constraints) than larger public companies. Consequently, those entities often require more time to implement major Updates.
b. *Timing and source(s) of education*. Many private companies, smaller public companies, and not-for-profit organizations and their auditors acquire valuable knowledge from observing implementation experiences of larger public companies. Consequently, those entities often require additional time to effectively and efficiently implement major Updates.
c. *Knowledge or experience gained from implementation issues encountered by larger public companies*. It can take more than a year for private companies to learn about implementation issues, approaches, and best practices. Additional time also will allow those companies to have access to a full cycle of public company filings. Smaller public companies and not-for-profit organizations could benefit from this as well.
d. *Comprehensive transition requirements*. Given the potential magnitude of change, often major Updates have lengthy and detailed transition approaches that differ by Topic and entity type and require time to understand and apply.
e. *Understanding and applying guidance from post-issuance standard-setting activities*. For major Updates, the Board has committed to monitor implementation activities and provide additional guidance to clarify

aspects of major Updates when necessary, which results in the issuance of additional guidance. That additional guidance requires time and effort to understand and apply.

f. *The development or acquisition of:*
   1. *Sufficient information technology and expertise in creating and implementing new systems or effecting system changes*. Significant variations in information technology systems exist among companies in terms of their ability to implement a major Update. The knowledge and expertise necessary to modify or change systems require both financial expertise and systems change expertise, which can be more challenging for private companies, smaller public companies, and not-for-profit organizations to acquire and implement.
   2. *Effective business solutions and internal controls*. Companies may use the implementation of a major Update to develop lasting business solutions that provide both accounting and operational benefits. Additionally, implementing a major Update may require that companies reconsider their internal controls related to the accounting area. For private companies and smaller public companies, it is typical for fewer resources to be available to pursue these solutions in the time given to implement a major Update.
   3. *Better data or estimation processes*. Major Updates often require increased or new data along with different estimation requirements. While some companies may already collect the necessary data to transition to a major Update, others need additional time to improve their data quality or to establish processes to gather those data.

BC3. In response to these issues and requests to defer certain major Updates not yet effective for all entities, the Board developed a philosophy to extend and simplify how effective dates are staggered between larger public companies (bucket one) and all other entities (bucket two). These all other entities include private companies, smaller public companies, not-for-profit organizations, and employee benefit plans.

BC4. The Board applied this philosophy to the effective dates for the following Updates:

a. Update 2016-13 (Credit Losses) and, as a consequential amendment, Update 2017-04 (Goodwill)
b. Update 2017-12 (Hedging)
c. Update 2016-02 (Leases).

BC5. On August 15, 2019, the Board issued proposed Accounting Standards Update, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, with comments due by September 16, 2019. The Board received 99 comment letters. Overall, most comment letter respondents supported the proposed amendments, which are discussed below.

BC6. The Board also is addressing the application of this philosophy to the effective dates in Update 2018-12 (Insurance) in a separate Accounting Standards Update.

Benefits and Costs

BC7. The objective of financial reporting is to provide information that is useful to present and potential investors, creditors, donors, and other capital market participants in making rational investment, credit, and similar resource allocation decisions. However, the benefits of providing information for that purpose should justify the related costs. Present and potential investors, creditors, donors, and other users of financial information benefit from improvements in financial reporting, while the costs to implement new guidance are borne primarily by present investors. The Board's assessment of the costs and benefits of issuing new guidance is unavoidably more qualitative than quantitative because there is no method to objectively measure the costs to implement new guidance or to quantify the benefits of improved information in financial statements.

BC8. The Board does not anticipate that entities will incur significant costs, if any, as a result of the amendments in this Update. The amendments defer certain effective dates related to the Updates referred to in paragraph BC4 while continuing to permit early application. The Board expects that the amendments will reduce implementation costs and improve the quality of implementation for entities electing the amended effective dates.

BC9. The amendments in this Update could potentially and temporarily increase costs for users of financial statements because they will increase the time under which entities are reporting using different standards. The potential increase in noncomparability is mitigated to the extent that entities are compared with similar entities that have the same required effective date (or that could elect to adopt early if entities in their peer group had an earlier required effective date). However, absent deferring the effective dates for the Updates referred to in paragraph BC4 for certain entities, these entities may have insufficient time to implement the Updates, which could affect the quality of financial information provided to users of financial statements and could be more costly for users in the long term.

