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financial executives research foundation

Financial Reporting and Regulatory Update Spring 2016

Welcome to the Quarterly Financial Reporting and Regulatory Update prepared by the Financial Executives Research Foundation (FERF).

A variety of standards and updates were issued that may increase the implementation challenges for financial reporting and accounting leaders at public and private companies alike.

The new leases standard (ASU 2016-02), for instance, may provide adoption and systems challenges for financial and IT professionals also racing deadlines to implement the converged revenue recognition standard. With these notable changes overlapping, each company's ability to develop and maintain effective assessment and implementation processes will likely be tested as each standard's adoption deadlines draw near.

The period also brought new standards on the classification and measurement of financial instruments. ASU 2016-01 requires equity investments to be measured at fair value, with changes in fair value being recognized in net income, as well as a variety of other technical changes such as simplifying the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment.

Update 2016-09 Compensation-Stock Compensation, part of the FASB's simplification initiative, will affect several aspects of the accounting for share-based payments, including income tax consequence, classification of awards as either equity or liability, and classification on the statement of cash flow.

Beyond standards and accounting updates, regulators expressed concerns about what they see as the growing use of non-GAAP reporting metrics, and preparers should be aware of the potential for the SEC Staff to issue a higher number of comment letters regarding measures it believes do not meet the requirements or spirit of Regulation G or Regulation S-K.

Financial leaders at private companies also need to understand changes to accounting for share-based payments, as well as the elimination of effective dates for several updates contained with ASU 2016-03.

We hope you find this update useful and insightful, and welcome your comments or suggestions.

INTERVIEW: Erik Bradbury, Professional Accounting Fellow, Financial Executives International

To explore the quarter's significant accounting and regulatory updates, and the potential implications for financial and accounting executives, FERF interviewed Erik Bradbury, Professional Accounting Fellow at Financial Executives International (FEI). An edited transcript of Erik's comments follows.

Financial Executives Research Foundation: With the leasing standard being issued in the first quarter, how should companies leverage the second quarter and the immediate future to prepare for the change?

Erik Bradbury: From what we are hearing, not a lot of companies have taken the time to really consider what impact the new standard will have on them. The new leases standard comes on the heels of revenue recognition, and that means the focus may be on revenue recognition right now. The important thing to keep in mind, though, is that while the lease accounting standard may not be all that challenging from a technical accounting standpoint, the practical side of the adoption process may be the more challenging part.

> Companies will need time to consider what systems and processes are currently in place to facilitate the collection of information that will be necessary to adopt the new standard.

In some cases, this might require new systems and/or updates to processes and procedures. Now that year-end and Q1 are behind most companies, at least for those with calendar year-ends, I expect many companies to start putting more resources towards evaluating the new standard.

FERF: What should companies be doing right now?

Bradbury: Now is the right time for companies to start evaluating the standard's impact. A lot goes into adopting a new standard, and I'm sure many within a company's finance/accounting departments will want to make sure they plan ahead because it'll likely require coordination with more than just accounting. For example, IT, Tax, lease procurement, and others will likely need to be involved. On that note, we've put together a full-day conference on June 16 in Dallas, Texas, designed to give you what you need to know to take back to your organization so you have the knowledge you need to prepare your organization for adoption.

FERF: On a similar note, what issues does the IASB leasing standard, also released during the first quarter, bring up for multinational filers?

Bradbury: The headline here is that the IASB and FASB are not fully converged when it comes to their new lease accounting standards. That's actually a good thing from a U.S. GAAP perspective as it means less change than would have otherwise occurred had the FASB followed the IASB path.

The reality is that on the one hand, both standards will bring most leases onto the balance sheets as lease liabilities with corresponding right-of-use assets. That's the biggest change you'll see under both standards, and it will likely have the largest impact of any other standard to corporate balance sheets. We're talking trillions of dollars being added. However, different decisions by the Boards were made with respect to certain other aspects. For example, from what we're hearing, these differences could result in similar transactions being accounted for differently such as the expense pattern for operating leases as the FASB will retain its operating lease treatment in the income statement while the IASB's standard, IFRS 16, will follow a finance lease model.

