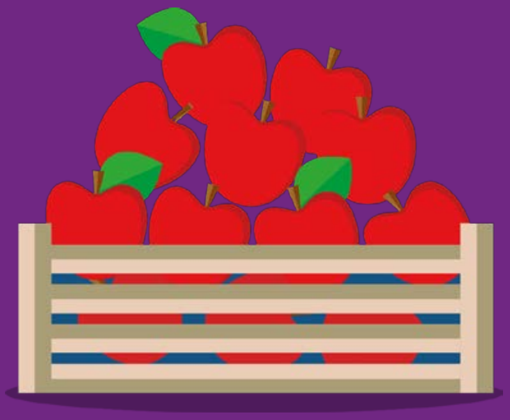
Quarterly Outlook

September 2018



US GAAP

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September 2018

The 2019 effective date of the leases standard for public companies is almost here. Companies are focused on understanding the implications of the FASB's recently issued accounting technical corrections and amendments. Soon, they will need to shift their focus to aspects of adoption beyond the technical accounting, including internal controls over financial reporting and disclosures.

At the same time, private companies are preparing to transition to the revenue standard.

Meanwhile, the FASB's work on other standard-setting projects to simplify and clarify current accounting guidance continues.

Our *Quarterly Outlook* summarizes these and other accounting and financial reporting developments potentially affecting you in the current period or near term.

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Current quarter financial reporting matters

Regulatory headlines

SEC simplifies and updates disclosure requirements

The SEC amended certain disclosure requirements that were redundant with or superseded by other SEC disclosure requirements, US GAAP or IFRS. The SEC also identified disclosure requirements in specific topics that overlap with US GAAP disclosures but that require companies to provide incremental information:

— repurchase and reverse agreements;
— product services;
— major customers; and
— income taxes.

The SEC asked the FASB to consider incorporating those incremental disclosures into US GAAP. The amendments will be effective 30 days after they are published in the Federal Register.

Resources: KPMG's Defining Issues, SEC simplifies and updates disclosure requirements; SEC final rule

SEC proposes amendments to disclosures in certain registered debt offerings

In July, the SEC proposed amendments to financial disclosures for guarantors and issuers of guaranteed securities and affiliates whose securities collateralize a registrant's securities. The proposal would amend Rules 3-10 and 3-16 of Regulation S-X.

The proposed amendments to Rule 3-10 would:

— allow all consolidated subsidiaries, rather than just those that are wholly owned, to provide disclosures other than those normally required under Rule 3-10;

— replace condensed, consolidating financial information with disclosures about the guarantees, issuers and guarantors;

— allow the parent company to include the required disclosures outside its audited annual and unaudited interim consolidated financial statements in the registration statement covering the offer and sale of securities and related prospectus, and certain Exchange Act reports filed later;

— require the parent company to include disclosures in the notes to its consolidated financial statements for annual and quarterly reports beginning with the annual report for the fiscal year in which it completes its first bona fide sale of the securities; and

— specify that an issuer and guarantors must provide disclosures as long as they have an Exchange Act reporting obligation instead of as long as the guaranteed securities are outstanding.

The proposed amendments to Rule 3-16 would:

— replace the requirement to provide separate financial statements for each affiliate whose securities are pledged as collateral with a requirement to provide disclosures about the affiliates and the collateral arrangement;

— permit a parent company to include the required disclosures outside its audited annual and unaudited interim consolidated financial statements in the registration statement covering the offer and sale of the securities and the related prospectuses, and certain Exchange Act reports filed later; and

— replace the requirement for a parent to provide information about an affiliate that pledges securities only when the pledged securities constitute a 'substantial portion' of the collateral with one in which the parent provides financial and nonfinancial disclosures about the affiliates and collateral arrangement, if material.

Comments are due 60 days after the proposed amendments are published in the Federal Register.

Resources: KPMG's Defining Issues, SEC proposes changes to disclosures in certain registered debt offerings; Proposed SEC Rule

SEC approves requirements to use Inline XBRL

The SEC recently approved a final rule requiring public companies to embed XBRL into their quarterly and annual HTML financial statements instead of tagging the data in a separate file. The SEC also approved requiring funds to embed XBRL into risk/return summaries.

While the final rule does not change the scope of information that public companies must provide in XBRL, it does accelerate the timing for funds to provide XBRL-tagged risk/return summaries by eliminating the 15-business day filing period.

The compliance dates will be phased in over a three-year transition period. The table shows the compliance dates for fiscal periods ending on or after the effective date.

Type of public company	Compliance dates
Large accelerated filers using US GAAP	June 15, 2019
Accelerated filers using US GAAP	June 15, 2020
All other filers	June 15, 2021

Public companies are required to comply in their first Form 10-Q filed for a fiscal period on or after the compliance date.

The phased transition periods for funds are shown in the following table.

Fund groups that are	Fiscal periods ending
Large fund groups (assets of $1 billion or more)	September 17, 2020
All other fund groups	September 17, 2021

Resources: KPMG's Defining Issues, SEC permits public companies to use Inline XBRL; SEC final rule

SEC updates smaller reporting company (SRC) definition

Under the SEC final rule, registrants can qualify as an SRC if they have public float of less than $250 million or annual revenues less than $100 million as of their most recent fiscal year; and either no public float or a public float of less than $700 million. However, companies with more than $75 million in public float will continue to be accelerated filers. The new definition allows more registrants to take advantage of scaled disclosures.

The final rule also amends Rule 3-05(b)(2)(iv) of Regulation S-X to increase from $50 million to $100 million the net revenue threshold for requiring three years of audited financial statements for an acquired business. Registrants may omit the financial statements of the acquired, or to be acquired, business for the earliest of the three fiscal years if net revenues reported by the acquired business in the most recent fiscal year are less than $100 million.

Resources: KPMG's Defining Issues, SEC updates smaller reporting company definition; SEC final rule

SEC amends investment company liquidity disclosures

An SEC final rule requires registered investment companies to disclose in their reports to shareholders information about the operation and effectiveness of their liquidity risk management programs. The rule also rescinds and amends the requirement in Form N-PORT under the Investment Company Act of 1940.

Resources: SEC final rule

SEC rules amend certain offerings under compensatory arrangements

The SEC recently increased the exemption threshold in excess of which the issuer is required to deliver additional disclosures to investors under Securities Act Rule 701 for securities issued by non-reporting companies under compensatory arrangements.

Resources: SEC final rule

SEC staff continues efforts to enhance transparency

The SEC's Division of Corporation Finance (the Division) recently announced that it will begin releasing (through EDGAR) its orders that grant or deny regulatory relief on behalf of the Commission.

The Division also announced that it will make public letters it sends to registrants informing them that their documents are so deficient that the SEC staff will defer review until the deficiencies are corrected. The letters will be in companies' filing histories on EDGAR as 'SEC Staff Letter: Serious Deficiencies' beginning with letters issued June 15, 2018.

