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MARKETS

FASB Panel Proposes Delaying New Revenue-Recognition Rules by One Year

Companies ready to adopt new rules at original 2017 deadline allowed to if they choose

By Michael Rapoport

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Companies will have an additional year to prepare for complex new rules on how they book their revenue under a proposal that U.S. accounting rule-makers announced Wednesday.

The new rules, currently slated to take effect in 2017, would be pushed back to 2018 under the proposal from the Financial Accounting Standards Board. Companies that are ready to adopt the new rules in 2017 would still be allowed to do so then if they choose, however.

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The revenue-booking changes, which the FASB enacted last May, are intended to simplify and make more consistent how companies record their revenue. Under current rules, companies in different industries often record revenue differently and sometimes book portions of it well before or after the sales that generate it.

But the overhaul will mean significant changes for many companies: software makers and wireless-communications companies will speed up booking some of their revenues, for instance, while auto and appliance makers will see some of their revenues more stretched out. Some companies, such as Verizon Communications Inc., AT&T Inc. and Adobe Systems Inc., had asked the FASB for a delay, saying the 2017 effective date doesn't give them enough time to revamp their internal systems and procedures to start booking revenue under the new methods.

At Wednesday's meeting, the FASB's staff and some board members suggested a longer, two-year delay, but FASB Chairman Russell Golden said a one-year delay "gives the companies sufficient time to implement."

The one-year delay would apply to both public and privately held companies, but, since private companies are currently slated to adopt the new rules in 2018, that would be pushed back to 2019 for them.

Once the FASB formally issues its proposal for a delay, the public will have 30 days to comment, after which the board will take up the proposal again and decide whether to enact it.

Monty Garrett, vice president of finance at Verizon, said he was "pleased" with the FASB's move. "We really just, at the end of the day, want to give everybody enough time to figure out how the rules apply to them."

The FASB "has made a prudent decision to ensure that this important project is done right and not hastily," said Tom Quaadman of the U.S. Chamber of Commerce's Center for Capital Markets Competitiveness.

Preparing for the new rules "just proved to be a very, very monumental exercise," said Mike Gallagher, managing partner for assurance quality at PricewaterhouseCoopers LLP. "I think (the FASB) made a great call in giving people more time" given the significance to investors of changes in how revenue is reported, Mr. Gallagher said.

Some companies, however, have said they expect to be ready in 2017 and could see increased costs if the new rules are delayed and they have to maintain two sets of books under the differing rules. The FASB addressed these companies' concerns by indicating that companies could adopt the new rules as of the original 2017 if they chose.

The FASB has already agreed to provide guidance clarifying some aspects of the new rules, such as how licenses of intellectual property will be treated. But there are lots of other issues with implementation to be ironed out; James Schnurr, the Securities and Exchange Commission's chief accountant, said in November that SEC staffers have identified as many as 250 different issues to be addressed as companies put the new rules into effect.

The International Accounting Standards Board, which has enacted similar revenue-recognition changes for companies outside the U.S., expects to discuss in late April whether its rule should be delayed, an IASB spokeswoman said Wednesday.

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