FERF: Talk to me about what's going on with financial instruments. What should companies be concerned with here?

Bradbury: Well, what's interesting here is that while the FASB has been working on overhauling revenue recognition and lease accounting, which are certainly impactful, they've also been working on a major overhaul of financial instruments. These include a new standard on classification and measurement issued in January, and a new standard on impairment, which, by the way, we just heard would be delayed by one year to give entities more time to implement it. And, finally, target updates to hedge accounting to address common risk management strategies to make hedge accounting easier for companies to apply, and for users of the financial statements to understand. Other than perhaps the new credit impairment standard, these financial instrument updates aren't just for the financial institutions. Many corporate entities will be affected by the new standards and should take the time to understand the impact, the first of which is to evaluate the new classification and measurement standard ASU 2016-01.

FERF: What else should be on the minds of public companies outside of these major standard updates?

Bradbury: I think one of the biggest headlines for companies right now, and something that every single company should be concerned with, is the focus and attention that's being placed on non-GAAP reporting. The SEC is really sending the message that this is important to them, from Chairman White all the way down. They are looking for abusers of non-GAAP reporting. There have been multiple speeches on this, and I'd be surprised if we don't already see an uptick in comments coming from the Staff asking companies about the use of certain non-GAAP measure, how they comply with the Reg G or Reg S-K requirements, asking for explanations as to why the measures are useful, what adjustments are included in the measure, and focusing on the "equal prominence" requirement, which requires companies to include the equivalent GAAP measure next to or along with the non-GAAP measure. This is not going away and we will be hearing more about this in the future, I suspect.

FERF: Switching gears to private companies, how significant is the new ASU on share-based payments in regards to private companies?

Bradbury: Well, as you point out, the FASB issued a new standard on share-based payment accounting. This update by the FASB was really designed to make accounting for share-based payment transactions less complex for public and private companies. The idea was to address three specific areas including (1) the income tax consequences, (2) classification of awards as either equity or liabilities and (3) classification on the statement of cash flows. This standard is an example of an initiative headed up by the Private Company Council or "PCC." The concern here was that certain aspects of share-based payment accounting was too complex for private companies.

FERF: How will private companies react to the new leasing standard, and what does it mean for them?

Bradbury: Other than a one-year delay from public companies, there is no difference here. Private companies should be just as concerned about the new standard and its impact.

FERF: Where do you see the most substantive practical change for private companies under ASU 2016-03, "Effective Date and Transition Guidance"?

Bradbury: Well, this one is interesting. As a result of the efforts of the PCC, there are essentially four areas where concessions were made for private companies including ASC 350 (Intangibles—Goodwill and Other, ASC 805 Business Combinations, ASC 810 Consolidation, and ASC 815 Derivatives and Hedging. This update essentially eliminates the effective dates in these four PCC alternatives in U.S. GAAP, and allows private companies to forgo a preferability assessment the first time they elect each of the alternatives. Previously, each of the PCC accounting alternatives prescribed a specific effective date. Electing to adopt a PCC accounting alternative after its effective date would have otherwise been considered a change in accounting principle under ASC 250 requiring a "preferability" assessment. This created additional cost and complexity for private companies, especially for those not in a position to adopt the PCC accounting alternatives as of their original effective dates. Now, private companies won't have to go through this exercise. They can avail themselves of the one-time adoption exception and not go through the "preferability" exercise.

One of the biggest headlines for companies right now, and something that every single company should be concerned with, is the focus and attention that's being placed on non-GAAP reporting. The SEC is really sending the message that this is important to them, from Chairman White all the way down.