Resources: SEC announcement; SEC announcement on deficient document letters

CAQ issues a tool on the leases standard

In April, the Center for Audit Quality (CAQ) released a tool to help audit committees with their oversight of a company's implementation of the leases accounting standard. The tool includes an overview of the standard, questions for audit committee members to consider and a list of publications.

Resources: CAQ tool - Preparing for the Leases Accounting Standard

CAQ issues publication on critical audit matters

In July, the CAQ released a publication to help audit committees and investors understand the auditor's responsibility under the 2017 PCAOB standard that requires an auditor to determine and communicate critical audit matters in the auditor's report. The publication includes definitions, key concepts and questions for audit committee members to consider.

Resources: CAQ publication - Critical Audit Matters: Key Concepts and FAQs for Audit Committees, Investors, and Other Users of Financial Statements

OCC updates the Bank Accounting Advisory Series

In August, the Office of the Comptroller of the Currency (OCC) updated the Bank Accounting Advisory Series to address questions about new FASB accounting standards, including credit impairment and hedging, issued through March 31, 2018. The update also includes answers to other FAQs.

Resources: OCC's Bank Accounting Advisory Series

Observations on the adoption of the revenue recognition standard

Like the public companies who adopted the revenue recognition standard before them, many private companies that are digging deeper into implementation are finding that the accounting analysis is not as simple as anticipated.

In May, KPMG held a webcast that focused on lessons learned from public companies' operational and accounting challenges when adopting the revenue recognition standard. The webcast included a polling segment, which sheds light on companies' thinking in this area. Only 26 percent of the surveyed companies that have already adopted the standard said that their implementation was complete. Most companies noted that they are continuing to refine related processes, systems and disclosures.

The SEC staff also is encouraging registrants to enhance their disclosures throughout the year. Approximately 27 percent of public and private companies surveyed identified capturing the data required to comply with new disclosure requirements as the most significant operational challenge of the standard.

Over 50 percent of private companies in the survey stated they have not progressed beyond the assessment phase. Observations from KPMG's advisory and audit practices as well as SEC consultations and comment letters provide insights that may be useful to private companies.

Resources: KPMG's webpage on Revenue; KPMG's webcast on Lessons learned adopting the new revenue standard

New revenue recognition disclosures under ASC 606

In July, the CAQ SEC Regulations Committee discussed the disclosures required by the revenue recognition standard. The SEC staff expressed disappointment in the boilerplate nature of disclosures. In particular the staff said that the disclosures do not sufficiently address the significant judgments companies are making about performance obligations, timing of revenue recognition, licensing arrangements and 'gross versus net' presentation. The SEC staff will monitor future filings and expects companies to improve their disclosures.

FASB issues implementation resources

In June, the FASB staff issued implementation resources (memos) about two revenue recognition issues that the Private Company Council (PCC) identified as challenging for private companies adopting ASC 606.

The first memo discusses the definition of a contract and right to payment for short-cycle manufacturing. It focuses on the possible change in the timing of revenue recognition from point-in-time to over time under the revenue recognition standard.

The second memo addresses reimbursements of out-of-pocket expenses. It focuses on when a company needs to estimate the expected reimbursements it includes in the contract's transaction price as variable consideration. This guidance may result in a change in accounting for companies that currently recognize reimbursements of out-of-pocket costs when incurred.

The memos are educational and do not change the guidance in the standard. They illustrate how public companies have navigated the guidance and dealt with its operational challenges.

Resources: FASB's Revenue webpage

US tax matters

Since the SEC staff issued SAB 118, many registrants have been recognizing provisional income tax amounts for the effects of the 2017 tax reforms. The SAB allows a company to recognize provisional amounts during a measurement period when it does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete its accounting for the change in tax law. The measurement period ends when a company has obtained, prepared and analyzed the information necessary to finalize its accounting, but cannot extend beyond one year from the enactment date of tax reform. Registrants are reminded that the one-year limit is soon coming to an end.

On June 21, the Supreme Court overturned its previous decision that a state cannot require a business to collect sales and use taxes from customers in states where the business has no physical presence. The decision paves the way for states that have adopted an economic nexus law to begin requiring businesses to collect sales and use taxes if the law does not otherwise violate constitutional principles.

While the Court did not resolve all issues in its decision, it is clear that businesses that do not collect and remit sales and use taxes cannot continue to rely on the absence of a physical presence when doing business in states with economic nexus laws. Those companies will need to consider whether the Court's decision means that they will need to recognize financial statement liabilities and provide additional disclosures.

Resources: KPMG's Q&A, Tax reform -- Supplement to KPMG's Handbook, Income Taxes; KPMG's Defining Issues, Supreme Court overturns 'physical presence' standard in Wayfair decision; Supreme Court's South Dakota v. Wayfair, Inc. No. 17-494 (June 21, 2018)

Monitoring inflation in Argentina

As of May 31, 2018, and continuing through July 2018, the three indices[1] used to measure inflation in Argentina show a three-year cumulative inflation rate that exceeds 100 percent. Based on this data, we would expect a company that reports on a calendar year-end basis to conclude that Argentina's economy is highly inflationary[2] no later than the quarter ended June 30, 2018. This conclusion would require a company to apply the accounting guidance for highly inflationary economies for fiscal quarters beginning July 1, 2018.

Companies are responsible for monitoring inflation in the countries in which they operate. When a subsidiary operates in a highly inflationary economy, the parent must remeasure the subsidiary's financial statements into the reporting currency – i.e. as if it were the subsidiary's functional currency. In this case, a US parent with an Argentine subsidiary would remeasure the subsidiary's financial statements into US dollars. Companies should also monitor the introduction of currency exchange controls and other factors that may result in the recognition of impairment.

Cumulative inflation rate data for Argentina								
		2017		2018				
	Indices considered	Sept.	Dec.	March	April	May	June	July
1	Multiple indices*	100.3%	105.6%	112.2%	115.6%	117.9%	123.7%	127.7%
2	Same as #1 except that the San Luis province index (IPC-SL) was used instead of the IPC-BA for Nov. 2015 to	98.3%	103.7%	110.2%	113.5%	115.8%	121.6%	125.5%

[1] The International Monetary Fund has concerns about the consistency of Argentina's consumer price index data, so companies have used three indices to determine whether its economy is highly inflationary.

[2] ASC 830, Foreign Currency Matters

Cumulative inflation rate data for Argentina							
	2017		2018				
Indices considered	Sept.	Dec.	March	April	May	June	July
April 2016 National Wholesale Price Index (WPI)	74.4%	77.0%	95.0%	97.0%	108.7%	119.4%	126.4%

* Indices used: Argentina Consumer Price Index (IPCNu) January 2014 to October 2015; City of Buenos Aires only index (IPC-BA) November 2015 to April 2016; new CPI-GBA from May 2016 to May 2017 and National Index from 06/2017. All numbers are percentages and are cited as of the last day of the month.

