

Closing the GAAP: New US GAAP Pronouncements

(including developments to December 31, 2020)

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The following summarizes US GAAP pronouncements that must be applied, if applicable, for the first time by a calendar year-end entity that prepares financial statements in accordance with US GAAP. This newsletter sets out new requirements by the calendar year in which they are first effective.

The listing includes updates from the FASB Accounting Standard Updates ("ASU").

This ACS newsletter supersedes the information in previous [Newsletter 2020-061](#) and will be updated quarterly. Developments since the previous newsletter, if any, are highlighted in yellow.

While we have attempted to make this newsletter as complete as possible, it may not include all changes or modifications to existing authoritative literature that may affect a particular enterprise.



Developments related to 2020 calendar years

Reference	Pronouncement and Effective Date Impacting 2020 Calendar Years
ASU 2020-05 Topic 606	<p><u>Deferral of effective date – Revenue from contracts with customers</u></p> <p>Topic 606 is amended to defer, for one year, the effective date for entities that are not public business entities and that have not yet issued their financial statements (or made financial statements available for issuance) to years beginning after December 15, 2019 and to interim reporting periods within years beginning after December 15, 2020.</p>
ASU 2020-04 Topic 848	<p><u>Facilitation of the effects of reference rate reform on financial reporting</u></p> <p>The amendments in the Update provide optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met.</p> <p>The amendments in this Update are elective and are effective upon issuance for all entities.</p>
ASU 2020-03	<p><u>Codification improvements to financial instruments</u></p> <p>Amendments represent changes to clarify or improve the Codification that are not expected to have a significant effect on current accounting practice including: (i) Fair value option disclosures (Topic 825); (ii) Applicability of portfolio exception to nonfinancial items (Topic 820); (iii) Disclosures for depository and lending institutions (Topic 320 and Topic 942); (iv) Cross-reference to line-of-credit or revolving-debt arrangements guidance (Subtopic 470-50); (v) Cross-reference to net asset value practical expedient (Subtopic 820-10); (vi) Interaction of Topic 842 and Topic 326, and (vii) Interaction of Topic 326 and Subtopic 860-20.</p> <p>Effective date guidance is based on the facts and circumstances of each amendment. Some of the amendments may be effective upon issuance of this ASU. Refer to ASU 2020-03 for details of the amendments and their respective effective dates.</p>
ASU 2020-01 Topic 326 Topic 842	<p><u>Amendments to SEC paragraphs</u></p> <p>Adds an SEC paragraph pursuant to the issuance of SEC Staff Accounting Bulletin No. 119, which adds Topic 6M on Accounting for Loan Losses by Registrants Engaged in Lending Activities Subject to FASB ASC Topic 326.</p> <p>Adds a note in SEC section to Topic 842 regarding the updated effective date for Leases pursuant to the issuance of ASC 2019-10.</p>
ASU 2019-08 Topic 718 Topic 606	<p><u>Share based awards issued to a customer</u></p> <p>Amended to clarify that an entity apply the guidance in Topic 718 to measure and classify share-based payment awards granted to a customer. The amount recorded as a reduction in the transaction price should be based on the grant-date fair value of the share-based payment award in accordance with Topic 718.</p> <p>For entities that have not yet adopted the amendments in ASU 2018-07, effective for (i) public business entities in years beginning after December 15, 2019 and interim periods within those years, and (ii) other than public business entities in years beginning after December 15, 2019 and interim periods within years beginning after December 15, 2020.</p> <p>For entities that have adopted the amendments in ASU 2018-07, effective in years beginning after December 15, 2019 and interim periods within those years.</p>