Financial Accounting Standards Board (FASB)

Newly Issued FASB Accounting Standard Updates (ASU) - An Update is a transient document that (1) summarizes the key provisions of the project that led to the Update, (2) details the specific amendments to the FASB Codification, and (3) explains the basis for the Board's decisions. Although ASU will Update the FASB Codification, the FASB does not consider Updates as authoritative in their own right. For expanded information, please click on the respective technical Update heading.

Update 2016-09 - Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting

Who is affected: All entities that issue share based payments

Effective Date: Public business entities must apply the amendments in this Update for annual periods beginning after December 15, 2016, and interim periods within those annual periods. All other entities must apply the amendments for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018.

Provisions of ASU: This update is part of FASB's simplification initiatives and will impact several aspects of the accounting for share based payments including; Income tax consequence, classification of awards as either equity or liability and classification on the statement of cash flow.

Update 2016-08 - Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)

Who is affected: Entities that are involved in providing a good or a service to a customer along with another party.

Effective Date: The effective date and transition requirements of this Update are the same as the effective date and transition requirements of ASU 2014-09 Revenue from Contracts with Customers (as well as deferral ASU 2015-14 Deferral of the Effective Date)

Provisions of ASU: The update provides additional guidance on principal versus agent by clarifying:

1. How an entity determine whether it is a principal or an agent for each specified good or service promised to the customer.
2. How to determine the nature of each specified good or service.
3. When another party is involved in providing goods or services to a customer, an entity that is a principal obtains controls of (a) a good or another asset from the other party that it then transfers to the customer; (b) a right to a service that will be performed by another party, which gives the entity the ability to direct that party to provide the service to the customer on the entity's behalf; or (c) a good or service from the other party that it combines with other goods or services to provide the specified good or service to the customer.

Update 2016-07 - Investments - Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting

Who is affected: All entities that have an investment that becomes qualified for the equity method of accounting as a result of an increase in the level of ownership interest or degree of influence.

Effective Date: The update is effective beginning after December 15, 2016 for all entities and should be should be applied prospectively upon their effective date to increases in the level of ownership interest or degree of influence that result in the adoption of the equity method. Earlier application is permitted.

Provisions of ASU: This update is part of FASB's simplification initiatives and requires that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting, rather than retroactively adopt the equity method of accounting.

Update 2016-06 - Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments (a consensus of the Emerging Issues Task Force)

Who is affected: All entities that are issuers of or investors in debt instruments (or hybrid financial instruments that are determined to have adebt host) with embedded call (put) options.

Effective Date: For public business entities, the Update is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2016. The effective date for all other entities is one year later. Early adoption is permitted.

Provisions of ASU: The Update clarifies the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. An entity performing the assessment under the Update is required to assess the embedded call (put) options solely in accordance with the four-step decision sequence.

Update 2016-05 - Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships (a consensus of the Emerging Issues Task Force)

Who is affected: All reporting entities for which there is a change in the counterparty to a derivative instrument that has been designated as a hedging instrument under Topic 815 Derivatives and Hedging.

Effective Date: For public business entities, the Update is effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The effective date for all other entities is one year later. An entity has an option to apply the amendments in this Update on either a prospective basis or a modified retrospective basis.

Provisions of ASU: The Update clarifies that a change in the counterparty to a derivative instrument that has been designated as the hedging instrument under Topic 815 does not, in and of itself, require de-designation of that hedging relationship provided that all other hedge accounting criteria (including those in paragraphs 815-20-35-14 through 35-18) continue to be met.

Update 2016-04 - Liabilities - Extinguishments of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products (a consensus of the Emerging Issues Task Force)

Who is affected: Entities that offer certain prepaid stored value products (for example, prepaid gift cards issued on a specific payment network and redeemable at network-accepting merchant locations, prepaid telecommunication cars, and traveler's checks.)

Effective Date: Effective for public business entities, certain not-for-profit entities, and certain employee benefit plans for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Earlier application is permitted, including adoption in an interim period.