Basis for Conclusions

Effective Dates

BC10. On the basis of the Board's continued outreach, implementation activities, and stakeholder feedback, including comment letters received in response to the proposed Update, the Board supports a philosophy to stagger effective dates for major Updates. Using this philosophy, a major Update would first be effective for larger public companies (bucket one). All other entities (bucket two) would have a delayed effective date. It is anticipated that early application would continue to be allowed for all entities.

BC11. The Board also considered a separate three-bucket approach to apply its philosophy. This approach would have staggered effective dates between larger public companies, all other public companies, and all other entities (private companies, not-for-profit organizations, and employee benefit plans). The Board decided against this approach because smaller public companies often will have the same challenges as private companies in implementing a major Update. Additionally, having three buckets as opposed to two could introduce unnecessary complexity for entities in determining their effective dates and for users of financial statements.

Bucket One—Larger SEC Filers

BC12. The Board concluded that bucket one comprises public business entities that are SEC filers, excluding entities that are eligible to be SRCs as defined by the SEC, and that bucket-one entities will have the earliest effective dates. The Master Glossary defines *public business entities* and *SEC filers*. The Board used the Master Glossary definition of SEC filer as the starting point for bucket one because that definition is more restrictive than that for all public business entities. In other words, entities that meet the definition of an SEC filer are a subset of all public business entities. The Board typically has required that all public business entities implement a major Update before other entities, such as private companies. However, the Board required SEC filers to apply Credit Losses earlier than other public business entities because the definition of SEC filer is expected to capture more sophisticated public business entities that have sufficient resources to implement a major Update. The Board reasoned that non-SEC filer public business entities generally have less resources to implement a major Update. Additionally, some stakeholders observed that determining whether an entity is an SEC filer is simpler than determining whether a non-SEC filer is a public business entity, given the Board's definition of a public business entity.

BC13. The Board then further reduced the population of entities in bucket one by considering existing regulatory and legal definitions for smaller entities that often face similar resource constraints as many private entities. Using an existing definition, rather than developing a new definition within the Codification, is expected to reduce the costs and complexity of introducing a size-based threshold for effective dates. The Board also considered it important to use an existing definition that is stable, rather than those subject to potential change in the near term. On the basis of those factors, the Board decided to leverage the current SEC definition of SRCs and to exclude entities that are eligible to be SRCs from bucket one.

BC14. To be eligible to be an SRC, an entity must be an issuer as defined by the SEC and cannot exceed established levels of public float, annual revenue, or both. Under the SEC definition, investment companies, asset-backed issuers, and majority-owned subsidiaries of a parent company that is not an SRC are not eligible to be SRCs. The thresholds to be eligible to be an SRC are relatively low compared with other SEC filers. However, entities that are eligible to be SRCs represent a substantial number of the overall U.S. filers. SEC requirements allow SRCs to provide reduced SEC disclosures in certain circumstances and to provide only two years of audited financial statements (as opposed to three for many other filers).

BC15. The Board acknowledged that situations will inevitably exist for which entities of similar size to entities eligible to be SRCs may nonetheless be within bucket one. For example, smaller nonissuer registrants and broker-dealers are required to file financial statements with the SEC. Consequently, those entities meet the definition of an SEC filer but are ineligible to be SRCs because they are not issuers in accordance with the SEC's definition. Additionally, other small SEC issuers may be ineligible to be an SRC but may have slightly smaller peers that are eligible to be an SRC. Ultimately, the Board concluded that any size-based threshold that uses existing regulatory and legal definitions would exclude certain smaller public business entities from being permitted a deferred effective date (that is, be excluded from bucket one). On balance, those that submitted comment letters on the Board's proposed use of the current SRC definition were supportive because the threshold is clear, is reasonable, and provides many smaller public business entities with implementation relief. The Board will continue to monitor the use of the SRC definition as a threshold for establishing effective dates, including whether future changes are needed to accommodate certain SEC filers that are of similar size to SRCs (such as certain broker-dealers).