Resources: KPMG's Defining Issues, Financial reporting considerations for companies with operations in Argentina; KPMG's Handbook, Accounting for foreign currency; CAQ IPTF Monitoring Inflation in Certain Countries

AICPA headlines

In July, the AICPA revised Technical Question and Answers (TQAs) about presenting revenues as an agent and evaluating whether certain liabilities are 'debt' for purposes of the statement of cash flows.

The AICPA also recently released in electronic format guides for state and local governments, employee benefit plans, government auditing standards and single audits and not-for-profit entities.

The AICPA Professional Ethics Executive Committee issued two FAQs on familiarity threats that may exist when senior personnel of an engagement team have a long tenure on an attest engagement.

Resources: AICPA TQA on disclosing revenues of an agent; AICPA TQA on evaluating whether certain liabilities constitute 'debt' for purposes of the statement of cash flows; AICPA AAG on state and local governments; AICPA AAG on employee benefit plans; AICPA AAG on government auditing standards and single audits; AICPA AAG on not-for-profit entities; AICPA FAQs

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New standards and guidance

Leases standard – time is running out

In July, the FASB issued two ASUs updating ASC 842 with Codification technical corrections and targeted improvements. In August, the Board issued an exposure draft on narrow-scope improvements for lessors. While companies will need to take time to understand the new and proposed guidance, they cannot delay their implementation efforts.

Codification improvements

The FASB recently issued its final technical corrections to the leases standard. The amendments clarify certain aspects of ASC 842 but do not make any substantive changes to its core provisions or principles.

Resources: KPMG's Handbook, Leases; KPMG's web article; KPMG's Defining Issues, FASB proposes clarifications and technical corrections to the new leases standard; ASU 2018-10

Targeted improvements

The targeted improvements amendments create an additional transition method, and a lessor practical expedient to not separate lease and non-lease components if specific criteria are met.

Optional transition relief

The new transition method allows companies to use the effective date of the leases standard as the date of initial application on transition.

Companies that elect this transition option will:

— not adjust their comparative period financial information for the effects of ASC 842;
— not make the new required lease disclosures for periods before the effective date; and
— carry forward their ASC 840 disclosures for comparative periods.

Lessor separation of lease and non-lease components

The practical expedient permits lessors to make an accounting policy election by class of underlying asset to not separate lease and non-lease components if two specific criteria are met. Those criteria are:

— the timing and pattern of transfer to the lessee of the lease component and the non-lease component(s) associated with that lease component are the same.
— the lease component, if accounted for separately, would be classified as an operating lease.

If the practical expedient has been elected and a contract includes multiple non-lease components – one or more that meet(s) the timing and pattern of transfer criterion and one or more that does(do) not – the lessor combines the non-lease component(s) that meet the first criterion with the lease component and separates non-lease components that do not.

If the non-lease component(s) is(are) the predominant component(s) of the combined component – i.e. because the lessee would reasonably be expected to ascribe more value to the non-lease component(s) – the lessor should account for the combined component under ASC 606, as a single ASC 606 performance obligation, rather than under the leases guidance in ASC 842.

In those cases, the lessor:

— uses the same measure of progress for the combined ASC 606 component as it used when determining eligibility for combination of the lease and non-lease component(s) (generally time-elapsed); and
— accounts for all variable payments related to any good or service, including the lease, that is part of the combined ASC 606 performance obligation under the guidance on variable consideration in ASC 606.

All other combined components are accounted for under ASC 842 as a single lease component. This includes situations in which the lease component and non-lease component(s) are equally significant to the contract. If the combined component is accounted for under ASC 842 as a single lease component, the lease is classified as an operating lease by default; no lease classification test is performed. In these cases, all variable payments under the contract are accounted for as variable lease payments under ASC 842.

Resources: Section 4.4 of KPMG's Handbook, Leases; KPMG's web article; ASU 2018-11

Proposed narrow-scope improvements for lessors

The FASB's proposed amendments would:

— add a practical expedient permitting lessors to present collections of sales and other similar taxes that arise from a specific lease transaction net of the lessor's payment of such taxes; and
— require a lessor to present lessor costs and payments made by the lessee directly to a third party (e.g. an insurer) on a net basis when the lessor cannot readily determine the amounts paid by the lessee to the third party.
  - Lessor costs include property taxes on the underlying asset for which the lessor is the primary obligor, and insurance on the underlying asset required by the lease contract for which the lessor is the primary beneficiary.
  - This proposal might apply to lessor costs of insurance on the underlying asset when the lessee is the policy owner and is not required, nor expected, to report its premiums to the lessor, or insures the asset through an umbrella policy.

The proposed amendments would also clarify that:

— a lessor should allocate variable payments between the lease and non-lease components of a lease contract under the allocation guidance in ASC 606; and
— a lessor's timing of its revenue recognition of the portion of such payments allocated to ASC 606 non-lease components is also governed by the guidance in ASC 606.

The comment period ended September 12.

Resources: Sections 4.2 and 7.3 of KPMG's Handbook, Leases; KPMG's web article; Proposed ASU

Implementing the credit impairment standard

In August, the FASB issued a proposed ASU that would amend ASC 326, Measurement of Credit Losses on Financial Instruments.

The proposed ASU would:

- amend the transition provisions to require companies that are not public business entities to adopt the amendments for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years; and
- clarify that operating lease receivables accounted for under ASC 842 would be excluded from the scope of the credit impairment standard.

The comment period ends September 19.

Also in August, the Board discussed issues identified during the June Transition Resource Group (TRG) meeting. The Board tentatively decided that for accrued interest a company may:

- measure the allowance separately from other components of amortized cost; and
- elect some or all of these accounting policies:
  - present the accrued interest receivable and related allowance separately from the associated financial assets or net investments in leases;
  - reverse accrued interest through interest income or treat it as a direct writeoff and deduct it from the allowance;
  - exclude accrued interest from the calculation of the allowance, if the company has an accounting policy that results in a timely reversal or writeoff of unpaid accrued interest.

The Board also tentatively decided that a company would be required to include in the estimate of the allowance the expected recoveries of financial assets previously written off. The expected recoveries would include only the amounts collected from the borrower.

Next steps

The Board expects to continue its discussion on these and other implementation issues in September, and to issue Codification improvements in the fourth quarter.

The next TRG meeting is expected to be held on November 1.

Resources: KPMG's Handbook, Credit impairment; Proposed ASU

Implementing the hedging standard

The Board has two projects on its standard-setting agenda related to implementing the hedging standard:

— a narrow-scope project about the 'last-of-layer method', specifically about how to account for the basis adjustments and multiple-layer hedging strategies; and

— a Codification improvement project to clarify whether a company can change the hedged risk and/or the hedged forecasted transaction during the term of the hedging relationship.

Separately, the Board met in September to discuss issues raised during implementation activities and related Codification amendments and expects to issue Codification improvements in the fourth quarter.

