

CFO JOURNAL

# FASB Delays Implementation of Accounting Standards for Some Companies

Accounting standard-setter approved proposals extended deadlines over new rules on leasing, hedging, loans and insurance contracts



Financial Accounting Standards Board Chairman Russell Golden earlier this year. FASB has extended the implementation deadline for several accounting standards. PHOTO: RALPH ALSWANG FOR THE WALL STREET JOURNAL

*By Mark Maurer*

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The Financial Accounting Standards Board has extended the implementation deadline for several accounting standards, giving many U.S. companies additional time to prepare.

The accounting standard-setter on Wednesday approved its proposals for companies—mostly private businesses and nonprofits—that haven't yet had to implement new rules on lease and hedge accounting.

The FASB also extended implementation deadlines for a standard that requires lenders to record expected future losses as soon as loans are issued, and one requiring insurers to revise how they value long-term insurance contracts.

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The FASB, which voted in July for proposals to delay the effective dates by a range of one to three years, said it plans to issue documents on the changes in mid-November.

Private companies and nonprofits will have to implement the hedging and leasing standards for the fiscal year and interim periods beginning after Dec. 15, 2020. Small public lenders, public lenders that don't file with the Securities and Exchange Commission, and private and nonprofit lenders will have to implement the credit-loss standard, known as CECL, for the fiscal year and interim periods beginning after Dec. 15, 2022.

During the extended preparation period, the FASB intends to continue offering a series of workshops to educate smaller lenders across the U.S. on applying CECL, Chairman Russell Golden said.

“What we discovered in revenue recognition and leases is that smaller companies have the opportunity to learn from larger companies,” Mr. Golden said in an interview.

Private companies preparing for the transition in lease accounting, for example, have been watching how public companies have implemented the rule. Finance chiefs have said that many public companies underestimated the difficulties of complying with the rule.

Large public banks, which the FASB defines as all SEC-filing lenders minus small business entities, were unaffected and will have the same deadline of the fiscal year after Dec. 15, 2019.

Delaying CECL for some lenders likely won't end the banking industry's criticisms of the standard. Banks have argued the need to book losses up front would discourage lending. Lawmakers in the U.S. Senate and the House of Representatives introduced bills in recent months to delay CECL and conduct a study on the standard's potential impact.

“We remain deeply disappointed that FASB has yet to take the logical next step of pausing implementation for all companies until a rigorous quantitative impact study can be completed to assess its full effects,” Rob Nichols, chief executive of the industry group American Bankers Association, said in a statement.

Meanwhile, the delayed implementation of the insurance standard will affect all insurers. SEC-filing insurers will have until the fiscal year after Dec. 15, 2021, while all other insurers will have until the fiscal year after Dec. 15, 2023.

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