Second Quarter 2019 Standard Setter Update

Financial reporting and accounting developments (current through 30 June 2019)

July 2019
This Second Quarter 2019 Standard Setter Update highlights significant developments in financial reporting and accounting between 1 April 2019 and 30 June 2019, except as noted. Our Standard Setter Update publications also summarize certain proposals under consideration by the Financial Accounting Standards Board (FASB or Board), the Emerging Issues Task Force (EITF or Task Force), the Private Company Council (PCC), the Securities and Exchange Commission (SEC or Commission), the Public Company Accounting Oversight Board (PCAOB), the Auditing Standards Board (ASB) and the Governmental Accounting Standards Board (GASB). For additional details on these developments, we refer you to related EY publications, many of which can be found on our AccountingLink website. We will continue to keep you informed about important developments as they occur.

July 2019

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Date issued: 30 May 2019

Summary
The guidance allows not-for-profit (NFP) entities to apply accounting alternatives that simplify the subsequent accounting for goodwill and the accounting for certain intangible assets they acquire. The alternatives were previously available only to private companies. NFPs that elect the goodwill accounting alternative will amortize goodwill and perform a one-step impairment test, at either the entity level or the reporting unit level, only when an impairment indicator exists. NFPs that elect the intangible asset accounting alternative may recognize fewer intangible assets in an acquisition, and they would be required to elect the goodwill accounting alternative.

Effective date and transition
The guidance is effective upon issuance. An NFP that elects to adopt the alternatives does not have to demonstrate preferability; it will follow the transition guidance the first time it applies them.

Other resources
- To the Point, FASB allows NFPs to simplify their accounting for goodwill and intangible assets (SCORE No. 06328-191US)

Financial Instruments – Credit Losses (Topic 326), Targeted Transition Relief (ASU 2019-05)

Date issued: 15 May 2019

Summary
The guidance allows entities to make an irrevocable one-time election upon adoption of the new credit losses standard to measure financial assets measured at amortized cost (except held-to-maturity securities) using the fair value option. The election is to be applied on an instrument-by-instrument basis.

Effective date
For entities that have already adopted ASU 2016-13, the transition relief is effective for fiscal years beginning after 15 December 2019 and interim periods therein, and early adoption is permitted. For all other entities, the guidance is effective upon adoption of ASU 2016-13.
Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments (ASU 2019-04)

Date issued: 25 April 2019

Summary
The FASB amended the new standards on credit losses, hedging, and recognizing and measuring financial instruments to clarify them and address implementation issues. The amendments clarify the scope of the credit losses standard and address issues related to accrued interest receivable balances, recoveries, variable interest rates and prepayments, among other things. With respect to hedge accounting, the amendments address partial-term fair value hedges, fair value hedge basis adjustments, application by not-for-profit entities and private companies, and certain transition requirements, among other things. On recognizing and measuring financial instruments, they address the scope of the guidance, the requirement for remeasurement under ASC 820 when using the measurement alternative, certain disclosure requirements and which equity securities have to be remeasured at historical exchange rates.

Effective date
The amendments to the credit losses and hedging standards have the same effective dates as those standards, unless an entity has already adopted the standards. For entities that have already adopted the credit losses standard, the amendments are effective for fiscal years beginning after 15 December 2019, including interim periods within those fiscal years. For entities that have already adopted the hedge accounting standard, the amendments are effective as of the beginning of the entity’s next annual period beginning after issuance of this ASU.

The amendments to the recognition and measurement guidance are effective for fiscal years beginning after 15 December 2019, including interim periods within those years.

Other resources
- To the Point, FASB issues amendments to the three new standards on financial instruments (SCORE No. 06107-191US)
Issued this quarter

Codification Improvements to Topic 326, Financial Instruments – Credit Losses

*Date issued:* 27 June 2019 – *comment period ends* 29 July 2019

**Summary**
The FASB proposed several amendments to the new credit losses standard, including an amendment that would require entities to include expected recoveries of the amortized cost basis in the credit loss estimate for purchased credit-deteriorated assets, as long as the recoveries do not exceed the aggregate amount of previous or expected write-offs of the assets.

**Effective date**
For entities that have not yet adopted ASU 2016-13, the effective date and transition would be the same as those in ASU 2016-13. For entities that have already adopted ASU 2016-13, the amendments would be effective for fiscal years beginning after 15 December 2019, including interim periods within those fiscal years. Early adoption would be permitted as long as an entity has adopted ASU 2016-13.

Income Taxes (Topic 740), Simplifying the Accounting for Income Taxes

*Date issued:* 14 May 2019 – *comment period ended* 28 June 2019

**Summary**
The FASB proposed changes to ASC 740 that would eliminate certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The proposal would simplify aspects of the accounting for franchise taxes, transactions that result in a step up in the tax basis of goodwill, and enacted changes in tax laws or rates. The proposal would clarify that single-member limited liability companies and similar disregarded entities that are not subject to income tax are not required to recognize an allocation of consolidated income tax expense in their separate financial statements, but they could elect to do so with appropriate disclosure.

**Effective date and transition**
The proposal would be applied using different transition approaches (e.g., retrospective, prospective) because the changes would have different effects on the financial statements. The effective date has not yet been determined.

**Other resources**
- FASB Project Update: Simplifications to Accounting for Income Taxes
- To the Point, *FASB proposes simplifying the accounting for income taxes* (SCORE No. 06247-191US)
- Comment letter (SCORE No. 06499-191US)
Disclosure Improvements, Codification Amendments in Response to the SEC’s Disclosure Update and Simplification Initiative

Date issued: 6 May 2019 – comment period ended 28 June 2019

Summary
The proposal would incorporate several SEC disclosure requirements into US GAAP in response to a request from the SEC. The proposal would add interim and annual disclosure requirements to a variety of topics in the Codification, including those focusing on accounting changes, earnings per share, business combinations, foreign currency matters, and derivatives and hedging. The proposal would require public entities to move certain disclosures that aren’t audited today into the audited financial statements. The proposal would require nonpublic entities to make certain additional disclosures that they did not have to previously make.

Effective date and transition
The effective date has not yet been determined. The FASB proposed a prospective transition method for all entities.

Other resources
- FASB Project Update: Disclosure Improvements in Response to the SEC’s Release on Disclosure Update and Simplification
- To the Point, FASB proposes incorporating certain SEC disclosure requirements into US GAAP (SCORE No. 06183-191US)
- Comment letter (SCORE No. 06496-191US)

Approved but not issued in Q2 2019

Financial instruments: clarifying the interactions between Topic 321 and Topic 323 (EITF Issue 19-A)

Date issued: (Consensus-for-exposure reached by the EITF and ratified by the FASB in June 2019. A Proposed ASU has not yet been issued.)

Summary
The EITF decided that an entity that applies the measurement alternative in ASC 321 should consider all observable transactions, including those that result in the entity initially applying or discontinuing the use of the equity method of accounting under ASC 323. The EITF also decided that certain forward contracts and purchased options on equity securities that are not deemed to be in-substance common stock or accounted for as derivatives under ASC 815 are in the scope of ASC 321.

Effective date and transition
The consensus-for-exposure would be applied prospectively. An effective date has not yet been determined.
Other resources

- EITF Update, June 2019 meeting highlights (SCORE No. 06416-191US)

Other proposals previously issued

- Income Taxes (Topic 740), Disclosure Framework – Changes to the Disclosure Requirements for Income Taxes
  - Date issued: 25 March 2019 – comment period ended 31 May 2019
- Compensation – Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606), Codification Improvements – Share-Based Consideration Payable to a Customer
  - Date issued: 4 March 2019 – comment period ended 18 April 2019
- Business Combinations (Topic 805), Revenue from Contracts with Customers – Recognizing an Assumed Liability (EITF Issue 18-A)
  - Date issued: 14 February 2019 – comment period ended 30 April 2019
- Consolidation (Topic 812), Reorganization
  - Date issued: 20 September 2017 – comment period ended 4 December 2017
- Debt (Topic 470), Simplifying the Classification of Debt in a Classified Balance Sheet (Current versus Noncurrent)
  - Date issued: 10 January 2017 – comment period ended 5 May 2017
- Inventory (Topic 330), Disclosure Framework – Changes to the Disclosure Requirements for Inventory
  - Date issued: 10 January 2017 – comment period ended 13 March 2017
- Concepts Statement No. 8 – Conceptual Framework for Financial Reporting, Chapter 7: Presentation
  - Date issued: 11 August 2016 – comment period ended 9 November 2016
- Government Assistance (Topic 832), Disclosures by Business Entities about Government Assistance
  - Date issued: 12 November 2015 – comment period ended 10 February 2016

Other resources

- 2018 Standard Setter Update (SCORE No. 05430-191US)
- Comment letter, Changes to the disclosure requirements for income taxes (SCORE No. 06338-191US)
- Comment letter, Codification improvements – share-based consideration payable to a customer (SCORE No. 07293-191US)
FASB seeks public companies for new segment reporting study

*Date issued:* 25 June 2019

*Summary*
The FASB is seeking public companies to participate in a study on potential improvements to the segment disclosure requirements in ASC 280, *Segment Reporting*. Participants will be asked to provide information on the operability of the potential improvements and to identify any unintended consequences. Feedback will be confidential. This is the FASB's second study related to its project on segment reporting. In 2018, the FASB studied alternatives to improve the aggregation criteria and the process for determining reportable segments.