BC16. Broadly, U.S. filers determine their SRC eligibility annually on the last business day of their most recent second quarter. Entities that are eligible to be SRCs when a major Update is issued could subsequently lose their SRC status and vice versa. The Board acknowledged the importance of providing certainty about the effective date that an entity must apply for a major Update and, therefore, established a set date for determining SRC status. Without a set date for determining an entity's status as an SRC, a change in that status would trigger an immediate change to the entity's required effective date. The Board concluded that this would be unnecessarily costly, complex, and operationally burdensome. The Board decided that an entity's SRC status should be based on its most recent determination of whether the entity is eligible to be an SRC as of the date a major Update is issued in accordance with SEC regulations.

BC17. Hedging and Leases currently are effective for public business entities; an entity's eligibility for SRC status does not change the mandatory effective dates for those major Updates. However, an entity that is eligible for SRC status is given more time to adopt Credit Losses. Because the Board issued this Update on November 15, 2019, an entity is required to use its most recent determination of whether the entity is eligible to be an SRC (a one-time determination) as of November 15, 2019. For example, because SRC status is determined on the last business day of the most recent second quarter, the most recent determination date will be June 28, 2019, for calendar-year-end companies. The Board decided against penalizing an entity that initially qualifies as an SRC from applying the deferred effective date if the entity subsequently loses its SRC status. Therefore, an entity that is eligible to be an SRC as of that date will qualify for the deferred effective date in bucket two for Credit Losses, even if that entity subsequently fails to qualify as an SRC. In contrast, a public business entity that is an SEC filer but is ineligible to be an SRC as of its most recent determination as of November 15, 2019, must apply the earlier effective date (established for bucket one), even if it subsequently becomes an SRC.

Bucket Two—All Other Entities

BC18. Bucket two comprises all entities not within bucket one. These entities include entities eligible to be SRCs, all other public business entities, and all nonpublic business entities (private companies, not-for-profit organizations, and employee benefit plans). For those entities, the Board concluded that for major Updates, an effective date of at least two years after that for bucket one should be considered. However, the Board retains the flexibility on an Update-by-Update basis to increase or decrease that delay.

BC19. The Board decided to include public business entities that are (a) not SEC filers and (b) entities eligible to be SRCs within bucket two. The Board provided an extended effective date for those public business entities primarily for the reasons in paragraph BC2. The Board found that distinguishing between those public business entities, which often are less sophisticated than larger public business entities, and all nonpublic business entities is both arbitrary and unnecessarily complex. In other words, smaller public business entities often face the same implementation challenges as private companies.

BC20. Extending a deferred effective date to entities eligible to be SRCs in bucket two also eliminates an inconsistency that currently exists between the implementation time afforded to emerging growth companies (EGCs) and SRCs. The EGCs category was created by the Jumpstart Our Business Startups (JOBs) Act, which was signed into law in April 2012. On the basis of that law, an entity is an EGC for the first five years after it completes an initial public offering unless it exceeds certain thresholds. Among the accommodations provided to EGCs is an option to apply the “nonissuer” effective date for all accounting Updates. In recent history, the “nonissuer” date has been the effective date provided for private companies. Filers qualifying for EGC status may be substantially larger than SRCs, yet they are afforded the most time to adopt an Update. In contrast, SRCs previously had been given the same amount of time as other SEC filers. Extending the effective date to entities eligible to be SRCs in bucket two essentially equalizes the amount of permitted implementation time for (a) EGCs that take advantage of the deferred effective dates afforded to “nonissuers” and (b) those SRCs. The Board did not address the application of effective dates to EGCs in this Update (particularly what effective date is appropriate when an entity gains or loses its EGC status) because the effective date and determination of EGC status are governed by securities law.

Application to Existing Major Updates

BC21. The following paragraphs illustrate the amendments to the effective dates of Credit Losses, Hedging, and Leases. Note that the application to Insurance is provided in a separate Update.

Credit Losses

BC22. Credit Losses currently is not required for any entities. Its effective dates are as follows (early application is allowed):

a. Public business entities that meet the definition of an SEC filer for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years
b. All other public business entities for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years
c. All other entities (private companies, not-for-profit organizations, and employee benefit plans) for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years.