Developments related to 2020 calendar years

Reference	Pronouncement and Effective Date Impacting 2020 Calendar Years
ASU 2019-04 Subtopic 825-10	<p><u>Recognition and measurement of financial assets and liabilities</u></p> <p>Amended for codification improvements (topic 4) to clarify, correct and improve various aspects to the guidance.</p> <p>Effective for years beginning after December 15, 2019, including interim periods within those years.</p>
ASU 2019-03 Topic 958 Topic 360	<p><u>Definition of <i>Collections</i></u></p> <p>Amended to (i) modify the definition of the term <i>collections</i> and to require additional disclosures, and (ii) clarify that the collections guidance in Subtopic 958-360 applies to business entities as well as not-for-profit entities.</p> <p>Effective for annual financial statements for years beginning after December 15, 2019, and for interim periods with years beginning after December 15, 2020.</p>
ASU 2019-02 Subtopic 926-20 Subtopic 920-350	<p><u>Accounting for costs of films and license agreements for program materials</u></p> <p>Amendments include to (i) align the accounting for production costs of an episodic television series with the accounting for production costs of films; (ii) require that an entity test a film or license agreement for program material within scope for impairment at the film group level, when the film or license agreement is predominantly monetized with other films and/or license agreements, and (iii) require new disclosures.</p> <p>Effective for public business entities for years beginning after December 15, 2019, and interim periods within those years. Effective for all other entities for years beginning after December 15, 2020, and interim periods within those years.</p>
ASU 2018-18 Topic 808	<p><u>Collaborative arrangements</u></p> <p>Amended to clarify the interaction between Topic 808 and Topic 606 by (1) clarifying that certain transactions between collaborative arrangement participants should be accounted for under Topic 606, <i>Revenue from Contracts with Customers</i>; (2) adding unit-of-account guidance in Topic 808 to align with the guidance in Topic 606, and (3) clarifying presentation guidance for transactions with a collaborative arrangement participant that are not accounted for under Topic 606.</p> <p>Effective for public business entities for years beginning after December 15, 2019, and interim periods within those years. For all other entities, effective for years beginning after December 15, 2020, and interim periods within years beginning after December 15, 2021.</p>
ASU 2018-17 Topic 810	<p><u>Related party guidance for variable interest entities (“VIEs”)</u></p> <p>Amended to expand the application of a specific private company accounting alternative related to VIEs and to change the guidance for determining whether a decision-making fee is a variable interest.</p> <p>For entities other than private companies, effective for years beginning after December 15, 2019, and interim periods within those years. Effective for private companies for years beginning after December 15, 2020, and interim periods within years beginning after December 15, 2021.</p>

Developments related to 2020 calendar years

Reference	Pronouncement and Effective Date Impacting 2020 Calendar Years
ASU 2018-15 Subtopic 350-40	<p><u>Customer's accounting for implementation costs in a cloud computing arrangement that is a service contract</u></p> <p>Aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license).</p> <p>Effective for public business entities for years beginning after December 15, 2019, and interim periods within those years. For all other entities, effective for years beginning after December 15, 2020, and interim periods within years beginning after December 15, 2021.</p>
ASU 2018-14 Subtopic 715-20	<p><u>Defined benefit plans – disclosures</u></p> <p>Modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans.</p> <p>Effective for years ending after December 15, 2020 for public business entities, and for years ending after December 15, 2021 for all other entities.</p>
ASU 2018-13 Topic 820	<p><u>Fair value measurement – disclosures</u></p> <p>Modifies the disclosure requirements on fair value measurements.</p> <p>Effective for all entities for years, and interim periods within those years, beginning after December 15, 2019.</p>
ASU 2017-04 Topic 350	<p><u>Testing goodwill for impairment</u></p> <p>Simplifies the test for goodwill impairment primarily by eliminating Step 2 from the goodwill impairment test.</p>
ASU 2019-10	<p>ASU 2019-10 amends the effective dates of 2017-04 as follows:</p> <p>Effective for public business entities that meet the definition of an SEC filer, excluding entities eligible to be smaller reporting companies (SRCs) as defined by the SEC, for years beginning after December 15, 2019 including interim periods within those years.</p> <p>Effective for all other entities for years beginning after December 15, 2022, including interim periods within those years.</p>

Developments related to 2020 calendar years

Reference	Pronouncement and Effective Date Impacting 2020 Calendar Years
ASU 2016-13 Topic 326	<p><u>Measurement of credit losses on financial instruments</u></p> <p>Amended to replace the incurred loss impairment methodology for recognizing credit losses with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.</p> <p>ASU 2019-10 amends the effective dates of 2016-13 as follows:</p>
ASU 2019-10	<p>Effective for public business entities that meet the definition of an SEC filer, excluding entities eligible to be smaller reporting companies (SRCs) as defined by the SEC, for years beginning after December 15, 2019 including interim periods within those years.</p> <p>Effective for all other entities for years beginning after December 15, 2022, including interim periods within those years.</p>
ASU 2018-19 Topic 326	<p>Amended to (i) align the implementation date for nonpublic business entities' annual financial statements with the implementation date for their interim financial statements, and (ii) clarify the scope of the guidance in the amendments in ASU 2016-13.</p>
ASU 2019-05 Topic 326	<p>Amended to provide entities with an option to irrevocably elect the fair value option applied on an instrument-by-instrument basis for certain financial assets upon adoption of the amendments in ASU 2016-13, <i>Measurement of credit losses on financial instruments</i>. For entities that have not yet adopted the amendments in ASU 2016-13 before the issuance of this ASU, effective at the same time as the entity adopts ASU 2016-13. For entities that adopted ASU 2016-13 before the issuance of this ASU, other transition guidance is included in the ASU.</p>
ASU 2019-04 Topic 326	<p>Amended for codification improvements (topics 1, 2 and 5) to clarify, correct and improve various aspects to the guidance. For entities that have not yet adopted the amendments in ASU 2016-13, before the issuance of this ASU, effective at the same time as the entity adopts ASU 2016-13. For entities that adopted ASU 2016-13 before the issuance of this ASU, other transition guidance is included in the ASU.</p>

(continued)