Provisions of ASU: Liabilities related to the sale of prepaid stored-value products within the scope of this Update are financial liabilities. The amendments in the Update provide a narrow scope exception to the guidance in Subtopic 405-20 to require that breakage for those liabilities be accounted for consistent with the breakage guidance in Topic 606.

Update 2016-03 - Intangibles - Goodwill and Other (Topic 350), Business Combinations (Topic 805), Consolidation (Topic 810), Derivatives and Hedging (Topic 815): Effective Date and Transition Guidance (a consensus of the Private Company Council)

Who is affected: The Update could affect all private companies within the scope of Update 2014-02; Update 2014-03; Update 2014-07, Consolidation (Topic 810): Applying Variable Interest Entities Guidance to Common Control Leasing Arrangements; or Update 2014-18, Business Combinations (Topic 805): Accounting for Identifiable Intangible Assets in a Business Combination.

Effective Date: Effective immediately.

Provisions of ASU: This Update makes the guidance in Updates 2014-02, 2014-03, 2014-07, and 2014-18 effective immediately by removing their effective dates. The amendments also include transition provisions that provide that private companies are able to forgo a preferability assessment the first time they elect the accounting alternatives within the scope of this Update. Any subsequent change to an accounting policy election requires justification that the change is preferable under Topic 250, Accounting Changes and Error Corrections.

Update 2016-02 - Leases (Topic 842)

- Section A - Leases: Amendments to the FASB Accounting Standards Codification
- Section B - Conforming Amendments Related to Leases: Amendments to the FASB Accounting Standards Codification
- Section C - Background Information and Basis for Conclusions

Who is affected: Any entity that enters into a lease (as that term is defined in the Update), with some specified scope exemptions. The guidance in this Update supersedes Topic 840, Leases.

Effective Date: For public business entity; 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; or an employee benefit plan that files financial statements with the SEC, the Update is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. For all other entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020.

Provisions of ASU: The main difference between previous GAAP and Topic 842 is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the previous leases guidance.

For operating leases, a lessee is required to do the following:

1. Recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position.
2. Recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis.
3. Classify all cash payments within operating activities in the statement of cash flows.

For more information read: FASB In Focus: Accounting Standards Update No. 2016-02, Leases and Understanding Costs and Benefits: Accounting Standards Update, Leases

Update 2016-01 - Intangibles - Goodwill and Other (Topic 350), Business Combinations (Topic 805), Consolidation (Topic 810), Derivatives and Hedging (Topic 815): Effective Date and Transition Guidance (a consensus of the Private Company Council)

Who is affected: All entities that hold financial assets or owe financial liabilities.

Effective Date: For public business entities, the Update is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. For all other entities including not-for-profit entities and employee benefit plans within the scope of Topics 960 through 965 on plan accounting, the amendments in this Update are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019.

Provisions of ASU: The Update improves U.S. GAAP by:

1. Require equity investments to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.
2. Simplify the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. When a qualitative assessment indicates that impairment exists, an entity is required to measure the investment at fair value.
3. Eliminate the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities.
4. Eliminate the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet.
5. Require public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes.
6. Require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments.
7. Require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements.
8. Clarify that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets.

FASB - Exposure Documents Open for Comment- (Proposed ASUs) – The FASB issues exposure documents to solicit input on its standards-setting activities, such as Exposure Drafts, Discussion Papers, Preliminary Views, and Invitations to Comment. Below are exposure drafts with their respective comment periods.

Proposed Accounting Standards Update—Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the FASB Emerging Issues Task Force)

Who will be affected: Alll entities, including both business entities and not-for-profit entities that are required to present a statement of cash flows under Topic 230.