*Other resources*
- FASB Project Update: Segment Reporting

FASB staff issues question and answer document on the new contributions guidance

*Date issued:* 6 June 2019

*Summary*
The FASB staff issued a question and answer document that addresses questions about applying the limited discretion indicator and accounting for cost-sharing provisions under the guidance on contributions received and contributions made that the FASB issued last year.

*Other resources*
- FASB staff Q&A: Subtopic 958-605, Application of the Limited Discretion Indicator and Accounting for Cost-Sharing Provisions In a Grant Agreement

Invitation to Comment – Measurement and Other Topics Related to Revenue Contracts with Customers under Topic 805

*Date issued:* 14 February 2019 – comment period ended 30 April 2019

*Summary*
The FASB issued an Invitation to Comment on two topics: whether the timing of payments related to an acquired revenue contract should affect the amount of revenue an acquirer recognizes after a business combination and what types of costs expected to be incurred to fulfill a performance obligation should be included in the fair value measurement of a contract liability. The document also discusses possible approaches the Board or the EITF could consider to clarify the guidance in areas where diversity in practice may exist.

*Other resources*
- FASB Project Update: EITF Issue No. 18-A: Recognition under Topic 805 for an Assumed Liability in a Revenue Contract
- To the Point, *FASB seeks input on measurement of contract liabilities assumed in a business combination* (SCORE No. 05628-191US)
- Comment letter (SCORE No. 06122-191US)
What’s next – agenda highlights

**FASB agenda**
In addition to the topics above, the FASB’s agenda includes:

- Codification improvements: hedge accounting
- Codification improvements: financial instruments – credit losses (vintage disclosure: gross write-offs and gross recoveries)
- Reference rate reform: facilitation of the effects of the interbank offered rate transition on financial reporting
- Hedging: last-of-layer method
- Financial performance reporting: disaggregation of performance information
- Segment reporting
- Disclosure framework: disclosures (interim reporting)
- Improving the accounting for asset acquisitions and business combinations
- Distinguishing liabilities from equity (including convertible debt)
- Identifiable intangible assets and subsequent accounting for goodwill
- Conceptual framework: measurement
- Conceptual framework: elements
- Codification improvements

**EITF agenda**
In June, the EITF reached a consensus-for-exposure, which was ratified by the FASB, on Financial instruments: clarifying the interactions between Topic 321 and Topic 323 (Issue 19-A). The EITF discussed its project on Recognition under Topic 805 for an assumed liability in a revenue contract (Issue 18-A), and decided not to move forward with a final consensus on the issue of recognition until the FASB determines whether it will address how to measure an assumed liability in a revenue contract.

The FASB staff led an educational discussion for the Task Force on Revenue recognition: contract modifications of licenses of intellectual property (Issue 19-B). No decisions were made. The next EITF meeting is scheduled for 19 September 2019.

**PCC agenda**
In June, members of the PCC and the FASB discussed implementation of the new standards on leases, credit losses and revenue recognition and the FASB’s projects on (1) Identifiable intangible assets and subsequent accounting for goodwill, (2) Reference rate reform: facilitation of the effects of the interbank offered rate transition on financial reporting, and (3) Simplifications to accounting for income taxes. They also discussed the FASB’s research project on Effective date consideration for private companies, not-for-profit organizations and small public companies, and the PCC’s project on Practical expedient to measure grant-date fair value of equity-classified share-based awards. In addition, they discussed the 11 June 2019 PCC town hall meeting and an update on the EITF. The next PCC meeting is scheduled for 11 September 2019.
Other resources

- FASB Technical Agenda
- Private Company Council Meetings
- To the Point, The EITF will address revenue recognition related to contract modifications for licenses of IP (SCORE No. 06292-191US)
Auditor Independence With Respect to Certain Loans or Debtor-Creditor Relationships (Release Nos. 33-10648, 34-86127, FR-85, IA-5255, IC-3351)

Date issued: 18 June 2019

Summary
The SEC amended its auditor independence rules on lending relationships between audit firms and certain shareholders of their audit clients in an effort to focus the required analysis on identifying debtor-creditor relationships that could impair an auditor’s objectivity and impartiality. The amendments eliminate aspects of the current rule that presented significant practical challenges, particularly for registered investment companies, pooled investment vehicles and their auditors.

The amendments to Rule 2-01(c)(1)(ii)(A) of Regulation S-X:

- Focus the analysis on beneficial ownership, rather than both beneficial and record ownership, and state that financial intermediaries that hold shares as record owners and have limited authority to make or direct voting or investment decisions on behalf of the shareholders of the audit clients are not considered “beneficial owners” for purposes of the analysis
- Replace the existing 10% bright-line shareholder ownership test with a “significant influence” test that is similar to other tests in the SEC auditor independence rules and uses concepts applied in ASC 323, and add guidance to help investment funds apply the standard
- Add a “known through reasonable inquiry” provision for identifying beneficial owners of the audit client’s equity securities
- For purposes of applying the loan rule to investors in an audit client that is a fund and its affiliates (including commodity pools and foreign funds), exclude from the definition of “audit client” any other funds (e.g., sister funds) that otherwise would be considered affiliates of the audit client

Effective date
The rule is effective on 3 October 2019.
Issued this quarter

Concept Release on Harmonization of Securities Offerings (Release Nos. 33-10649, 34-86129, IA-5256, IC-33512)

Date issued: 18 June 2019 – comment period ends 24 September 2019

Summary
The concept release seeks comment on whether the SEC should change the framework for securities offerings that are exempt from registration to expand investment opportunities while maintaining appropriate investor protections and promoting capital formation.

The SEC noted that the framework has changed significantly over time, and its complexity may be challenging to navigate for smaller and emerging companies that want to pursue exempt offerings. In addition, investors’ ability to participate in these offerings is often restricted.

In the concept release, the SEC seeks comments to help it assess the existing framework and identify potential changes to simplify, improve and harmonize the requirements. Chairman Clayton said the SEC’s goal is make sure the “framework works for investors and entrepreneurs alike no matter where they are located in the United States.” The concept release includes the relevant findings of a contemporaneously issued staff report on the effect of Regulation Crowdfunding on capital formation and investor protection.

Amendments to the Accelerated Filer and Large Accelerated Filer Definitions (Release No. 34-85814)

Date issued: 9 May 2019 – comment period ends 29 July 2019

Summary
The proposal would amend the definitions of an accelerated filer and a large accelerated filer to exclude smaller reporting companies (SRCs) that have not yet begun to generate significant revenue. Under the proposal, SRCs with less than $100 million in revenue would be non-accelerated filers, meaning they would not be subject to the internal control attestation requirements of Section 404(b) of the Sarbanes-Oxley Act of 2002 and would have extended deadlines for filing periodic reports with the SEC.