Resources: Issues In-Depth, Hedging – Targeted Improvements

FASB proposals on balance sheet debt classification

In August, the FASB redeliberated its proposed ASU on simplifying the balance sheet classification of debt and tentatively decided these issues:

— **Unused long-term financing arrangement.** A borrower would disregard an unused long-term financing arrangement in place at the balance sheet date when determining the classification of debt unless it is explicitly available to refinance an existing debt. The Board had previously decided that an existing unused long-term financing arrangement could support noncurrent presentation for current maturities of other debt arrangements.

— **Grace periods.** A borrower who violates a covenant for which there is a specified grace period to cure the violation would classify the debt as noncurrent. The borrower also would disclose the violation and information related to the grace period.

The new ASU would be effective for:

— **public companies** – For fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020; and
— **all other entities** – For fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.

The FASB expects to issue a final ASU in the fourth quarter.

Resources: KPMG's Defining Issues, FASB proposes simplification to balance sheet classification of debt; Proposed ASU

Nonemployee share-based payment accounting improvements

In June, the FASB updated ASC 718, Compensation—Stock Compensation, to more closely align the accounting for employee and nonemployee share-based payment arrangements.

The update requires companies generally to account for share-based payment transactions with nonemployees and employees in the same way. The update eliminates differences in the accounting except for expense attribution and a contractual term election provided for valuing nonemployee equity share options.

The amendments also include elections offering relief to nonpublic companies when measuring nonemployee equity share options.

Entities will transition to the new guidance using a modified retrospective approach. On adoption, unsettled liability-classified nonemployee awards and equity awards in which a measurement date has not been established will be measured at fair value.

Effective dates	Public business entities	All other entities
Annual periods – Fiscal years beginning after	December 15, 2018	December 15, 2019
Interim periods – Fiscal years beginning after	December 15, 2018	December 15, 2020
Early adoption allowed?	Yes, but no earlier than the company's adoption date of the revenue recognition standard.	

The FASB staff has stated that a company that early adopts in an interim period other than the first one of its fiscal year has two choices for determining the measurement date for any cumulative-effect adjustment.

— **Beginning of fiscal year as measurement date.** A company may choose the beginning of its fiscal year as the measurement date. It would recast its previously reported quarterly periods in the year-to-date results, as if it had adopted the update at the beginning of the fiscal year. In 2019 comparative results, the company would recast the previously reported quarterly results.

— **Beginning of interim period as measurement date.** A company may choose the beginning of the interim period in which it adopts the update as the measurement date. It would reflect in its year-to-date results accounting under ASC 505-50 for interim periods before adoption, and accounting under the update for interim periods post-adoption. The company would not recast previously reported results of interim periods before adoption.

Resources: KPMG's Defining Issues, FASB simplifies the accounting for share-based payments to nonemployees; ASU 2018-07

Codification improvements

In July, the FASB issued Codification improvements that clarify, correct and improve several Codification Topics. The changes are part of an ongoing FASB project to make non-substantive technical corrections, clarifications and improvements without adding significant changes or costs to current accounting practice for most entities.

While most of the amendments are effective immediately, some are effective for annual periods in fiscal years beginning after December 15, 2018 and December 15, 2019 for public business entities and other entities, respectively.

Amendments that affect recently issued ASUs that are not yet effective, are effective at the same time as the original ASU.

Key ASU amendments include:

— clarifying when companies should recognize excess tax benefits for share-based payment awards;
— removing inconsistent guidance about income tax accounting for business combinations;
— clarifying the circumstances in which derivatives may be offset on the balance sheet;
— clarifying the measurement of a liability (or an equity-classified financial instrument) when an identical instrument is held as an asset; and
— allowing companies to use the portfolio exception to valuation to portfolios of financial instruments and derivative nonfinancial instruments.

In May, the FASB also issued improvements to ASC 942, Financial Services—Depository and Lending, which eliminated outdated guidance about OCC Banking Circular 202, Accounting for Net Deferred Tax Charges.

Resources: KPMG's web article on ASU 2018-06; KPMG's web article on ASU 2018-09; ASU 2018-06; ASU 2018-09

FASB clarifies how not-for-profits and others account for grants and similar transactions

In June, the FASB updated ASC 958, Not-for-Profit Entities, to clarify the scope and the accounting guidance for contributions received and contributions made. The ASU will (1) assist entities in evaluating whether grants and similar agreements should be accounted for as contributions or exchange transactions and (2) distinguish between conditional and unconditional contributions. The ASU applies to all entities that receive or make contributions, primarily not-for-profit entities (NFPs).

Effective dates	Public NFPs* and public business entities	All other entities
Annual periods – In fiscal years beginning after	Contributions received: June 15, 2018 Contributions made: December 15, 2018	Contributions received: December 15, 2018 Contributions made: December 15, 2019
Interim periods – In fiscal years beginning after	Contributions received: June 15, 2018 Contributions made: December 15, 2018	Contributions received: December 15, 2019 Contributions made: December 15, 2020
Early adoption is permitted for all entities.		
* NFPs that have issued, or are conduit bond obligors for, securities that are traded, listed or quoted on an exchange or an over-the-counter market.		

Resources: KPMG's Defining Issues, FASB clarifies how not-for-profits and others account for grants and similar transactions; ASU 2018-08

FASB changes long-duration insurance accounting model

In August, the FASB issued ASU 2018-12, which changes how insurance entities recognize, measure, present and disclose long-duration contracts. Under the new standard, insurance entities accounting for long-duration contracts will:

- review cash flow assumptions at the same time every year, and update the assumptions if there is a change, unless experience suggests more frequent updates;
- use an upper-medium grade (low-credit risk) fixed-income instrument yield for the discount rate and update each reporting period;
- measure all market risk benefits at fair value;
- amortize deferred acquisition costs on a constant level basis over the expected term of the related contracts; and
- improve disclosures about the liability for future policy benefits, policyholder account balances, market risk benefits, deferred acquisition costs and separate account assets and liabilities.

The standard is effective for public companies in fiscal years beginning after December 15, 2020 (i.e. 2021 for calendar year-end public companies), and one year later for all other entities.

Early adoption is permitted for all entities.

The standard applies to only insurance entities that are within the scope of US GAAP related to insurance contracts, ASC 944. Holders of insurance contracts and contracts issued by non-insurance entities are outside the scope of the standard.

Resources: KPMG's Defining Issues, FASB changes long-duration insurance accounting model and other editions summarizing the October 2017, November 2017 and June 2018 meetings; ASU 2018-12

Accounting for cloud computing arrangements

In August, the FASB issued ASU 2018-15 on a customer's accounting for implementation costs incurred in a cloud computing arrangement. Under the amendments, a company should defer implementation costs that it incurs if the customer would capitalize those same costs under the internal-use software guidance for an arrangement that is a software license. The amendments are effective for interim and annual periods in fiscal years beginning after December 15, 2019. Early adoption is permitted.

