



# **CNM TAG – Summary of Recent Accounting Developments Q1 2019**

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## CNM Articles Published

- PCAOB Developments
- CECL is Coming
- ASC 842—Incremental Borrowing Rate
- FASB Roundtable on CECL

## Big Four Accounting Guides – new or revised

- PwC
  - Leases (December 2018)
- KPMG
  - Share-Based Payment Handbook (March 2019)
  - Leases Handbook (March 2019)
  - Credit Impairment Handbook (March 2019)
  - Consolidation of VIEs, as amended by ASU 2015-02 (January 2019)
  - Revenue: Real Estate (January 2019)
  - Revenue for Software and SaaS (December 2018)
  - Leases Handbook (December 2018)
- EY
  - Lease Accounting (March 2019)
  - Derivatives and Hedging (February 2019)
  - Impairment or Disposal of Long-Lived Assets (February 2019)
  - Lease Accounting (January 2019)
  - Share-Based Payment (December 2018)
- Deloitte
  - Roadmap to Applying New Leasing Standard (2019)

## New Accounting Standards

- ASU 2019-03 (March 2019), *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*<sup>1</sup>
- ASU 2019-02 (March 2019), *ASC 920-350 and 920-350: Improvements to Accounting for Costs of Films and License Agreements for Program Materials (a consensus of the EITF)*<sup>2</sup>
  - The amendments in this Update align the accounting for production costs of an episodic television series with the accounting for production costs of films by removing the content distinction for capitalization.
  - The amendments also require that an entity reassess estimates of the use of a film for a film in a film group and account for any changes prospectively.
- ASU 2019-01 (March 2019), *Codification Improvement—Leases (ASC 842)*<sup>3</sup>
  - Clarifies that the interim period disclosure requirements under ASC 250-10-50-3 do not apply, based on the exception provided in ASC 842.
  - Clarifies reporting of cash received by lessors in the statement of cash flows.
  - Continues an explicit exception provided under ASC 840 for lessors who are not manufacturers or dealers for determining fair value of the leased property.

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<sup>1</sup> Effective for annual financial statements issued for fiscal years beginning after December 15, 2019.

<sup>2</sup> For public entities, effective for fiscal years beginning after December 15, 2019. For all other entities, fiscal years beginning after December 15, 2020.

<sup>3</sup> The effective date is for fiscal years beginning after December 15, 2019.

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## New Accounting Standards (cont.)

- ASU 2018-20 (December 2018), *Narrow-Scope Improvements for Lessors*<sup>4</sup>
  - Permits lessors, as an accounting policy election, to not evaluate whether certain sales taxes and other similar taxes are lessor costs and instead consider them as lessee costs.
  - Require lessors to exclude from variable payments lessor costs paid by lessees directly to third parties.
  - Allocate certain variable payments to lease and non-lease components when the changes in facts and circumstances on which the variable payment is based occur.
- ASU 2018-19 (November 2018), *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*<sup>5</sup>
  - Delays the effective date for nonpublic business entities to fiscal years beginning after December 15, 2021 (e.g., January 1, 2022 for calendar fiscal year).
  - Excludes operating lease receivables from the scope of ASC 326.
- ASU 2018-18 (November 2018), *Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606*<sup>6</sup>
- ASU 2018-17 (October 2018), *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities*<sup>7</sup>
- ASU 2018-16 (October 2018), *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*<sup>8</sup>

## Other Guidance

- AICPA Audit and Accounting Guide, Revenue Recognition (February 2019)
- Financial Executives International (FEI) guides on internal control over financial reporting considerations related to ASC 842 and CECL (November 2018)
- PCAOB 2019 Staff Inspections Outlook for Audit Committees
- PCAOB Staff Guidance, Implementation of Critical Audit Matters: The Basics (March 2019)
- PCAOB Staff Guidance, Implementation of Critical Audit Matters: A Deeper Dive on the Determination of CAMs (March 2019)
- PCAOB Staff Guidance, Implementation of Critical Audit Matters: Staff Observations from Review of Audit Methodologies (March 2019)
- PCAOB Release No. 2018-005 (December 20, 2018), Auditing Accounting Estimates
- PCAOB Release No. 2018-006 (December 20, 2018), Amendments to Auditing Standards for Auditor's Use of the Work of Specialists
- FASB Staff Q&A, Topic 326, Issue 1—Whether the Weighted-Average Remaining Maturity Method is an Acceptable Method to Estimate Expected Credit Losses
- AICPA SEC and PCAOB Conference
  - SEC staff comments on application of ASC 842
  - SEC staff comments on ICFR

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<sup>4</sup> Effective upon adoption of ASC 842—January 1, 2019 for public companies and January 1, 2020 for other companies with calendar fiscal years with early application permitted.

<sup>5</sup> Effective upon adoption of ASC 326—January 1, 2020 for public companies and January 1, 2022 for other companies with calendar fiscal years with early application permitted.

<sup>6</sup> Effective January 1, 2020 for public companies and January 1, 2021 for other companies with calendar fiscal years with early adoption permitted.

<sup>7</sup> Applicable only to nonpublic entities effective January 1, 2021 for private companies with calendar fiscal years with early adoption permitted.

<sup>8</sup> Effective upon adoption of ASU 2017-12 for public companies and other companies that have not yet adopted ASU 2017-12. (ASU 2017-12 is effective January 1, 2019 for public companies and January 1, 2020 for all other companies with calendar fiscal years.) For all other entities that already have adopted the amendments in Update 2017-12, the amendments are effective January 1, 2020 for companies with calendar fiscal years.



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