The proposal also would increase the public float thresholds for exiting accelerated filer status to $60 million from $50 million and for exiting large accelerated filer status to $560 million from $500 million (80% of the $75 million accelerated filer and $700 million large accelerated filer entrance thresholds) to make them consistent with the exit thresholds in the SRC definition. In addition, the proposal would add revenue exit thresholds:

- An issuer with revenue above $100 million that qualifies as an SRC because of the public float test (i.e., has public float of less than $250 million) would become a non-accelerated filer if its annual revenue drops below $100 million in its most recently completed year for which audited financial statements are available.
- An issuer that has a public float and revenue above the SRC thresholds (i.e., greater than $250 million and $100 million, respectively) would become a non-accelerated filer and an SRC if its public float is below $560 million and its annual revenue drops below $80 million.
Amendments to Financial Disclosures about Acquired and Disposed Businesses (Release Nos. 33-10635, 34-85765, IC-33465)

**Date issued:** 3 May 2019 — comment period ends 29 July 2019

**Summary**

The proposal would change many of the SEC’s disclosure rules regarding significant businesses that registrants acquire or dispose. The proposal is intended to reduce both the burden of preparing the disclosures and the likelihood of immaterial acquisitions being deemed significant while providing investors with more meaningful disclosures. The proposal would:

- Revise the significance tests registrants use to determine whether they need to provide financial statements of a business they acquire by incorporating the registrant’s market value into the investment test and modifying the income test to use after-tax income and add a revenue component
- Incorporate into SEC rules the established SEC staff practices on using abbreviated financial statements in certain circumstances
- Eliminate the requirement to provide three years of financial statements for any acquired business and allow registration statements to omit acquired business financial statements if the target has been consolidated in the audited financial statements for a full year
- Revise the significance tests and raise the threshold for Form 8-K reporting of disposals of businesses to 20% from 10% to align with the requirements for acquisitions

The proposal would also revise the pro forma financial information requirements to require, in addition to the transaction accounting adjustments, the presentation of management adjustments to reflect synergies and other effects of transactions, including management’s plans, that are reasonably estimable and reasonably expected to occur.

**Other proposals previously issued**

**Proposals on the SEC’s current rulemaking agenda**

- Securities Offering Reform for Closed-End Investment Companies (Release Nos. 33-10619, 34-85382, IC-33427)
  
  **Date issued:** 20 March 2019 – comment period ended 10 June 2019
• Solicitations of Interest Prior to a Registered Public Offering (Release No. 33-10607)  
  19 February 2019 – comment period ended 29 April 2019
• Fund of Funds Arrangements (Release Nos. 33-10590, IC-33329)  
  Date issued: 19 December 2018 – comment period ended 2 May 2019
• Financial Disclosures About Guarantors and Issuers of Guaranteed Securities and Affiliates Whose Securities Collateralize a Registrant’s Securities (Release No. 33-10526)  
  Date issued: 24 July 2018 – comment period ended 3 December 2018
• Amendments to the Commission’s Whistleblower Program Rules (Release No. 33-83557)  
  Date issued: 29 June 2018 – comment period ended 18 September 2018
• Exchange-Traded Funds (Release No. 33-10515)  
  Date issued: 28 June 2018 – comment period ended 1 October 2018
• Amendments to Investment Advisers Act Rules to Reflect Changes Made by the FAST Act (Release No. IA-4697)  
  Date issued: 3 May 2017 – comment period ended 8 June 2017

Proposals required by statute but not on the SEC’s current rulemaking agenda

• Incentive-based Compensation Arrangements (Release No. 34-77776)  
  Date issued: 6 May 2016 – comment period ended 22 July 2016
• Covered Broker-Dealer Provisions under Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Release No. 34-77157)  
  Date issued: 17 February 2016 – comment period ended 2 May 2016
• Listing Standards for Recovery of Erroneously Awarded Compensation (Release No. 33-9861)  
  Date issued: 1 July 2015 – comment period ended 14 September 2015
• Pay Versus Performance (Release No. 34-74835)  
  Date issued: 29 April 2015 – comment period ended 6 July 2015
• Prohibition against Conflicts of Interest in Certain Securitizations (Release No. 34-65355)  
  Date issued: 19 September 2011 – comment period ended 13 February 2012
• Reporting of Proxy Votes on Executive Compensation and Other Matters (Release No. 34-63123)  
  Date issued: 18 October 2010 – comment period ended 18 November 2010

Other resources
• 2018 Standard Setter Update (SCORE No. 05430-191US)
SEC staff issues framework for analyzing whether a digital asset is a security

Date issued: 3 April 2019

Summary
The SEC staff issued a framework for analyzing whether a digital asset, such as a token or coin, meets the definition of a security under US securities laws. The framework is built on the analysis of an investment contract that the US Supreme Court laid out in SEC v. Howey in 1946 in what became known as the Howey test. Under this test, a digital asset would meet the definition of a security if it involves an investment of money in a common enterprise with a reasonable expectation of profit derived from the efforts of others. The framework issued by the staff of the SEC’s Strategic Hub for Innovation and Financial Technology (FinHub) identifies characteristics that market participants should consider to determine whether and when a digital asset is offered or sold as an investment contract and, therefore, is a security.

The SEC’s Division of Corporation Finance also issued a response to a no-action request indicating it will not recommend enforcement action if the digital tokens described in the request were offered or sold without registration because, among other things, those tokens will only be used to prepay for services within an existing business and the token proceeds will not be used for development. The response illustrates how the SEC staff applied the framework to a specific fact pattern.
SEC rejects NYSE proposal to relax listing requirements for special purpose acquisition companies

*Date issued: 14 June 2019*

**Summary**

The SEC rejected a proposal by the New York Stock Exchange (NYSE) to reduce the minimum number of public shareholders required for continued public listing to 100 from 300 and to enable the NYSE to give a special purpose acquisition company (SPAC) a reasonable time period following a business combination to demonstrate compliance with certain listing standards. In its order, the SEC stated that it didn’t have sufficient information to determine whether the proposed rule change was consistent with the NYSE’s obligations under the Securities Exchange Act of 1934.
Amendments to Auditing Standards for Auditor’s Use of the Work of Specialists (PCAOB Release No. 2018-006)

Date approved by the SEC: 1 July 2019

Summary
The PCAOB adopted amendments to its standards on an auditor’s use of the work of a specialist to strengthen the requirements on evaluating the work of a company specialist and to enhance the supervision of specialists employed by auditors. The amended standards expand the requirements for using the work of a company’s specialist, a specialist employed by the auditor and an external specialist engaged by the auditor to gather audit evidence. Building on existing standards, the amendments require auditors to evaluate certain factors to design a risk-based approach for using the work of a specialist.

The amended standards don’t change the definition of a specialist, and as a result, the amendments don’t apply to individuals who specialize in income taxes and information technology and participate in an audit because those topics are considered specialized areas of accounting and auditing.

Effective date
The guidance is effective for audits of fiscal years ending on or after 15 December 2020.

Other resources
- To the Point, PCAOB adopts new standard on estimates and amends standards on using the work of specialists (SCORE No. 05373-191US)

Auditing Accounting Estimates, Including Fair Value Measurements (PCAOB Release No. 2018-005)

Date approved by the SEC: 1 July 2019

Summary
The PCAOB adopted a new standard on auditing accounting estimates, including fair value measurements, that enhances the audit requirements and focuses the auditor’s attention on estimates with a higher risk of material misstatement. The standard, which replaces three existing standards, emphasizes the need for professional skepticism when auditing accounting estimates because they generally involve subjective assumptions and measurement uncertainty that make them susceptible to management bias.

The new standard enhances the requirements for approaches that auditors may use, individually or in combination, to gather audit evidence for accounting estimates. It also creates requirements and enhances existing requirements for evaluating accounting estimates.

The appendix of the new standard addresses auditing estimates of the fair value of financial instruments and establishes requirements for the auditor to determine whether pricing information obtained from third parties, such as pricing services and brokers or dealers, provides sufficient appropriate evidence.

Effective date
The guidance is effective for audits of fiscal years ending on or after 15 December 2020.

Other resources
- To the Point, PCAOB adopts new standard on estimates and amends standards on using the work of specialists (SCORE No. 05373-191US)
Highlights of proposals previously issued


Date issued: 26 September 2017 – comment period ended 15 November 2017

Summary
The PCAOB asked for input on revisions to its 2016 proposal that would strengthen the requirements for supervising other auditors. The proposal would revise the requirements on how the lead auditor would be determined and how the lead auditor would assess another auditor’s compliance with independence and ethics requirements, as well as the other auditor’s knowledge, skill and ability. It also would revise the requirements for the lead auditor to review the work of other auditors.

Other resources
- To the Point, PCAOB asks for more input on its proposal on supervision of other auditors (SCORE No. 05669-171US)
- Comment letter (SCORE No. 06507-171US)
PCAOB staff issues guidance on Rule 3526(b) communications

*Date issued:* 31 May 2019  

**Summary**  
The PCAOB staff issued guidance on PCAOB Rule 3526, *Communication with Audit Committees Concerning Independence*, to address questions that have arisen about how an auditor should comply with its annual Rule 3526(b) communication obligations when an independence breach has occurred. The staff guidance describes elements of the required discussion with the audit committee and suggests language that a firm may use to describe the breach in its annual written independence letter issued in accordance with PCAOB Rule 3526(b)(3).