Resources: KPMG's Defining Issues, FASB issues ASU on accounting for implementation costs of cloud computing arrangements; ASU 2018-15

FASB updates the conceptual framework

In August, the FASB issued two changes to its Conceptual Framework.

- **New chapter on disclosures.** The new chapter describes the purpose of the notes to financial statements, the nature of appropriate content and the general limitations of disclosure. The chapter also includes considerations specific to interim reporting.

- **Updated definition of materiality.** The FASB aligned its definition of materiality with other definitions in the financial reporting system – i.e. the definition used by the SEC, the PCAOB, AICPA and the United States judicial system.

Resources: FASB Concepts Statement No. 8, Chapter 8, Notes to the financial statements; FASB Concepts Statement No. 8, Amendments to Chapter 3, Qualitative characteristics of useful financial information

FASB issues amendments to the disclosure framework

In August, the FASB issued amendments to ASC 820, Fair Value Measurement, and ASC 715-20, Defined Benefit Plans. The amendments add, remove or clarify disclosure requirements.

- ASU 2018-13, Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement, is effective for all companies in fiscal years beginning after December 15, 2019 – i.e. 2020 for calendar year-end companies. Early adoption is permitted for all entities.
- ASU 2018-14, Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans, is effective for public companies in fiscal years ending after December 15, 2020 – i.e. 2020 for calendar year-end public companies and all other entities in fiscal years ending after December 15, 2021. Early adoption is permitted for all entities.

Resources: KPMG's Defining Issues, FASB amends fair value disclosure requirements and FASB amends defined benefit plan disclosures; ASU 2018-13; ASU 2018-14

Critical audit matters

Implementation of Phase 2 of the PCAOB's AS 3101 standard regarding communication of critical audit matters (CAMs) is quickly approaching. The effective dates are:

- for audits of large accelerated filers: fiscal years ending on or after June 30, 2019; and for audits of all other companies to which the requirements apply[3]
- fiscal years ending on or after December 15, 2020.

Phase 2 requires auditors to report on the CAMs identified in the audit of the current period's financial statements. CAMs are matters that were communicated to the audit committee, relate to accounts or disclosures that are material to the financial statements and involved especially challenging, subjective or complex auditor judgment.

[3] The communication of CAMs is not required for emerging growth companies; brokers and dealers; investment companies other than business development companies; and employee stock purchase, savings and similar plans.

In the auditor's report, the auditor identifies the CAM and describes the:

— principal considerations in concluding it is a CAM;
— primary procedures performed to address the CAM; and
— relevant financial statement accounts or disclosures that relate to the CAM.

It is expected that in most audits, the auditor will identify at least one CAM. However, in the infrequent circumstances that no CAMs are identified, the auditor is required to state that in the auditor's report.

Early engagement between the auditor, management and audit committee will be key to successfully implementing the CAM reporting requirement. Management and the audit committee should begin talking now with their auditor about potential CAMs and how their identification and descriptions compare with information currently disclosed by the company.

While the standard does not prohibit the auditor from providing original information in its report, it should limit that information to describing the principal considerations in concluding that a matter was a CAM and how it was addressed in the audit.

Resources: CAQ publication - Critical Audit Matters: Key Concepts and FAQs for Audit Committees, Investors, and Other Users of Financial Statements; PCAOB Standard and Related Amendments

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Projects and agenda priorities

Emerging Issues Task Force activities

The EITF has two open issues on its agenda.

— **Recognition in a business combination of an assumed liability in a revenue contract.** The EITF reached a consensus-for-exposure at its June meeting that would align the criteria for recognizing a liability for a revenue contract acquired in a business combination with the criteria for identifying a performance obligation in the revenue recognition standard. The EITF expects to issue an exposure draft in the fourth quarter.

— **Cost capitalization for episodic television series.** The EITF received input from the FASB's industry working group about this narrow-scope project addressing the cost capitalization guidance for episodic television series in ASC 926-20, Entertainment—Films—Other Assets—Film Costs. The EITF asked the FASB staff and working group to further research the cost capitalization issue and provide input about the amortization and impairment of those costs.

The EITF's next meeting is September 27.

Resources: KPMG's Defining Issues, EITF reaches a final consensus on implementation costs for cloud computing and a consensus-for-exposure

Conceptual framework

In June, the FASB discussed application issues associated with the agreed-upon tentative definition of a liability and reached several tentative decisions.

— The requirement to have a present obligation adequately distinguishes business risks from liabilities.

— The present description of constructive obligations provides an adequate basis to reach standard-level conclusions about constructive obligations. Paragraph 40 in FASB Concepts Statement 6, Elements of Financial Statements, defines a constructive obligation as, "created, inferred, or construed from the facts in a particular situation rather than contracted by agreement with another entity or imposed by government."

— The term 'stand-ready obligation' should not be used and the concepts should explain that there are present obligations with an uncertain outcome. The Board also agreed that engaging in business activities would not create present obligations with an uncertain outcome without a law or contract establishing an obligation, or the entity creating an obligation, consistent with other constructive obligations (as defined).

The FASB staff will continue to develop concepts related to elements of financial statements.

Disclosure framework

In July, the FASB discussed the staff's approach to the interim disclosures reporting project. The FASB directed the staff to develop principles for interim disclosures and to perform research and outreach.

Improving the accounting for asset acquisitions and business combinations

In May, the FASB discussed Phase 3 of the Definition of a Business Project: Improving the Accounting for Asset Acquisitions and Business Combinations. The Board discussed how certain areas within the accounting for asset acquisitions and business combinations could be aligned, specifically contingent consideration, in-process research and development and acquisition costs. No technical decisions were made at the meeting.

Consolidation reorganization and targeted improvements

In June, the FASB decided to continue its existing project to reorganize ASC 810, Consolidation. The Board instructed the staff to develop nonauthoritative educational material that addresses the more difficult parts of consolidation guidance with the goal of supporting and supplementing the reorganized authoritative consolidation guidance.

Targeted improvements to the accounting for collaborative arrangements

In July, the FASB discussed feedback received on its proposed changes to ASC 808 to clarify when transactions between collaborative participants are in the scope of ASC 606 and should be presented as revenue.

The Board:

- reaffirmed the forthcoming amendments would not change the current accounting for:
  - transactions directly related to sales to third parties; or
  - nonrevenue transactions between collaborative participants;
- reaffirmed its intent to use the distinct good or service unit-of-account guidance in ASC 606 to determine whether a separate unit of account in a collaborative arrangement should be accounted for under ASC 606;

- decided to move the examples of transactions directly related to third-party sales from the basis for conclusions of the proposed ASU into the amendments;
- clarified that transactions outside the scope of ASC 606 would be precluded from being presented with revenue recognized from contracts with customers; and
- clarified that the definition of '*c*ollaborative arrangements that are not complete' in ASC 808-10-65-2(c) would be arrangements that have one or more unperformed units of account.