Developments related to 2020 calendar years

Reference	Pronouncement and Effective Date Impacting 2020 Calendar Years
ASU 2019-11 Topic 326	<p>Amended to clarify, correct errors in, or improve the codification relating to issues including (i) expected recoveries for purchased financial assets with credit deterioration; (ii) transition relief for troubled debt restructurings; (iii) disclosures related to accrued interest receivables; and (iv) financial assets secured by collateral maintenance provisions. For entities that have not yet adopted the amendments in ASU 2016-13 as of the issuance date of this ASU, effective at the same time as the entity adopts ASU 2016-13. For entities that early adopted ASU 2016-13, effective for years beginning after December 15, 2019 including interim periods within those years.</p> <p><i>Learning more:</i> <u>US2019-20</u>; <u>US2019-21</u>; <u>US2018-08</u></p>

Developments related to 2021 calendar years

Reference Pronouncement and Effective Date Impacting 2021 Calendar Years

ASU 2020-10 Codification improvements

Refer to ASU 2020-10 for further details of amendments which are varied in nature.

Effective for public business entities for years beginning after December 15, 2020. Effective for all other entities for years beginning after December 15, 2021, and interim periods within years beginning after December 15, 2022.

ASU 2020-09 Topic 470 Financial disclosures about guarantors and issuers of guaranteed securities and affiliates whose securities collateralize a registrant's securities

SEC paragraphs amended pursuant to SEC Release No. 33-10762. The final rules are effective on January 4, 2021.

ASU 2020-08 Subtopic 310-20 Receivables – Nonrefundable fees and other costs

Amended to clarify that an entity should re-evaluate whether a callable debt security is within the scope of paragraph 310-20-35-33 for each reporting period.

Effective for public business entities for years, and interim periods within those years, beginning after December 15, 2020. Effective for all other entities for years beginning after December 15, 2021, and interim periods within years beginning after December 15, 2022.

ASU 2020-01 Topic 321 Topic 323 Topic 815 Interactions between Topics 321, 323 and 815

Amended to clarify the interaction of the accounting for equity securities under Topic 321 and investments under the equity method of accounting in Topic 323 and the accounting for certain forward contracts and purchased options accounted for under Topic 815.

Effective for public business entities for years beginning after December 15, 2020, and interim periods within those years.

Effective for all other entities for years beginning after December 15, 2021, and interim periods within those years.

ASU 2019-12 Topic 740 Accounting for income taxes

Amended to simplify accounting for income taxes.

Effective for public business entities for years, and interim periods within those years, beginning after December 15, 2020.

Effective for all other entities for years beginning after December 15, 2021, and interim periods within years beginning after December 15, 2022.

Learning more: [US2019-19](#)

Developments related to 2022 calendar years

Reference	Pronouncement and Effective Date Impacting 2022 Calendar Years
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ASU 2020-07 Topic 958	<p><u>Contributed nonfinancial assets – Not-for-profit entities</u></p> <p>Amended to provide presentation and disclosure requirements about contributed nonfinancial assets for NFPs, including additional disclosure requirements for recognized contributed services.</p> <p>Effective for years beginning after June 15, 2021, and interim periods within years beginning after June 15, 2022.</p>
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ASU 2020-06 Subtopic 470-20 Subtopic 815-40	<p><u>Accounting for convertible instruments and own equity contracts</u></p> <p>Amended to (i) reduce the number of accounting models for convertible debt instruments and convertible preferred stock; (ii) under Subtopic 815-40, remove certain conditions that should be considered in the derivatives scope exception evaluation, and clarify the scope and certain requirements, and (iii) improve guidance related to the disclosures and earnings-per-share for convertible instruments and contracts in an entity's own equity.</p> <p>Effective for public business entities that meet the definition of an SEC filer, excluding entities eligible to be smaller reporting companies as defined by the SEC, for years beginning after December 15, 2021, including interim periods within those years. For all other entities, effective for years beginning after December 15, 2023, including interim periods within those years.</p>
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Learning more: [US2020-07](#)

Developments related to 2023 calendar years

Reference Pronouncement and Effective Date Impacting 2023 Calendar Years

ASU
2020-11
Topic 944

Accounting for long-duration contracts (insurance)

Amended to defer the effective date of ASU 2018-12 for all entities.

Effective for public business entities that meet the definition of an SEC filer and are not smaller reporting companies as defined by the SEC, for years beginning after December 15, 2022 and interim periods within those years.

Effective for all other entities for years beginning after December 15, 2024 and interim periods within years beginning after December 15, 2025.

ASU 2018-12 amended Topic 944 to improve existing requirements for long-duration contracts issued by an insurance entity, specifically to (i) improve the timeliness of recognizing changes in the liability for future policy benefits and modify the rate used to discount future cash flows, (ii) simplify and improve the accounting for certain market-based options or guarantees associated with deposit (or account balance) contracts, (iii) simplify the amortization of deferred acquisition costs, and (iv) improve the effectiveness of required disclosures.

Learning more: [US2020-07](#)

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