PCAOB staff issues guidance on critical audit matters

*Date issued:* 22 May 2019  

**Summary**  
The PCAOB staff issued guidance on the requirement for auditors to communicate critical audit matters (CAMs) in auditor’s reports, which is effective for reports on large accelerated filers for fiscal years ending on or after 30 June 2019. The staff guidance provides answers to frequently asked questions (FAQs) about how to communicate CAMs, as well as the staff’s observations on the Office of the Chief Auditor’s reviews of 10 US audit firms’ CAM description methodologies.

The staff’s FAQs address questions, including how the auditor should describe the principal considerations that led them to determine that a matter is a CAM, how the auditor should describe their audit procedures to address the matter in the audit, and how CAM communications relate to company disclosures and other information the company has made publicly available.

As a reminder, the PCAOB staff previously issued three guidance documents in March 2019 on the requirements for auditors to disclose CAMs in auditor’s reports.
Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements (Statement on Auditing Standards No. 134)

Date issued: 8 May 2019

Summary
The ASB issued Statement on Auditing Standards (SAS) No. 134 (auditor reporting SAS) that changes the form and content of the auditor’s report for audits of non-issuers, including the position of the “Opinion” and the “Basis for Opinion” sections.

In doing so, the ASB is trying to increase the informational value and relevance of the auditor’s report. The standard more closely aligns the auditor’s reporting standards of the American Institute of Certified Public Accountants (AICPA) with those of the PCAOB and the International Auditing and Assurance Standards Board. A notable difference is that the PCAOB standard requires auditors of most public companies to report on critical audit matters, while the AICPA standard requires auditors of private companies to report on key audit matters only when the auditor is engaged to do so.

The auditor reporting SAS expands the description of management’s responsibilities for the preparation and fair presentation of the financial statements. It also includes a new paragraph that describes management’s responsibility for the evaluation of whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern, when the applicable financial reporting framework requires management to make that evaluation.

The auditor reporting SAS also includes amendments to various standards to emphasize the auditor’s responsibility to focus on management’s financial statement disclosures throughout the audit, improve communications to those charged with governance and enhance the auditor’s reporting related to going concern matters.

Effective date
The SAS is effective for audits of financial statements for periods ending on or after 15 December 2020. Early implementation is not permitted.

Other resources
- To the Point, AICPA issues final standard that changes the form and content of the auditor’s report (SCORE No. 06397-191US)
Omnibus Statement on Auditing Standards – 2019 (Statement on Auditing Standards No. 135)

Date issued: 8 May 2019

Summary
The ASB issued SAS No. 135 (omnibus SAS) that minimizes certain differences between the auditing standards of the AICPA and those of the PCAOB on related parties and communications with those charged with governance, among other things.

The omnibus SAS enhances the requirements to identify undisclosed related parties and related party transactions. It also requires the auditor to communicate views relating to the entity’s significant unusual transactions and the potential effects of uncorrected misstatements on future period financial statements.

Effective date
The SAS is effective for audits of financial statements for periods ending on or after 15 December 2020.
**Issued this quarter**

**Audit Evidence**

*Date issued:* 20 June 2019 – *comment period ends 18 September 2019*

**Summary**

The proposal would clarify what constitutes audit evidence in an audit of financial statements and would require auditors to consider certain factors when evaluating information to be used as audit evidence and would change the definition of the sufficiency of audit evidence to focus on the persuasiveness of the evidence rather than the quantity of the evidence. The attributes and factors an auditor would need to consider when evaluating evidence would include the information’s source, relevance and reliability and whether the information corroborates or contradicts the assertions in the financial statements.

The proposal would modernize the standard to address the use of emerging technologies, such as audit data analytics, the expanding sources of information that could be used as audit evidence and how auditors can more clearly demonstrate the application of professional skepticism.

**Effective date**

The guidance would be effective for audits of financial statements for periods beginning on or after 15 June 2021.

**Amendments to the Description of the Concept of Materiality**

*Date issued:* 5 June 2019 – *comment period ends 5 August 2019*

**Summary**

The ASB issued a proposed SAS and a proposed Statement on Standards for Attestation Engagements (SSAE) to align the materiality concepts in AICPA standards with the definition of materiality used by the US judicial system, the PCAOB auditing standards, the SEC and the FASB. The ASB said it does not believe the changes would significantly affect audit or attestation engagements.

**Effective date**

The effective date of the proposed SAS amendments would not be before audits of financial statements for periods ending on or after 15 December 2020. The effective date of the proposed SSAE amendments would not be before practitioner’s reports dated on or after 15 December 2020.
Highlights of proposals previously issued

Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA

Date issued: 20 April 2017 – comment period ended 29 September 2017

Summary
The ASB issued a proposed SAS for financial statement audits of employee benefit plans that are subject to the Employee Retirement Income Security Act of 1974 (ERISA) (the employee benefit plan (EBP) SAS).

After redeliberating the proposal, the AICPA published the final balloted draft of the EBP SAS in December 2018. The final standard is expected to be issued in the second half of 2019.

The final EBP SAS will require auditors to test plan provisions based on the assessed risk of material misstatement and communicate reportable findings in writing to those charged with governance, not in the auditor’s report. When management elects to have an audit performed in accordance with ERISA section 103(a)(3)(C), which provides an ERISA-permitted audit scope limitation for information related to assets held for investment and certified by a qualified institution, auditors will be required to perform specific procedures relating to the certified investment information, including evaluating management’s assessment of whether the entity issuing the certification is a qualified institution. The final EBP SAS will reflect significant changes in the form of the ERISA section 103(a)(3)(C) auditor’s report, replacing the disclaimer of opinion typically issued under current standards.

The auditor also will be required to read a draft of the Form 5500 before dating the auditor’s report to identify any material inconsistencies with the audited ERISA plan financial statements.

Effective date
The effective date will align with that of the auditor reporting SAS.

Note: SAS No. 136, Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA, was issued on 10 July 2019.

Other resources
- To the Point, AICPA issues final standard that changes the requirements for ERISA plan audits and auditor’s reports (SCORE No. 06527-191US)

The Auditor’s Responsibilities Relating to Other Information Included in Annual Reports

Date issued: 28 November 2017 – comment period ended 15 May 2018

Summary
The ASB issued a proposed SAS to clarify the auditor’s responsibility for other information included in annual reports that contain, accompany or incorporate by reference the financial statements (other information SAS).
After redeliberating the proposal, the ASB voted to issue final guidance that is expected in the second half of 2019.

The guidance will require the auditor’s report to include a separate section describing the auditor’s work with respect to other information, when, at the date of the auditor’s report, the auditor has obtained all of the other information. It also will expand the auditor’s responsibilities with respect to other information by requiring the auditor to consider whether it is consistent with the auditor’s understanding of the entity and its environment.

**Effective date**
The guidance will be effective for audits of financial statements for periods ending on or after 15 December 2020. Early implementation will not be permitted.

Note: SAS No. 137, *The Auditor’s Responsibilities Relating to Other Information Included in Annual Reports*, was issued on 10 July 2019.

**Other proposals previously issued**
- Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification
  - Date issued: 11 July 2018 – comment period ended 11 October 2018

**Other resources**
- 2018 Standard Setter Update (SCORE No. 05430-191US)
Issued this quarter

Proposed Statement on Standards for Accounting and Review Services, Materiality in a Review of Financial Statements, Adverse Conclusions, and Special Purpose Frameworks

Date issued: 19 June 2019 – comment period ends 20 September 2019

Summary
The proposal would amend AR-C sections 60, 70, 80 and 90 and would further converge AR-C section 90, Review of Financial Statements, with international standards. It also would better align certain concepts in the Statements on Standards for Accounting and Review Services (SSARSs), such as materiality, with those in the auditing standards.

Effective date
The revisions to the AR-C sections would be effective for engagements performed in accordance with SSARSs on financial statements for periods ending on or after 15 June 2021.

Other proposals previously issued

- Proposed Statement on Standards for Attestation Engagements, Selected Procedures
  - Date issued: 1 September 2017 – comment period ended 1 December 2017

Other resources

- 2018 Standard Setter Update (SCORE No. 05430-191US)
GASB Statement No. 91, Conduit Debt Obligations

*Date issued:* 28 May 2019

**Summary**

The GASB amended its guidance on conduit debt obligations and related commitments to address diversity in practice. The new guidance clarifies what a conduit debt obligation is and eliminates the option for government issuers to recognize conduit debt obligations, thereby providing a single reporting method. The guidance also broadens the definition of conduit debt obligations and clarifies how government issuers should account for and report (1) commitments they extend or voluntarily provide and (2) arrangements associated with conduit debt obligations, which often are characterized in practice as leases but are not leases for financial reporting purposes. The guidance also enhances note disclosures.