The Board also reaffirmed that a company will be required to apply the amendments on a modified retrospective basis.

The anticipated effective date for public companies will be for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years.

The amendments will be effective for all other companies for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021.

Early adoption is permitted as of the later of (1) the issuance of the ASU or (2) the date of a company's adoption of ASC 606.

A final standard is forthcoming.

Resources: Proposed ASU

Segment reporting

In June, the FASB staff discussed with the Board a plan to undertake extended outreach on the segment reporting project. The extended outreach would focus on two alternatives:

- re-ordering the process for determining reportable segments and move the quantitative thresholds earlier in that process; and
- removing the aggregation criteria so that each operating segment would be reportable until a practical limit is reached.

The FASB began its extended outreach in August.

Joint meeting of the FASB and IASB

In June, the FASB and the International Accounting Standards Board (IASB) met for an educational session and discussed:

- segment reporting;
- financial performance reporting/primary financial statements;
- disclosure framework/disclosure initiative;
- fair value measurement disclosures/fair value post-implementation review;
- goodwill and impairment;
- implementation of the revenue (ASC 606, IFRS 15) and leases (ASC 842, IFRS 16) standards;

- conceptual framework;
- distinguishing liabilities from equity/financial instruments with characteristics of equity; and
- improving the accounting for asset acquisitions and business combinations/variable and contingent consideration.

No decisions were made at the meeting.

Resources: FASB's tentative decisions

Private Company Council activities

The PCC met in June and discussed recent town hall meetings and feedback on various topics. The PCC generally expressed support for the FASB's projects on targeted improvements to related party guidance for variable interest entities, accounting for implementation costs for certain cloud computing arrangements and share-based compensation.

Balance sheet classification of debt

The PCC requested that the FASB reconsider its decision to allow a company to classify debts due within 12 months as long-term debt if it has unused long-term financing arrangements at the balance sheet date. The PCC stated that the FASB decision was not consistent with its intent to simplify balance sheet classification of debt.

Consolidation reorganization

The PCC generally supported the project to reorganize the consolidation guidance from ASC 810 into a new topic (ASC 812). However, some members expressed concern that reorganizing ASC 810 may result in unintended changes.

The PCC revisited its April discussion of two revenue recognition issues that have operational complexity:

- recognizing revenue for certain short-cycle manufacturing contracts over time; and
- estimating out-of-pocket costs for some arrangements in which costs are reimbursable by the customer.

The FASB staff performed outreach and research on these issues and summarized their findings in two memos. The memos summarize how certain public companies have navigated the operational challenges. The PCC members said that the memos were educational and helpful for private companies to use as they adopt ASC 606.

The next PCC meeting will be held on October 9.

Resources: PCC Meeting recap

4 Recommended reading and CPE opportunities

Enhanced technology in the audit

In a bylined article for CFO Tech Outlook, KPMG National Managing Partner – Audit John Ebner and Partner Roger O'Donnell, global head of Data and Analytics – Audit, advise that tomorrow's auditors need skills in information technology, data and analytics and cybersecurity, not just accounting. The authors stress that although advanced technological tools enable and empower professionals and enhance their skills, it is people who set companies apart and are fundamental to success. Read the article.

6 months into tax reform – Where are we and what's next?

Financial Executive featured KPMG's Americas Vice Chairman—Tax, Jeffrey C. LeSage, discussing the effect of The Tax Cuts and Jobs Act of 2017. In this bylined article by LeSage, he advises that, "tax reform has made the US corporate rate more competitive with the rest of the world while spurring investment and other economic activity." He also cautions that "many companies are being challenged by the ambiguity, inconsistencies, and possible unintended consequences around certain provisions in the law." Read the article.

6 steps to help you find your way after *Wayfair*

ColoradoBiz publishes an article by Stephen Metz, senior manager, tax, in KPMG's Denver office. Metz writes, "As a result of the [*South Dakota v. Wayfair, Inc.*] ruling, millions more online shoppers will likely be required to start paying state sales tax when they make purchases." And, he advises, "As changes take place, retailers and the states should also keep an eye on possible Congressional efforts to pass legislation that sets a national standard to reflect the new reality of online and remote commerce. This issue has been before Congress for at least three decades, with no consensus reached or approach developed, but it's possible that the Court's *Wayfair* decision may add some urgency to the discussion." Read the article.

Mid-2018 outsourcing update: Glass half-empty? Or time to redefine the glass?

In a bylined article for *NearShoreAmericas,* KPMG's Shared Services and Outsourcing Advisory leader Dave Brown shares findings that indicate what global organizations anticipate as sophisticated new technologies and automation change the outsourcing business. Read the article.

Onshore vs. offshore: 8 trends driving IT support back home

In a bylined article for *CIO.com,* KPMG's Randy L. Wiele writes that when it comes to IT outsourcing, more companies are reporting plans to increase spending nearer to their own shores than 'offshore.' This has several implications for CIOs and IT leaders. In fact, the recently completed KPMG/Harvey Nash 2018 CIO Survey found many respondents predicting a continuation in the trend of more onshore outsourcing delivery options for IT Support. Read the article.

CAMs are a great opportunity for the audit profession

In a CAQ 'Profession in Focus' interview, KPMG's Jackie Daylor, National Managing Partner for Audit Quality in the Department of Professional Practice, says on CAMs in the new auditor's report, "we view it as an opportunity for better communication with investors." Listen to the interview.

Upcoming CPE opportunities

KPMG Executive Education provides a wide range of accounting and finance continuing professional education (CPE) programs in several formats: public seminars, customized on-site instructor-led classes, web-based self-study programs and live webcasts.

KPMG's Financial Reporting View (FRV) offers additional CPE opportunities, including registration information for upcoming CFO Financial Forum webcasts. The webcasts feature KPMG professionals discussing current and impending accounting and financial reporting matters, and guidance for implementing new accounting standards.

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5 Appendix - Accounting standards effective dates

Accounting standards affecting public companies in 2018

Calendar year-end public companies are required to begin applying these accounting standards in 2018.