Comment Deadline: March 29, 2016

Provisions of Proposal: This proposed Update addresses eight specific cash flow issues with the goal of reducing the existing diversity in practice. Those cash flow issues and the proposed solutions include:

- Debt Prepayment or Debt Extinguishment Costs
- Settlement of Zero-Coupon Bonds
- Contingent Consideration Payments Made after a Business Combination
- Proceeds from the Settlement of Insurance Claims
- Proceeds from the Settlement of Corporate-Owned Life Insurance Policies, including Bank-Owned Life Insurance Policies
- Distributions Received from Equity Method Investees
- Beneficial Interests in Securitization Transactions
- Separately Identifiable Cash Flows and Application of the Predominance Principle

Proposed Accounting Standards Update - Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): Changes to the Disclosure Requirements for Defined Benefit Plans

Who will be affected: All employers that sponsor defined benefit pension or other postretirement plans.

Comment Deadline: April 25, 2016

Provisions of Proposal: The proposed Update would modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. Along with removing 7 disclosures, the proposed update will add the following disclosures;

1. A description of the nature of the benefits provided, the employee groups covered, and the type of benefit plan formula
2. The weighted-average interest crediting rate for cash balance plans and other plans with a promised interest crediting rate
3. Quantitative and qualitative disclosures from Topic 820, Fair Value Measurement, about assets measured at net asset value using a practical expedient
4. A narrative description of the reasons for significant gains and losses affecting the benefit obligation or plan assets
5. For nonpublic entities, the effects of a one-percentage-point change in assumed health care cost trend rates (this disclosure is currently required only for public entities).

Proposed Accounting Standards Update - Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost

Who will be affected: All employers, including not-for-profit entities, that offer defined benefit pension plans, other postretirement benefit plans, or other types of benefits accounted for under Topic 715 to their employees.

Comment Deadline: April 25, 2016

Provisions of Proposal: The proposed Update would require an employer to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost as defined in paragraphs 715-30-35-4 and 715-60-35-9 would be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. If a separate line item or items are used to present the other components of net benefit cost, that line item or items must be appropriately described.

Also, the proposed Update would allow only the service cost component to be eligible for capitalization when applicable (for example, as a cost of internally manufactured inventory or a self-constructed asset).

FASB Project Roster & Status and Tentative Decisions
The FASB prepares a project plan to communicate information about its standards-setting activities to stakeholders. Below is a high-level overview of the current FASB and/or IASB projects. For expanded information on the Board's decisions, please click on the respective technical topic.

TOPIC	DATE DISCUSSED	STATUS/EXPECTED DATE OF ISSUANCE
Insurance - Targeted Improvements to the Accounting for Long-Duration Contracts	3/23/2016	Revised Exposure Draft 3Q-2016
Accounting for Goodwill Impairment	1/6/2016	Exposure Draft H1-2016
Clarifying the Scope of Subtopic 610-20 and Accounting for Partial Sales of Nonfinancial Assets (Formerly Clarifying the Definition of a Business Phase 2)	1/6/2016	Initial Deliberations
Clarifying When a Not-For-Profit Entity That Is a General Partner Should Consolidate a For-Profit Limited Partnership (or Similar Entity)	3/30/2016	Exposure Draft Q2-2016
Consolidation: Interests Held Through Related Parties That Are Under Common Control	1/20/2016	Exposure Draft Q2-2016
Liabilities & Equity - Targeted Improvements	2/3/2016	Exposure Draft Q2-2016
Revenue from Contracts with Customers – Identifying Performance Obligations and Licenses & Narrow Scope Improvements and Practical Expedients	2/10/2016	Final Standard Q2-2016
Disclosure Framework - Disclosure Review: Income Taxes	3/23/2016	Initial Deliberations
Disclosure Framework - Interim Reporting	1/7/2016	Initial Deliberations
Disclosure Framework - Entity's Decision Process	3/2/2016	Exposure Draft Redeliberations
Financial Statements of Not-for-Profit Entities Phase I/Phase II	3/2/2016	Final Standard Q3 2016/ Exposure Draft Redeliberations

Financial Accounting Foundation (FAF)
The Financial Accounting Foundation (FAF), is the independent, private-sector organization with responsibility for the oversight, administration, and finances of its standard-setting Boards, the FASB and the GASB, and their Advisory Councils. Below is a high-level overview of the FAF announcements, exposures and completed projects. For expanded information on the announcement please click on the respective technical topic.