**Effective date and transition**

The guidance is effective for reporting periods beginning after 15 December 2020. Earlier application is encouraged. Changes adopted to conform to the provisions of the guidance should be applied retroactively by restating financial statements, if practicable, for all prior periods presented.

Implementation Guide No. 2019-2, *Fiduciary Activities*

*Date issued:* 17 June 2019

**Summary**

The GASB issued an implementation guide containing questions and answers to address issues related to accounting and financial reporting under GASB Statement No. 84, *Fiduciary Activities*.

**Effective date and transition**

The guide’s requirements are effective for financial reporting periods beginning after 15 December 2018. Earlier application is encouraged if Statement 84 has been implemented. Changes adopted to conform to the provisions of the implementation guide should be applied retroactively by restating financial statements, if practicable, for all prior periods presented.


*Date issued:* 2 May 2019

**Summary**

The GASB issued an implementation guide containing questions and answers to clarify, explain or elaborate on the implementation and application of certain GASB Statements.

**Effective date and transition**

The guidance is effective for reporting periods beginning after 15 June 2019. Earlier application is encouraged if the pronouncement addressed by the question and answer has been implemented. Changes adopted to conform to the provisions of the guidance should be applied retroactively by restating financial statements, if practicable, for all prior periods presented.
Issued this quarter

Internal Revenue Code Section 457 Deferred Compensation Plans That Meet the Definition of a Pension Plan and Supersession of GASB Statement 32

Date issued: 28 June 2019 – comment period ends 27 September 2019

Summary
The GASB proposed changing its guidance to state that if an Internal Revenue Code (IRC) Section 457 plan meets the GASB definition of a pension plan, the appropriate GASB pension standards should be applied to the financial reporting for that plan and for the benefits provided through that plan. Section 457 plans are currently excluded from the GASB pension standards.

Effective date
The proposed guidance would be effective for fiscal years beginning after 15 December 2020. Earlier application would be encouraged.

Public-Private and Public-Public Partnerships and Availability Payment Arrangements

Date issued: 13 June 2019 – comment period ends 13 September 2019

Summary
The GASB proposed guidance for public-private and public-public partnership arrangements that are outside of the scope of its existing guidance for these transactions in GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, and GASB Statement No. 87, Leases. The proposal also would make certain improvements to the guidance currently included in Statement 60 and provide accounting and financial reporting guidance for availability payment arrangements.

Effective date
The proposed guidance would be effective for fiscal years beginning after 15 June 2021, and all reporting periods thereafter. Earlier application would be encouraged.

Subscription-Based Information Technology Arrangements

Date issued: 21 May 2019 – comment period ends 23 August 2019

Summary
The GASB proposed guidance on the accounting and financial reporting for cloud computing and similar subscription-based information technology (IT) arrangements for state and local governments. The proposal would apply many of the provisions of Statement No. 87, Leases, to such arrangements.

The proposal would define a subscription-based IT arrangement (SBITA) as a contract that conveys control of the right to use a SBITA vendor’s hardware and/or software, including IT infrastructure, for a period of time in an exchange or exchange-like transaction. Governments with SBITAs would recognize a right-to-use subscription asset and a corresponding subscription liability, with an exception for short-term SBITAs with a maximum term of 12 months. The proposal also would address outlays other than subscription payments.
Effective date
The proposed guidance would be effective for fiscal years beginning after 15 June 2021, and all reporting periods thereafter. Earlier application would be encouraged.

Other proposals previously issued

- Implementation Guide – Leases
  - Date issued: 28 February 2019 – comment period ended 30 April 2019

Other resources

- 2018 Standard Setter Update (SCORE No. 05430-191US)
**Preliminary Views, Financial Reporting Model Improvements**

*Date issued: 28 September 2018 – comment period ended 15 February 2019*

**Summary**

The GASB issued its Preliminary Views on targeted improvements to the financial reporting model. The proposed changes would include (1) a short-term financial resources measurement focus for government funds that recognizes short-term transactions and other events when incurred and long-term transactions and other events when due, (2) a format for the government fund financial statements that distinguishes between current and long-term resource flows, (3) an additional subtotal and proprietary funds financial statements for operating income (loss) and noncapital subsidies and (4) the presentation of all budgetary comparison information as required supplementary information and the presentation of two variance columns. The document also contains alternative views.

The GASB held public hearings and user forums on the topic in the first quarter of 2019.

**Preliminary Views, Recognition of Elements of Financial Statements**

*Date issued: 28 September 2018 – comment period ended 15 February 2019*

**Summary**

The GASB issued its Preliminary Views on concepts related to the recognition of elements of financial statements, such as assets and liabilities. The GASB proposed that an item being considered for recognition in the financial statements would be evaluated using a hierarchy for recognition of elements. The GASB also proposed a recognition framework for both the short-term financial resources measurement focus and the economic resources measurement focus. The document also contains alternative views.

The GASB held public hearings and user forums on the topic in the first quarter of 2019.

**Invitation to Comment, Revenue and Expense Recognition**

*Date issued: 1 February 2018 – comment period ended 27 April 2018*

**Summary**

The GASB requested feedback on the development of comprehensive revenue and expense recognition guidance for state and local governments. The Invitation to Comment discusses an exchange/nonexchange model that would classify revenue and expense transactions based on whether they are considered an exchange or nonexchange transaction, and a performance obligation/no performance obligation model that would classify revenue and expense transactions based on whether a binding agreement contains one or more performance obligations.

**What’s next – agenda highlights**

The GASB’s agenda also includes:

- Conceptual framework: disclosure framework
- Omnibus
- Secured overnight financing rate
**Effective in 2019 for public\(^1\) calendar year-end entities\(^2\)**

<table>
<thead>
<tr>
<th>ASU 2019-06</th>
<th>Intangibles – Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958), Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities</th>
<th>Effective upon issuance (30 May 2019).</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASU 2019-01</td>
<td>Leases (Topic 842), Codification Improvements</td>
<td>Amendments to clarify transition disclosure requirements: Effective upon adoption of the amendments in ASU 2016-02. Other amendments: Effective for fiscal years beginning after 15 December 2019, and interim periods within those fiscal years.</td>
</tr>
<tr>
<td>ASU 2018-20</td>
<td>Leases (Topic 842), Narrow-Scope Improvements for Lessors</td>
<td>Entities that have not yet adopted ASC 842: Effective upon adoption of the amendments in ASU 2016-02. Entities that have adopted ASC 842: May apply the amendments either in the first reporting period ending or beginning after the issuance of the ASU (10 December 2018) or on the date they would have been required to adopt ASC 842.</td>
</tr>
<tr>
<td>ASU 2018-16</td>
<td>Derivatives and Hedging (Topic 815), Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes</td>
<td>Entities that have not yet adopted ASC 2017-12: Effective upon adoption of the amendments in ASC 2017-12. Early adoption is not permitted before an entity’s adoption of ASC 2017-12. Entities that have adopted ASC 2017-12: Effective for fiscal years beginning after 15 December 2018, and interim periods within those fiscal years.</td>
</tr>
<tr>
<td>ASU 2018-11</td>
<td>Leases (Topic 842), Targeted Improvements</td>
<td>Entities that have not yet adopted ASC 842: Effective upon adoption of the amendments in ASC 2016-02. Entities that have adopted ASC 842: May apply the lessor expedient either in the first reporting period following the issuance of the ASU (30 July 2018) or on the date they would have been required to adopt ASC 842.</td>
</tr>
<tr>
<td>ASU 2018-10</td>
<td>Codification Improvements to Topic 842, Leases</td>
<td>Entities that have not yet adopted ASC 842: Effective upon adoption of the amendments in ASC 2016-02. Entities that have adopted ASC 842: Effective upon issuance (18 July 2018).</td>
</tr>
<tr>
<td>ASU 2018-09</td>
<td>Codification Improvements</td>
<td>Amendments that do not have transition guidance: Effective upon issuance (16 July 2018). Amendments to ASC 740: Effective upon adoption of the amendments in ASC 2016-16. Certain amendments to ASC 820 and ASC 944: Effective upon adoption of the amendments in ASC 2016-01. Other amendments that are subject to transition guidance: Effective for annual periods beginning after 15 December 2018, including interim periods within those annual periods.</td>
</tr>
<tr>
<td>ASU 2018-08</td>
<td>Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made</td>
<td>Resource recipients: Effective for annual periods beginning after 15 June 2018, including interim periods within those annual periods. Resource providers: Effective for annual periods beginning after 15 December 2018, including interim periods within those annual periods.</td>
</tr>
</tbody>
</table>

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\(^1\) Refer to each ASU to determine which types of entities (e.g., public business entities, not-for-profits, employee benefit plans) are subject to these effective dates.