Topic	Effective date for public companies	For more information
Revenue recognition	Annual and interim periods in fiscal years beginning after 12/15/2017	ASU 2014-09 ASU 2015-14 ASU 2016-08 ASU 2016-10 ASU 2016-11 ASU 2016-12 ASU 2016-20 ASU 2017-13 ASU 2017-14 KPMG's webpage on Revenue
Recognition and measurement of financial assets and financial liabilities	Annual and interim periods in fiscal years beginning after 12/15/2017	ASU 2016-01 ASU 2018-04 KPMG's webpage on Financial instruments
Technical corrections and improvements to financial instruments—Overall, Recognition and measurement of financial assets and financial liabilities	Fiscal years beginning after 12/15/2017, and interim periods in fiscal years beginning after 6/15/2018. Public business entities with fiscal years beginning in the period between 12/15/17 and 6/15/18 are not required to adopt the amendments until the interim period beginning after 6/15/18.	ASU 2018-03 KPMG's webpage on Financial instruments
Recognition of breakage for certain prepaid stored-value products	Annual and interim periods in fiscal years beginning after 12/15/2017	ASU 2016-04 Defining Issues Podcast

Topic	Effective date for public companies	For more information
Statement of cash flows – classification of certain cash receipts and payments	Annual and interim periods in fiscal years beginning after 12/15/2017	ASU 2016-15 Defining Issues Webcast Podcast
Intra-entity transfers of assets other than inventory	Annual and interim periods in fiscal years beginning after 12/15/2017	ASU 2016-16 Defining Issues Podcast
Statement of cash flows – presentation of restricted cash	Annual and interim periods in fiscal years beginning after 12/15/2017	ASU 2016-18 Defining Issues Webcast Podcast
Clarifying the definition of a business	Annual and interim periods in fiscal years beginning after 12/15/2017	ASU 2017-01 Defining Issues Webcast
Clarifying the scope of asset derecognition guidance and accounting for partial sales of nonfinancial assets	Annual and interim periods in fiscal years beginning after 12/15/2017	ASU 2017-05 Defining Issues Podcast
Improving the presentation of net periodic pension cost and net periodic postretirement benefit cost	Annual and interim periods in fiscal years beginning after 12/15/2017	ASU 2017-07 Defining Issues Podcast
Scope of modification accounting for share-based payment awards	Annual and interim periods in fiscal years beginning after 12/15/2017	ASU 2017-09 Web article
Identifying the customer in a service concession arrangement	Annual and interim periods in fiscal years beginning after 12/15/2017	ASU 2017-10 Web article Podcast
Income Taxes (ASC 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118	Effective upon issuance (March 2018)	ASU 2018-05
Codification Improvements to ASC 942, Financial Services—Depository and Lending	Effective upon issuance (May 2018)	ASU 2018-06 Web article
Not-For-Profit Entities (ASC 958): Clarifying the Scope and the Accounting Guidance for Contributions	**Contributions received:** Annual and interim periods in fiscal years beginning after 6/15/2018	ASU 2018-08 Defining Issues

Topic	Effective date for public companies	For more information
Received and Contributions Made	**Contributions made:** Annual and interim periods in fiscal years beginning after 12/15/2018	
Codification Improvements	Most amendments are effective upon issuance (July 2018). Certain amendments that require transition guidance are effective for fiscal years, and interim periods within those years, beginning after 12/15/2018. Other amendments, which affect recently issued ASUs that are not yet effective, are effective at the same time as the original ASU.	ASU 2018-09 Web article

Accounting standards affecting public companies in 2019 and beyond

Calendar year-end public companies are required to begin applying these accounting standards in 2019 or later and may need to disclose their potential effects in 2018.

Topic	Effective date for public companies	For more information
Leases	Annual and interim periods in fiscal years beginning after 12/15/2018	ASU 2016-02 ASU 2017-13 ASU 2018-01 ASU 2018-10 ASU 2018-11 KPMG's webpage on Leases
(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	Annual and interim periods in fiscal years beginning after 12/15/2018	ASU 2017-11 Defining Issues
Targeted improvements to accounting for hedging activities	Annual and interim periods in fiscal years beginning after 12/15/2018	ASU 2017-12 Defining Issues
Codification improvements ASC 955, US Steamship Entities	Annual and interim periods in fiscal years beginning after 12/15/2018	ASU 2017-15 Web article
Reclassification of certain tax effects from accumulated other comprehensive income	Annual and interim periods in fiscal years beginning after 12/15/2018	ASU 2018-02 Tax reform supplement Webcast
Measurement of credit losses on financial instruments	**SEC filers:** Annual and interim periods in fiscal years beginning after 12/15/2019 **Non-SEC filers:** Annual and interim periods in fiscal years beginning after 12/15/2020	ASU 2016-13 Defining Issues KPMG's webpage on Financial instruments

Topic	Effective date for public companies	For more information
Premium amortization for purchased callable debt securities	Annual and interim periods in fiscal years beginning after 12/15/2018	ASU 2017-08 Defining Issues Podcast
Compensation—Stock Compensation (ASC 718): Improvements to Nonemployee Share-Based Payment Accounting	Annual and interim periods in fiscal years beginning after 12/15/2018	ASU 2018-07 Defining Issues
Simplifying the test for goodwill impairment	**SEC filers:** Annual and interim periods in fiscal years beginning after 12/15/2019 **Non-SEC filers:** Annual and interim periods in fiscal years beginning after 12/15/2020	ASU 2017-04 Defining Issues Podcast
Financial Services—Insurance (ASC 944)	Annual and interim periods in fiscal years beginning after 12/15/2020	ASU 2018-12 Defining Issues
Fair Value Measurement (ASC 820)	Annual and interim periods in fiscal years beginning after 12/15/2019	ASU 2018-13 Defining Issues
Compensation—Retirement Benefits—Defined Benefit Plans (ASC 715-20)	Annual and interim periods in fiscal years ending after 12/15/2020	ASU 2018-14 Defining Issues
Intangibles—Goodwill and Other—Internal-Use Software (ASC 350-40)	Annual and interim periods in fiscal years beginning after 12/15/2019	ASU 2018-15 Defining Issues

Accounting standards affecting private companies in 2018

Calendar year-end private companies are required to begin applying these accounting standards in 2018.

Topic	Effective date for private companies	For more information
Technical corrections (December 2016)	Most amendments were effective on issuance (December 2016). Certain amendments that require transition guidance are effective for: — annual and interim periods in fiscal years beginning after 12/15/2016 (for fair value measurements); and — annual periods in fiscal years beginning after 12/15/2017, and interim periods in fiscal years beginning after 12/15/2018 (for cloud computing arrangements).	ASU 2016-19
Scope of modification accounting for share-based payment awards	Annual and interim periods in fiscal years beginning after 12/15/2017	ASU 2017-09 Web article
Simplifying the presentation of deferred taxes	Annual periods in fiscal years beginning after 12/15/2017, and interim periods in fiscal years beginning after 12/15/2018	ASU 2015-17 Defining Issues Podcast
Effect of derivative contract novations on existing hedge accounting relationships	Annual periods in fiscal years beginning after 12/15/2017, and interim periods in fiscal years beginning after 12/15/2018	ASU 2016-05 Defining Issues Podcast
Contingent put and call options in debt instruments	Annual periods in fiscal years beginning after 12/15/2017, and interim periods in fiscal years beginning after 12/15/2018	ASU 2016-06 Defining Issues Podcast
Improvements to employee share-based payment accounting	Annual periods in fiscal years beginning after 12/15/2017, and interim periods in fiscal years beginning after 12/15/2018	ASU 2016-09 Defining Issues Podcast

Topic	Effective date for private companies	For more information
Presentation of financial statements of not-for-profit entities	Annual periods in fiscal years beginning after 12/15/2017, and interim periods in fiscal years beginning after 12/15/2018	ASU 2016-14
Income Taxes (ASC 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118	Effective upon issuance (March 2018)	ASU 2018-05
Codification Improvements to ASC 942, Financial Services——Depository and Lending	Effective upon issuance (May 2018)	ASU 2018-06 Web article
Codification Improvements	Most amendments are effective upon issuance (July 2018). Certain amendments that require transition guidance are effective for fiscal years, and interim periods within those years, beginning after 12/15/2019. Other amendments, which affect recently issued ASUs that are not yet effective, are effective at the same time as the original ASU.	ASU 2018-09 Web article

Accounting standards affecting private companies in 2019 and beyond

Calendar year-end private companies are required to begin applying these accounting standards in 2019 or later.

