KPMG reports on ASUs 2019-09\(^1\) and 2019-10\(^2\), which defer the effective dates for several major accounting standards.

**Applicability**

All companies.

**Key facts and impacts**

The ASUs defer the effective dates for:

- **all** companies for the ASU on long-duration insurance contracts;\(^3\)
- **certain** companies for the ASUs on credit losses (CECL), derivatives and hedging and leases.\(^4\)

**Long-duration insurance contracts**

All companies affected by the ASU on long-duration insurance contracts would have their effective dates deferred by one to three years depending on their classification.

<table>
<thead>
<tr>
<th>Company type</th>
<th>Previous effective date for calendar year-end companies</th>
<th>New effective date for calendar year-end companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEC filers that are not eligible to be smaller reporting companies(^5)</td>
<td>January 1, 2021</td>
<td>January 1, 2022</td>
</tr>
<tr>
<td>SEC filers that are eligible to be smaller reporting companies</td>
<td>January 1, 2021</td>
<td>January 1, 2024</td>
</tr>
</tbody>
</table>

\(^1\) ASU 2019-09, *Financial Services – Insurance: Effective Date*

\(^2\) ASU 2019-10, *Financial Instruments – Credit Losses, Derivatives and Hedging, and Leases: Effective Dates*

\(^3\) ASU 2018-12, *Targeted Improvements to the Accounting for Long-Duration Contracts*

\(^4\) ASU 2016-13, *Measurement of Credit Losses on Financial Instruments; ASU 2017-12, Targeted Improvements to Accounting for Hedging Activities; and ASU 2016-02, Leases (as amended)*

\(^5\) See the definition of a smaller reporting company on page 2 of this publication and SEC Release Nos. 33-10513; 34-83550, *Smaller Reporting Company Definition*
<table>
<thead>
<tr>
<th>Company type</th>
<th>Previous effective date for calendar year-end companies</th>
<th>New effective date for calendar year-end companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public business entities that are not SEC filers</td>
<td>January 1, 2021</td>
<td>January 1, 2024</td>
</tr>
<tr>
<td>All other companies in the scope of ASC 944</td>
<td>January 1, 2022</td>
<td>January 1, 2024</td>
</tr>
</tbody>
</table>

**Credit losses**

The ASU defers the effective dates of the CECL ASU for SEC filers that are eligible to be smaller reporting companies, non-SEC filers and all other companies.

<table>
<thead>
<tr>
<th>Company type</th>
<th>Previous effective date for calendar year-end companies</th>
<th>New effective date for calendar year-end companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEC filers that are not eligible to be smaller reporting companies</td>
<td>January 1, 2020</td>
<td>January 1, 2020</td>
</tr>
<tr>
<td>SEC filers that are eligible to be smaller reporting companies</td>
<td>January 1, 2020</td>
<td>January 1, 2023</td>
</tr>
<tr>
<td>Public business entities that are not SEC filers</td>
<td>January 1, 2021</td>
<td>January 1, 2023</td>
</tr>
<tr>
<td>All other companies, including not-for-profit companies and employee benefit plans</td>
<td>January 1, 2022</td>
<td>January 1, 2023</td>
</tr>
</tbody>
</table>

The ASU also defers the mandatory effective dates for the elimination of Step 2 of the goodwill impairment test to continue to align with those used for credit losses.6

**Eligibility for deferrals for long-duration insurance contracts and credit losses**

A company’s determination about whether it is eligible for the deferrals is a one-time assessment as of November 15, 2019 that is based on its most recent determination of its smaller reporting company eligibility. SEC filers determine their smaller reporting company eligibility annually on the last business day of the most recently completed second fiscal quarter. For example, a calendar year-end company would determine whether it is eligible for the deferrals based on its June 30, 2019 determination, which is the most recent determination as of November 15, 2019.

The SEC defines a smaller reporting company based on the following initial qualification thresholds7:

- public float of less than $250 million; or
- annual revenues less than $100 million as of the most recent fiscal year for which audited financial statements are available, and with a public float ranging from $0 to less than $700 million.

A company that did not initially qualify as a smaller reporting company is subject to lower qualification thresholds for its ongoing assessments.

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6 ASU 2017-04, Simplifying the Test for Goodwill Impairment
7 KPMG’s Defining Issues 18-14, SEC updates smaller reporting company definition

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The FASB decided to use the SEC’s definition of a smaller reporting company, instead of establishing its own thresholds, for purposes of determining which companies would qualify for the deferrals. However, because the SEC rule excludes certain entities from being a smaller reporting company, some SEC filers that are similar in size to companies that are smaller reporting companies will not be eligible for the deferrals. Those companies specifically identified as not eligible for smaller reporting company status include investment companies and business development companies, asset-backed issuers, majority-owned subsidiaries of a parent that is not a smaller reporting company and foreign companies that use special “F” forms instead of domestic forms.

There may be instances where a company’s most recent SEC filings (i.e. June 30, 2019 and September 30, 2019 Form 10-Qs for a calendar year-end company) indicate that it is a smaller reporting company, however, it is not eligible for the deferrals based on its most recent determination of smaller reporting company eligibility.

**Example**

Company A is a calendar year-end company that has been filing with the SEC as a smaller reporting company. Company A determined at the end of its most recently completed second fiscal quarter (June 30, 2019) that it will no longer qualify as a smaller reporting company. However, as permitted by SEC rules, Company A plans to continue to file as a smaller reporting company through the end of its current fiscal year. In this case, Company A would be ineligible for the deferrals even though its most recent filing was made as a smaller reporting company.

**Emerging growth companies**

The ASUs do not affect an emerging growth company’s ability under SEC rules to elect to follow private company adoption dates. As a result, an emerging growth company that has elected to apply private company adoption dates may continue to follow the effective dates for private companies. An emerging growth company that has not elected to apply private company adoption dates will be eligible for the deferrals if it also qualifies as a smaller reporting company.

**Broker-dealers**

Some broker-dealers file financial statements with the SEC even though they are not issuers. These broker-dealers are not eligible for the deferral of the credit losses ASU because they must be an issuer to be eligible to be a smaller reporting company.

**Derivatives and leases**

The ASU provides a one-year deferral of the effective dates of the ASUs on derivatives and hedging and leases for companies that are not public business entities. The Board did not change the effective dates for SEC filers and other public business entities because these ASUs are currently effective for those entities.

<table>
<thead>
<tr>
<th></th>
<th>Previous effective date for calendar year-end companies that are not public business entities</th>
<th>New effective date for calendar year-end companies that are not public business entities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual periods</strong></td>
<td>January 1, 2020</td>
<td>January 1, 2021</td>
</tr>
<tr>
<td><strong>Interim periods</strong></td>
<td>January 1, 2021</td>
<td>January 1, 2022</td>
</tr>
</tbody>
</table>

8 For the leases standard, the effective date also will not change for not-for-profit entities 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, and employee benefit plans that file or furnish financial statements with or to the SEC because the standard is already effective for these entities.
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Timothy Brown; Danielle Imperiale; Mark Northan

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