\(^2\) The Jumpstart Our Business Startups Act allows emerging growth companies to follow private company effective dates for new or revised accounting standards issued after 5 April 2012. However, an emerging growth company must follow public company effective dates for all such standards if it has disclosed an election to do so.
| ASU 2018-07 | Compensation − Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting | Effective for fiscal years beginning after 15 December 2018, including interim periods within those fiscal years. Early adoption is not permitted before an entity’s adoption of ASC 606. |
| ASU 2018-02 | Income Statement − Reporting Comprehensive Income (Topic 220), Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income | Effective for fiscal years, and interim periods within those fiscal years, beginning after 15 December 2018. |
| ASU 2018-01 | Leases (Topic 842), Land Easement Practical Expedient for Transition to Topic 842 | Effective upon adoption of the amendments in ASU 2016-02. |
| ASU 2017-13 | Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842), Amendments to SEC Paragraphs Pursuant to the Staff Announcement at the July 20, 2017 EITF Meeting and Rescission of Prior SEC Staff Announcements and Observer Comments (SEC Update) | Amendments to ASC 606 and ASC 842: Effective upon announcement. Amendments to ASC 605: Effective upon adoption of the amendments in ASU 2014-09. Amendments to ASC 840: Effective upon adoption of the amendments in ASU 2016-02. |
| ASU 2017-12 | Derivatives and Hedging (Topic 815), Targeted Improvements to Accounting for Hedging Activities | Effective for fiscal years beginning after 15 December 2018, and interim periods within those fiscal years. |
| ASU 2017-11 | Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815), (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception | Amendments in Part I: Effective for fiscal years beginning after 15 December 2018, including interim periods within those fiscal years. Amendments in Part II: Transition is not required. |
| ASU 2017-08 | Receivables − Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities | Effective for fiscal years, and interim periods within those fiscal years, beginning after 15 December 2018. |
| ASU 2016-02 | Leases (Topic 842) | Effective for fiscal years beginning after 15 December 2018, and interim periods within those fiscal years. |

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3 This ASU adds or amends SEC paragraphs in the Codification that describe SEC guidance or SEC staff views that the FASB includes as a convenience to Codification users.
<table>
<thead>
<tr>
<th>ASU</th>
<th>Description</th>
<th>Effective Dates</th>
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</thead>
<tbody>
<tr>
<td>ASU 2019-05</td>
<td>Financial Instruments – Credit Losses (Topic 326), Targeted Transition Relief</td>
<td>Entities that have not yet adopted ASU 2016-13: Effective upon adoption of the amendments in ASU 2016-13. Early adoption is not permitted before an entity’s adoption of ASU 2016-13. Entities that have adopted ASU 2016-13: Effective for fiscal years beginning after 15 December 2019, including interim periods within those fiscal years.</td>
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<tr>
<td>ASU 2019-04</td>
<td>Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments</td>
<td>Amendments related to ASU 2016-13, for entities that have not yet adopted that guidance: Effective upon adoption of the amendments in ASU 2016-13. Early adoption is not permitted before an entity’s adoption of ASU 2016-13. Amendments related to ASU 2016-13, for entities that have adopted that guidance: Effective for fiscal years beginning after 15 December 2019, including interim periods within those fiscal years. Amendments related to ASU 2017-12, for entities that have not yet adopted that guidance: Effective upon adoption of the amendments in ASU 2017-12. Early adoption is not permitted before an entity’s adoption of ASU 2017-12. Amendments related to ASU 2017-12, for entities that have adopted that guidance: Effective as of the beginning of the first annual reporting period beginning after issuance of this ASU (25 April 2019). Amendments related to ASU 2016-01: Effective for fiscal years beginning after 15 December 2019, including interim periods within those fiscal years. Early adoption is not permitted before an entity’s adoption of ASU 2016-01.</td>
</tr>
<tr>
<td>ASU 2019-03</td>
<td>Not-for-Profit Entities (Topic 958), Updating the Definition of Collections</td>
<td>Effective for annual periods beginning after 15 December 2019, and interim periods within annual periods beginning after 15 December 2020.</td>
</tr>
<tr>
<td>ASU 2019-02</td>
<td>Entertainment – Films – Other Assets – Film Costs (Subtopic 926-20) and Entertainment – Broadcasters – Intangibles – Goodwill and Other (Subtopic 920-350), Improvements to Accounting for Costs of Films and License Agreements for Program Materials</td>
<td>Effective for fiscal years, and interim periods within those fiscal years, beginning after 15 December 2019.</td>
</tr>
<tr>
<td>ASU 2018-18</td>
<td>Collaborative Arrangements (Topic 808), Clarifying the Interaction between Topic 808 and Topic 606</td>
<td>Effective for fiscal years beginning after 15 December 2019, including interim periods within those fiscal years. Early adoption is not permitted before an entity’s adoption of ASC 606.</td>
</tr>
<tr>
<td>ASU 2018-17</td>
<td>Consolidation (Topic 810), Targeted Improvements to Related Party Guidance for Variable Interest Entities</td>
<td>Effective for fiscal years beginning after 15 December 2019, including interim periods within those fiscal years.</td>
</tr>
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</table>
### Effective after 2019 for public\(^1\) calendar year-end entities\(^2\)

<table>
<thead>
<tr>
<th>ASU 2018-12</th>
<th>Financial Services — Insurance (Topic 944), Targeted Improvements to the Accounting for Long-Duration Contracts</th>
<th>Effective for fiscal years beginning after 15 December 2020, and interim periods within those fiscal years.</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASU 2017-04</td>
<td>Intangibles — Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment</td>
<td>Public business entities that meet the definition of an SEC filer: Effective for annual and any interim impairment tests performed for periods beginning after 15 December 2019. Other public business entities: Effective for annual and any interim impairment tests performed for periods beginning after 15 December 2020.</td>
</tr>
<tr>
<td>ASU 2016-13</td>
<td>Financial Instruments — Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments</td>
<td>Public business entities that meet the definition of an SEC filer: Effective for fiscal years beginning after 15 December 2019, including interim periods within those fiscal years. Other public business entities: Effective for fiscal years beginning after 15 December 2020, including interim periods within those fiscal years. Earlier application is permitted only for fiscal years beginning after 15 December 2018, including interim periods within those fiscal years.</td>
</tr>
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</table>

### Effective in 2019 for nonpublic\(^4\) calendar year-end entities

<table>
<thead>
<tr>
<th>ASU 2019-06</th>
<th>Intangibles — Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958), Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities</th>
<th>Effective upon issuance (30 May 2019).</th>
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<tbody>
<tr>
<td>ASU 2018-09</td>
<td>Codification Improvements</td>
<td>Amendments that do not have transition guidance: Effective upon issuance (16 July 2018). Amendments to ASC 740: Effective upon adoption of the amendments in ASU 2016-16. Certain amendments to ASC 820 and ASC 944: Effective upon adoption of the amendments in ASU 2016-01. Other amendments that are subject to transition guidance: Effective for annual periods beginning after 15 December 2019, and interim periods within annual periods beginning after 15 December 2020.</td>
</tr>
<tr>
<td>ASU 2018-03</td>
<td>Technical Corrections and Improvements to Financial Instruments — Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities</td>
<td>Effective for fiscal years beginning after 15 December 2018, and interim periods within fiscal years beginning after 15 December 2019. Early adoption is not permitted unless the entity has early adopted the amendments in ASU 2016-01.</td>
</tr>
</tbody>
</table>

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\(^1\) Refer to each ASU to determine which types of entities (e.g., private companies, not-for-profits, employee benefit plans) are subject to these effective dates.
### Effective in 2019 for nonpublic calendar year-end entities