Topic	Effective date for private companies	For more information
Codification improvements to ASC 955, US Steamship Entities	Annual and interim periods in fiscal years beginning after 12/15/2018	ASU 2017-15 Web article
Reclassification of certain tax effects from accumulated other comprehensive income	Annual and interim periods in fiscal years beginning after 12/15/2018	ASU 2018-02 Tax reform supplement Webcast
Revenue recognition	Annual periods in fiscal years beginning after 12/15/2018, and interim periods in fiscal years beginning after 12/15/2019	ASU 2014-09 ASU 2015-14 ASU 2016-08 ASU 2016-10 ASU 2016-12 ASU 2016-20 KPMG's webpage on Revenue
Recognition and measurement of financial assets and financial liabilities	Annual periods in fiscal years beginning after 12/15/2018, and interim periods in fiscal years beginning after 12/15/2019	ASU 2016-01 ASU 2018-03 ASU 2018-04 KPMG's webpage on Financial instruments
Recognition of breakage for certain prepaid stored-value products	Annual periods in fiscal years beginning after 12/15/2018, and interim periods in fiscal years beginning after 12/15/2019	ASU 2016-04 Defining Issues Podcast
Statement of cash flows – classification of certain cash receipts and payments	Annual periods in fiscal years beginning after 12/15/2018, and interim periods in fiscal years beginning after 12/15/2019	ASU 2016-15 Defining Issues Webcast Podcast
Intra-entity transfers of assets other than inventory	Annual periods in fiscal years beginning after 12/15/2018, and interim periods in fiscal years beginning after 12/15/2019	ASU 2016-16 Defining Issues Podcast
Statement of cash flows – presentation of restricted cash	Annual periods in fiscal years beginning after 12/15/2018, and interim periods in fiscal years beginning after 12/15/2019	ASU 2016-18 Defining Issues Webcast Podcast

Appendix – Accounting standards effective dates

Topic	Effective date for private companies	For more information
Clarifying the definition of a business	Annual periods in fiscal years beginning after 12/15/2018, and interim periods in fiscal years beginning after 12/15/2019	ASU 2017-01 Defining Issues Webcast
Clarifying the scope of asset derecognition guidance and accounting for partial sales of nonfinancial assets	Annual periods in fiscal years beginning after 12/15/2018, and interim periods in fiscal years beginning after 12/15/2019	ASU 2017-05 Defining Issues Podcast
Employee benefit plan master trust reporting	Annual periods in fiscal years beginning after 12/15/2018	ASU 2017-06 Web article
Improving the presentation of net periodic pension cost and net periodic postretirement benefit cost	Annual periods in fiscal years beginning after 12/15/2018, and interim periods in fiscal years beginning after 12/15/2019	ASU 2017-07 Defining Issues Podcast
Identifying the customer in a service concession arrangement	Annual periods in fiscal years beginning after 12/15/2018, and interim periods in fiscal years beginning after 12/15/2019	ASU 2017-10 Web article Podcast
Not-For-Profit Entities (ASC 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made	**Contributions received:** Annual periods in fiscal years beginning after 12/15/2018, and interim periods in fiscal years beginning after 12/15/2019 **Contributions made:** Annual periods in fiscal years beginning after 12/15/2019, and interim periods in fiscal years beginning after 12/15/2020	ASU 2018-08 Defining Issues
Leases	Annual periods in fiscal years beginning after 12/15/2019, and interim periods in fiscal years beginning after 12/15/2020	ASU 2016-02 ASU 2018-01 ASU 2018-10 ASU 2018-11 KPMG's webpage on Leases
Premium amortization for purchased callable debt securities	Annual periods in fiscal years beginning after 12/15/2019, and interim periods in fiscal years beginning after 12/15/2020	ASU 2017-08 Defining Issues Podcast

Appendix – Accounting standards effective dates

Topic	Effective date for private companies	For more information
(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	Annual periods in fiscal years beginning after 12/15/2019, and interim periods in fiscal years beginning after 12/15/2020	ASU 2017-11 Defining Issues
Targeted improvements to accounting for hedging activities	Annual periods in fiscal years beginning after 12/15/2019, and interim periods in fiscal years beginning after 12/15/2020	ASU 2017-12 Defining Issues
Compensation—Stock Compensation (ASC 718): Improvements to Nonemployee Share-Based Payment Accounting	Annual periods in fiscal years beginning after 12/15/2019, and interim periods in fiscal years beginning after 12/15/2020	ASU 2018-07 Defining Issues
Measurement of credit losses on financial instruments	Annual periods in fiscal years beginning after 12/15/2020, and interim periods in fiscal years beginning after 12/15/2021	ASU 2016-13 Defining Issues KPMG's webpage on Financial instruments
Simplifying the test for goodwill impairment	Annual and interim periods in fiscal years beginning after 12/15/2021	ASU 2017-04 Defining Issues Podcast
Financial Services—Insurance (ASC 944)	Annual periods in fiscal years beginning after 12/15/2021, and interim periods in fiscal years beginning after 12/15/2022	ASU 2018-12 Defining Issues
Fair Value Measurement (ASC 820)	Annual and interim periods in fiscal years beginning after 12/15/2019	ASU 2018-13 Defining Issues
Compensation—Retirement Benefits—Defined Benefit Plans (ASC 715-20)	Annual and interim periods in fiscal years ending after 12/15/2021	ASU 2018-14 Defining Issues

Appendix – Accounting standards effective dates

Topic	Effective date for private companies	For more information
Intangibles—Goodwill and Other—Internal-Use Software (ASC 350-40)	Annual periods in fiscal years beginning after 12/15/2020, and interim periods in fiscal years beginning after 12/15/2021	ASU 2018-15 Defining Issues

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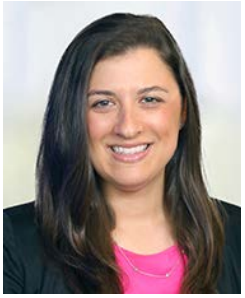
Acknowledgments

This Quarterly Outlook is a publication of the Department of Professional Practice of KPMG LLP in the United States.



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