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 **Today's News**

**FASB News**

 **Revenue Standard's Effective Date Is Pushed Back to 2018**

**Topic(s): FASB, GAAP, IASB, IFRS, Financial Reporting, Disclosure, Corporate Governance, Specialized Industries**

***Summary:*** *The FASB said it will give public companies and other organizations until 2018 to comply with its revenue standard. Private companies will wait until 2019 before they apply the accounting changes. The decision was a response to the many requests the accounting board has received in the past year to give companies more time to upgrade financial reporting systems and prepare for the landmark standard.*

The FASB in a 6-1 vote on July 9, 2015, agreed to give companies an extra year to comply with its landmark revenue recognition standard.

The accounting board said the standard will be effective for fiscal years that start after December 15, 2017, for public companies, some not-for-profit organizations, and employee benefit plans. The standard should be applied to the first financial reports filed in those fiscal years, which for public companies will mean the first quarterly filing for 2018. The FASB is permitting the option of using the standard for fiscal years that begin after December 15, 2016.

Private companies and other organizations will apply the standard for their reports for fiscal years that start after December 15, 2018, and for quarterly and other interim financial statements for fiscal years that start after December 15, 2019.

The vote follows the April 29 release of Proposed Accounting Standards Update [(ASU) No. 2015-240](https://checkpoint.riag.com/app/find?begParm=y&app.version=15.06&dbName=GAAPUPD&linkType=docloc&locId=gaapupd_ed_2015_2015-240&permaId=iGAAPUPD%3A413.1&tagName=GAAPDOC&endParm=y) , *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*.

The exposure draft also floated the idea of a two-year delay for companies that present two previous years of revenue figures using the new standard for comparison. Standard-setters call this retrospective adoption. Many businesses wrote comment letters supporting the longer delay, but a majority of the FASB tabled the idea on July 9, citing concerns about inconsistent adoption schedules. FASB members were also concerned that the IASB, which is also proposing a one-year extension, opposes a two-year delay.

FASB member Marc Siegel cast the dissenting vote on the one-year delay. He agreed with giving companies extra time but opposed the provision to allow companies to adopt the standard as of the original 2017 effective date.

"It's going to be hard enough to understand trends over time when transitioning to the new standard, but to then introduce peer comparisons that will be made difficult by people doing it at different times truly exacerbates the issue,' Siegel said.

FASB member Thomas Linsmeier said he was somewhat concerned about companies adopting the standard on different schedules, but allowing flexibility to businesses that are ready to implement the standard in 2017 was important.

"I've been convinced by certain preparers... that if we didn't permit early adoption, it's going to cause them to incur significant costs if they drag this out over time, and that's a problem for me," Linsmeier said.

The revenue standard was published in May 2014 as [ASU No. 2014-09](https://checkpoint.riag.com/app/find?begParm=y&app.version=15.06&dbName=GAAPUPD&linkType=docloc&locId=2014-09&permaId=iGAAPUPD%3A353.1&tagName=FASBUPDATE&endParm=y) , *Revenue From Contracts With Customers (Topic 606)*, at the same time the IASB issued [IFRS 15](https://checkpoint.riag.com/app/find?begParm=y&app.version=15.06&dbName=IASB&linkType=docloc&locId=ifrs_15&permaId=iIASB%3A1513.1&tagName=STANDARD&endParm=y) , *Revenue from Contracts with Customers*. Dubbed the "crown jewel" of international accounting convergence by IASB Chairman Hans Hoogervorst, the sweeping standards usher in a single, principles-based method for companies to calculate the top line in their income statements. The standards get rid of the reams of industry-specific calculation methods in U.S. GAAP and add heft to the limited guidance in IFRS.

In the year since the standards were issued, the accounting boards have received numerous requests to give companies more time to upgrade their financial reporting systems and prepare for the accounting changes. The requests grew louder once the FASB and IASB considered changes to the standards to answer questions about recording the revenue from licenses and identifying separate commitments in customer contracts.

The pressure to delay the effective date built steadily through the second half of 2014 and the early months of this year. James Schnurr, who became the SEC's chief accountant in October, used several of his early public statements as a market regulator to announce his support for a delay.

FASB member Daryl Buck, who ultimately voted in favor of a one-year delay, said he preferred a two-year deferral. He predicted the FASB would a year from now consider yet another delay because companies would still not be ready to adopt the standard.

"I believe we need to ensure an orderly transition here for the system as a whole," Buck said. "I recognize completely that that may introduce a longer period of noncomparability, but my thought is comparability won't matter much if we have chaos."

The IASB proposed on May 19 to delay the compliance date with Exposure Draft [(ED) No. 2015-2](https://checkpoint.riag.com/app/find?begParm=y&app.version=15.06&dbName=IASB&linkType=docloc&locId=sl34942210&permaId=iIASB%3A1563.1&tagName=STANDARD&endParm=y) , *Effective Date of IFRS 15: Proposed Amendments to IFRS 15*. The international board is scheduled to vote on the delay later this month.

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