<table>
<thead>
<tr>
<th>ASU Number</th>
<th>Title</th>
<th>Effective Dates</th>
</tr>
</thead>
</table>
| ASU 2017-10 | Service Concession Arrangements (Topic 853), Determining the Customer of the Operation Services | Entities that have not yet adopted ASC 606: Effective upon adoption of the amendments in ASU 2014-09.  
Entities that have adopted ASC 606: Effective for fiscal years beginning after 15 December 2018, and interim periods within fiscal years beginning after 15 December 2019. |
| ASU 2017-05 | Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20), Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets | Effective upon adoption of the amendments in ASU 2014-09. |
| ASU 2016-20 | Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers | Effective upon adoption of the amendments in ASU 2014-09. |
| ASU 2016-12 | Revenue from Contracts with Customers (Topic 606), Narrow-Scope Improvements and Practical Expedients | Effective upon adoption of the amendments in ASU 2014-09. |
| ASU 2016-10 | Revenue from Contracts with Customers (Topic 606), Identifying Performance Obligations and Licensing | Effective upon adoption of the amendments in ASU 2014-09. |
| ASU 2016-08 | Revenue from Contracts with Customers (Topic 606), Principal versus Agent Considerations (Reporting Revenue Gross versus Net) | Effective upon adoption of the amendments in ASU 2014-09. |
### Effective in 2019 for nonpublic\(^4\) calendar year-end entities

| ASU 2016-04 | Liabilities — Extinguishments of Liabilities (Subtopic 405-20), Recognition of Breakage for Certain Prepaid Stored-Value Products | Effective for fiscal years beginning after 15 December 2018, and interim periods within fiscal years beginning after 15 December 2019. |
| ASU 2016-01 | Financial Instruments — Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities | Effective for fiscal years beginning after 15 December 2018, and interim periods within fiscal years beginning after 15 December 2019. Application prior to the effective date for public business entities is prohibited, except for the presentation guidance in ASC 825-10-45-5 through 45-7 and the provision in ASC 825-10-65-2 that eliminates the fair value disclosures for financial instruments required by the General Subsection of ASC 825-10-50. |
| ASU 2014-09 | Revenue from Contracts with Customers (Topic 606) | Effective for annual reporting periods beginning after 15 December 2018, and interim reporting periods within annual reporting periods beginning after 15 December 2019. Application prior to the original effective date for public entities is prohibited.\(^5\) |

### Effective after 2019 for nonpublic\(^4\) calendar year-end entities

| ASU 2019-05 | Financial Instruments — Credit Losses (Topic 326), Targeted Transition Relief | Entities that have not yet adopted ASU 2016-13: Effective upon adoption of the amendments in ASU 2016-13. Early adoption is not permitted before an entity’s adoption of ASU 2016-13. Entities that have adopted ASU 2016-13: Effective for fiscal years beginning after 15 December 2019, including interim periods within those fiscal years. |
| ASU 2019-04 | Codification Improvements to Topic 326, Financial Instruments — Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments | Amendments related to ASU 2016-13, for entities that have not yet adopted that guidance: Effective upon adoption of the amendments in ASU 2016-13. Early adoption is not permitted before an entity’s adoption of ASU 2016-13. Amendments related to ASU 2016-13, for entities that have adopted that guidance: Effective for fiscal years beginning after 15 December 2019, including interim periods within those fiscal years. |
| ASU 2019-03 | Not-for-Profit Entities (Topic 958), Updating the Definition of Collections | Effective for annual periods beginning after 15 December 2019, and interim periods within annual periods beginning after 15 December 2020. |
| ASU 2019-02 | Entertainment — Films — Other Assets — Film Costs (Subtopic 926-20) and Entertainment — Broadcasters — Intangibles — Goodwill and Other (Subtopic 920-350), Improvements to Accounting for Costs of Films and License Agreements for Program Materials | Effective for fiscal years, and interim periods within those fiscal years, beginning after 15 December 2020. |

\(^5\) ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, provided a one-year deferral of the effective date for the new revenue standard for public and nonpublic entities reporting under US GAAP.
<table>
<thead>
<tr>
<th>Standard Setting Update</th>
<th>Overview</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASU 2019-01 Leases (Topic 842), Codification Improvements</td>
<td>Amendments to clarify transition disclosure requirements: Effective upon adoption of the amendments in ASU 2016-02. Other amendments: Effective for fiscal years beginning after 15 December 2019, and interim periods within fiscal years beginning after 15 December 2020.</td>
</tr>
<tr>
<td>ASU 2018-20 Leases (Topic 842), Narrow-Scope Improvements for Lessors</td>
<td>Entities that have not yet adopted ASC 842: Effective upon adoption of the amendments in ASU 2016-02. Entities that have adopted ASC 842: May apply the amendments either in the first reporting period ending or beginning after the issuance of the ASU (10 December 2018) or on the date they would have been required to adopt ASC 842.</td>
</tr>
<tr>
<td>ASU 2018-18 Collaborative Arrangements (Topic 808), Clarifying the Interaction between Topic 808 and Topic 606</td>
<td>Effective for fiscal years beginning after 15 December 2020, and interim periods within fiscal years beginning after 15 December 2021. Early adoption is not permitted before an entity's adoption of ASC 606.</td>
</tr>
<tr>
<td>ASU 2018-16 Derivatives and Hedging (Topic 815), Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes</td>
<td>Entities that have not yet adopted ASU 2017-12: Effective upon adoption of the amendments in ASU 2017-12. Early adoption is not permitted before an entity's adoption of ASU 2017-12. Entities that have adopted ASU 2017-12: Effective for fiscal years beginning after 15 December 2019, and interim periods within those fiscal years.</td>
</tr>
<tr>
<td>ASU 2018-12 Financial Services – Insurance (Topic 944), Targeted Improvements to the Accounting for Long-Duration Contracts</td>
<td>Effective for fiscal years beginning after 15 December 2021, and interim periods within fiscal years beginning after 15 December 2022.</td>
</tr>
<tr>
<td>ASU 2018-11 Leases (Topic 842), Targeted Improvements</td>
<td>Entities that have not yet adopted ASC 842: Effective upon adoption of the amendments in ASU 2016-02. Entities that have adopted ASC 842: May apply the lessor expedient either in the first reporting period following the issuance of the ASU (30 July 2018) or on the date they would have been required to adopt ASC 842.</td>
</tr>
</tbody>
</table>
### Effective after 2019 for nonpublic\(^4\) calendar year-end entities

<table>
<thead>
<tr>
<th>ASU 2018-10</th>
<th>Codification Improvements to Topic 842, Leases</th>
<th>Entities that have not yet adopted ASC 842: Effective upon adoption of the amendments in ASU 2016-02. Entities that have adopted ASC 842: Effective upon issuance (18 July 2018).</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASU 2018-07</td>
<td>Compensation — Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting</td>
<td>Effective for fiscal years beginning after 15 December 2019, and interim periods within fiscal years beginning after 15 December 2020. Early adoption is not permitted before an entity’s adoption of ASC 606.</td>
</tr>
<tr>
<td>ASU 2018-01</td>
<td>Leases (Topic 842), Land Easement Practical Expedient for Transition to Topic 842</td>
<td>Effective upon adoption of the amendments in ASU 2016-02.</td>
</tr>
<tr>
<td>ASU 2017-12</td>
<td>Derivatives and Hedging (Topic 815), Targeted Improvements to Accounting for Hedging Activities</td>
<td>Effective for fiscal years beginning after 15 December 2019, and interim periods within fiscal years beginning after 15 December 2020.</td>
</tr>
<tr>
<td>ASU 2017-11</td>
<td>Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815), (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception</td>
<td>Amendments in Part I: Effective for fiscal years beginning after 15 December 2019, and interim periods within fiscal years beginning after 15 December 2020. Amendments in Part II: Transition is not required.</td>
</tr>
<tr>
<td>ASU 2017-08</td>
<td>Receivables — Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities</td>
<td>Effective for fiscal years beginning after 15 December 2019, and interim periods within fiscal years beginning after 15 December 2020.</td>
</tr>
<tr>
<td>ASU 2017-04</td>
<td>Intangibles — Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment</td>
<td>Effective for annual and any interim impairment tests performed for periods beginning after 15 December 2021.</td>
</tr>
<tr>
<td>ASU 2016-13</td>
<td>Financial Instruments — Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments</td>
<td>Effective for fiscal years beginning after 15 December 2021, including interim periods within those fiscal years.(^6) Earlier application is permitted only for fiscal years beginning after 15 December 2018, including interim periods within those fiscal years.</td>
</tr>
<tr>
<td>ASU 2016-02</td>
<td>Leases (Topic 842)</td>
<td>Effective for fiscal years beginning after 15 December 2019, and interim periods within fiscal years beginning after 15 December 2020.</td>
</tr>
</tbody>
</table>

\(^6\) ASU 2018-19 changed the effective date of ASU 2016-13 for entities other than public business entities.
## Effective date matrix – final SEC pronouncements and interpretive releases