BC23. Following the effective date philosophy, the mandatory effective dates for Credit Losses are as follows:

a. Public business entities that meet the definition of an SEC filer, excluding entities eligible to be SRCs as defined by the SEC, for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years
b. All other entities for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years.

BC24. The amended effective dates for Credit Losses result in an additional three years for implementation for entities within bucket two as compared with those in bucket one. However, all entities must apply Credit Losses *within* interim periods immediately following the effective date. In contrast, for Hedging and Leases, nonpublic entities are required to apply the amendments in those Updates in interim periods *after* their first fiscal year of adoption. Allowing an additional year for interim reporting for Hedging and Leases essentially provides these nonpublic entities with an extra year for their implementation. Effectively, this gives nonpublic entities three years to apply each of these major Updates.

BC25. This Update also amends the mandatory effective date for the elimination of Step 2 from the goodwill impairment test in Goodwill. The Board issued Goodwill to simplify the subsequent measurement of goodwill. In that Update, the Board decided to align the mandatory effective dates with those for Credit Losses. That alignment allows an entity to first adjust the carrying amount of its loan portfolios (and, therefore, the carrying amount of the associated reporting unit) before testing for goodwill impairment, eliminating the potential double counting of losses associated with the loans. Therefore, the effective dates for Goodwill have been amended in this Update to maintain that intentional alignment. Early application of Goodwill continues to be permitted for interim and annual goodwill impairment tests with a measurement date on or after January 1, 2017.

Hedging

BC26. Hedging currently is effective for some entities. Its effective dates are as follows (early application is allowed):

a. Public business entities for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years
b. All other entities for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020.

BC27. Because Hedging already is effective for all public business entities, including SRCs, the Board decided to retain the effective date for public business entities. The Board also decided, consistent with having bucket two be at least two years after the initial effective date, to defer the mandatory effective date for Hedging for all other entities by an additional year. Therefore, Hedging is effective for entities other than public business entities for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early application continues to be allowed.

Leases

BC28. Leases currently is effective for some entities. Its effective dates are as follows (early application is allowed):

a. Public business entities; not-for-profit entities that have issued or are conduit bond obligors for securities that are traded, listed, or quoted on an exchange or an over-the-counter market; and employee benefit plans that file or furnish financial statements with or to the SEC for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years
b. All other entities for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020.

BC29. Because Leases already is effective for all entities within (1) above, including SRCs, the Board decided to retain the effective date for those entities. Some comment letter respondents suggested that the Board defer the effective date for Leases for not-for-profit entities that have issued or are conduit bond obligors. The Board considered that request and ultimately rejected expanding the deferral because Leases already is effective for those entities and many entities have implementation efforts under way. Additionally, those entities may have interim reporting requirements and different fiscal year-ends; therefore, delaying the effective date could cause confusion and add complexity to the effective date requirements.

BC30. The Board also decided, consistent with having bucket two be at least two years after the initial effective date, to defer the effective date for all other entities by an additional year. Most comment letter respondents noted that the additional year would provide those entities with necessary time to learn from public companies and effectively implement Leases, given implementation challenges and delays in software solutions for lease accounting. Therefore, Leases is effective for entities within (2) above for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early application continues to be allowed.

Application to Future Major Updates

BC31. The Board developed the effective date philosophy described above for major Updates that have been issued but are not yet effective. The Board also considered how effective dates may be established for future major Updates using this philosophy. While the Board anticipates that it will continue to consider this philosophy for future major Updates, the establishment of effective dates will continue to be determined in connection with standard-setting activities on an Update-by-Update basis. In other words, in some circumstances, the Board may establish effective dates for future major Updates that vary from the effective date philosophy after thoroughly considering the costs and benefits of a major Update. Additionally, the Board will monitor (a) the effect that applying the philosophy may have on financial statement users and (b) whether the SRC threshold continues to be appropriate for future major Updates.

Amendments to the XBRL Taxonomy

The amendments to the *FASB Accounting Standards Codification*® in this Accounting Standards Update (ASU) do not require improvements to the current U.S. GAAP Financial Reporting Taxonomy (Taxonomy). However, the provisions of this ASU may affect the timing of changes to references and deprecations in future Taxonomies.