Post-Implementation Review Concludes FASB's Earnings Per Share Standard Achieves Purpose: The FAF conducted a A Post-Implementation Review (PIR) of FASB Statement No. 128, Earnings Per Share, and concluded that Statement 128 accomplished its objectives of simplifying the computation of earnings per share (EPS) and achieving greater compatibility with international accounting standards. The PIR also concluded that Statement 128 provides useful information to users of financial statements.

Government Accounting Standard Board (GASB)
Below is a high-level overview of the current GASB announcements, exposures and completed projects. For expanded information on the announcement please click on the respective technical topic.

GASB Issues issued recognition and measurement guidance for governments that benefit from irrevocable split-interest agreements – The GASB issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, addresses when these types of arrangements constitute an asset for accounting and financial reporting purposes when the resources are administered by a third party. The Statement also provides expanded guidance for circumstances in which the government holds the assets.

GASB Issued Guidance on Blending Certain Component Units into Financial Statements - GASB Statement No. 80, Blending Requirements for Certain Component Units, is intended to provide clarity about how certain component units incorporated as not-for-profit corporations should be presented in the financial statements of the primary state or local government.

GASB issued implementation guidance containing questions and answers intended to clarify, explain, or elaborate on recent GASB Statements - Implementation Guide No. 2016-1, Implementation Guidance Update–2016, primarily addresses questions that have been raised relative to the Board's recently issued standards on fair value and tax abatement disclosures. The Guide also addresses a wide array of practice issues on other topics that have been brought to the GASB's attention and reinstates certain previously superseded questions and answers that have been updated for the effects of newly issued standards on pensions and other postemployment benefits.

GASB Proposes to Establish a Single Approach for Reporting Leases of State and Local Governments: The proposal is intended to establish a single approach for state and local governments to report leases based on the principle that leases are financings of the right to use an underlying asset. Limited exceptions are provided in the draft guidance, including short-term leases (12 months or less) and financed purchases. Under the Exposure Draft, Leases, a lessee government would be required to recognize a lease liability and an intangible asset representing its right to use the leased asset. A lessor government would be required to recognize a lease receivable and a deferred inflow of resources. Read GASB in Focus for more details.

International Accounting Standards Board (IASB)
Below is a high-level overview of the current IASB announcements, exposures and completed projects. For expanded information on the announcement please click on the respective technical topic.

IASB issues new accounting Standard for leasing - IFRS 16 Leases replaces accounting requirements introduced more than 30 years ago that are no longer considered fit for purpose and is a major revision of the way in which companies account for leases (read project summary). Simultaneously, the IASB published an Effects Analysis, which outlines the costs and benefits of the Standard. It clearly demonstrates the need for the Standard and that the benefits outweigh the costs.

IASB issues narrow-scope amendments to IAS 12 Income Taxes - The amendment, Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12), clarify how to account for deferred tax assets related to debt instruments measured at fair value.

The Sustainability Accounting Standards Board (SASB)
Below is a high-level overview of the current SASB announcements, exposures and completed projects. For expanded information on the announcement please click on the respective technical topic.

SASB Issues Provisional Sustainability Accounting Standards for Infrastructure Sector: Infrastructure companies can voluntarily use SASB standards to disclose material, decision-useful information to investors within mandatory filings including the Form 10-K and 20-F. The standards average five topics per industry and 14 metrics per industry, 73% of which are quantitative. To maximize cost effectiveness, SASB standards seek to align with pre-existing sustainability initiatives. The SASB Real Estate Standard, for example, leverages the industry-specific and widely used GRESB Real Estate Assessment. Over 75% of the quantitative metrics contained in the SASB standard are aligned with GRESB or require no additional data collection. To download, please click here.

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