<table>
<thead>
<tr>
<th>Title</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditor Independence With Respect to Certain Loans or Debtor-Creditor Relationships</td>
<td>3 October 2019</td>
</tr>
<tr>
<td>FAST Act Modernization and Simplification of Regulation S-K</td>
<td>The provisions related to the redaction of confidential information in exhibits are effective 2 April 2019, and the provisions requiring XBRL data tagging of all information on the cover pages of specified forms are subject to a three-year phase-in, depending on the registrant’s filing status. All other provisions are effective 2 May 2019.</td>
</tr>
<tr>
<td>Disclosure of Hedging by Employees or Directors</td>
<td>Registrants other than SRCs and EGCs must provide the disclosures during fiscal years beginning on or after 1 July 2019. SRCs and EGCs must provide the disclosures during fiscal years beginning on or after 1 July 2020.</td>
</tr>
<tr>
<td>Amendments to Regulation A</td>
<td>31 January 2019</td>
</tr>
<tr>
<td>Modernization of Property Disclosures for Mining Registrants</td>
<td>25 February 2019</td>
</tr>
<tr>
<td>Disclosure Update and Simplification</td>
<td>5 November 2018</td>
</tr>
<tr>
<td>Exempt Offerings Pursuant to Compensatory Arrangements</td>
<td>23 July 2018</td>
</tr>
<tr>
<td>Optional Internet Availability of Investment Company Shareholder Reports</td>
<td>1 January 2019 with certain exceptions.</td>
</tr>
<tr>
<td>Investment Company Liquidity Disclosure</td>
<td>10 September 2018</td>
</tr>
<tr>
<td>Inline XBRL Filing of Tagged Data</td>
<td>Operating companies filing as large accelerated, accelerated and non-accelerated filers are required to comply beginning with fiscal periods ending on or after 15 June 2019, 2020 and 2021, respectively. Larger mutual funds (i.e., funds with net assets of $1 billion or more as of the end of the most recent fiscal year) have to comply two years after the rule becomes effective. Smaller mutual funds have to comply with the requirement three years after the rule becomes effective.</td>
</tr>
<tr>
<td>Amendments to Smaller Reporting Company Definition</td>
<td>10 September 2018</td>
</tr>
<tr>
<td>Commission Statement and Guidance on Public Company Cybersecurity Disclosures</td>
<td>26 February 2018</td>
</tr>
<tr>
<td>Investment Company Liquidity Risk Management Programs</td>
<td>Fund complexes with net assets of $1 billion or more will be required to comply with the liquidity risk management program requirements starting 1 June 2019, while those with less than $1 billion in net assets will have to do so starting 1 December 2019.</td>
</tr>
<tr>
<td>Exhibit Hyperlinks and HTML Format</td>
<td>The rule is effective 1 September 2017 for accelerated filers and large accelerated filers and 1 September 2018 for smaller reporting companies and non-accelerated filers.</td>
</tr>
<tr>
<td>Investment Companies Reporting Modernization</td>
<td>The amendments to Regulation S-X are effective for periods ending on or after 1 August 2017. The compliance date for Form N-CEN is 1 June 2018. The compliance date for Form N-PORT was delayed to 1 March 2019 for larger fund complexes and 1 March 2020 for smaller fund complexes. Funds must maintain in their records the information that is required to be included in Form N-PORT for reporting periods ending 30 June 2018 through 28 February 2019. Larger fund complexes (i.e., those with $1 billion or more in net assets) with fiscal quarters ending 31 March 2019 will be required to file their first report on Form N-PORT by 30 May 2019. Consistent with the delayed compliance date of 1 March 2019, those funds will only file a report for the final month of the quarter (i.e., March 2019). Funds with fiscal quarters ending 30 April 2019 will file reports on Form N-PORT for the final two months of the quarter (i.e., March and April 2019) by 1 July 2019, while funds with fiscal quarters ending 31 May 2019 will file reports on Form N-PORT for all months in the quarter by 30 July 2019.</td>
</tr>
<tr>
<td>Investment Company Swing Pricing</td>
<td>19 November 2018</td>
</tr>
<tr>
<td>Title</td>
<td>Effective date</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Amendments to Auditing Standards for Auditor’s Use of the Work of Specialists</td>
<td>Effective for audits of fiscal years ending on or after 15 December 2020.</td>
</tr>
<tr>
<td>Auditing Accounting Estimates, Including Fair Value Measurements</td>
<td>Effective for audits of fiscal years ending on or after 15 December 2020.</td>
</tr>
<tr>
<td>The Auditor’s Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion</td>
<td>Effective for audits of financial statements for annual reporting periods ending on or after 15 December 2017, except for the requirement to communicate CAMs. Requirement to communicate CAMs will be effective for annual periods ending on or after 30 June 2019 for large accelerated filers and 15 December 2020 for all other filers.</td>
</tr>
<tr>
<td>Improving the Transparency of Audits: Rules to Require Disclosure of Certain Audit Participants on a New PCAOB Form and Related Amendments to Auditing Standards</td>
<td>Disclosure of the name of the audit partner will be required for auditors’ reports issued on or after 31 January 2017. Disclosure of other accounting firms participating in the audit will be required for auditors’ reports issued on or after 30 June 2017.</td>
</tr>
</tbody>
</table>
### Effective date matrix – final AICPA standards

<table>
<thead>
<tr>
<th>Title</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAS No. 134, Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements</td>
<td>Effective for audits of financial statements for periods ending on or after 15 December 2020. Early implementation is not permitted.</td>
</tr>
<tr>
<td>SAS No. 133, Auditor Involvement with Exempt Offering Documents</td>
<td>Effective for exempt offering documents with which the auditor is involved that are initially distributed, circulated or submitted on or after 15 June 2018.</td>
</tr>
<tr>
<td>SAS No. 132, The Auditor’s Consideration of an Entity’s Ability to Continue as a Going Concern</td>
<td>Effective for audits of financial statements for periods ending on or after 15 December 2017 and reviews of financial information for interim periods beginning after fiscal years ending on or after 15 December 2017.</td>
</tr>
<tr>
<td>SAS No. 131, Amendment to Statement on Auditing Standards No. 122 Section 700, Forming an Opinion and Reporting on Financial Statements</td>
<td>Effective for audits of financial statements for periods ending on or after 15 June 2016.</td>
</tr>
<tr>
<td>Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</td>
<td>Effective for practitioners’ reports dated on or after 1 May 2017. Early adoption is permitted.</td>
</tr>
<tr>
<td>SSARS No. 24, Omnibus Statement on Standards for Accounting and Review Services – 2018</td>
<td>Except for the revision to paragraph .39 of AR-C section 90, which is effective upon issuance, effective for compilations and reviews of financial statements for periods ending on or after 15 June 2019.</td>
</tr>
<tr>
<td>SSARS No. 23, Omnibus Statement on Standards for Accounting and Review Services – 2016</td>
<td>Effective upon issuance other than certain amendments relating to prospective financial information in AR-C Section 70 and AR-C Section 80 that are effective on or after 1 May 2017.</td>
</tr>
<tr>
<td>SSARS No. 22, Compilation of Pro Forma Financial Information</td>
<td>Effective for compilation reports on pro forma financial information dated on or after 1 May 2017.</td>
</tr>
<tr>
<td>Title</td>
<td>Effective date</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Statement No. 91, Conduit Debt Obligations</td>
<td>Effective for reporting periods beginning after 15 December 2020. Earlier application is encouraged.</td>
</tr>
<tr>
<td>Statement No. 90, Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61</td>
<td>Effective for reporting periods beginning after 15 December 2018. Earlier application is encouraged.</td>
</tr>
<tr>
<td>Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period</td>
<td>Effective for reporting periods beginning after 15 December 2019. Earlier application is encouraged.</td>
</tr>
<tr>
<td>Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements</td>
<td>Effective for reporting periods beginning after 15 June 2018. Earlier application is encouraged.</td>
</tr>
<tr>
<td>Statement No. 87, Leases</td>
<td>Effective for reporting periods beginning after 15 December 2019. Earlier application is encouraged.</td>
</tr>
<tr>
<td>Statement No. 86, Certain Debt Extinguishment Issues</td>
<td>Effective for reporting periods beginning after 15 June 2017. Earlier application is encouraged.</td>
</tr>
<tr>
<td>Statement No. 85, Omnibus 2017</td>
<td>Effective for reporting periods beginning after 15 June 2017. Earlier application is encouraged.</td>
</tr>
<tr>
<td>Statement No. 84, Fiduciary Activities</td>
<td>Effective for reporting periods beginning after 15 December 2018. Earlier application is encouraged.</td>
</tr>
<tr>
<td>Statement No. 83, Certain Asset Retirement Obligations</td>
<td>Effective for reporting periods beginning after 15 June 2018. Earlier application is encouraged.</td>
</tr>
<tr>
<td>Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</td>
<td>Effective for fiscal years beginning after 15 June 2017. Earlier application is encouraged.</td>
</tr>
</tbody>
</table>
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