



# Summary of Recent Accounting Developments – Q2 2019

by  
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## CNM Articles Published

- Are You Aware of the CECL Tracker? (June 2019)
- SEC Guidance on Disclosing Cybersecurity Risk (April 2019)

## Big Four Accounting Guides – New or Revised

- PwC
  - Consolidation and Equity Method of Accounting (May 2019)
  - Additional FAQs on the FASB's New Credit Losses Standard (June 2019)
  - Income Taxes (partially updated April 2019)
  - FAQs on the FASB's New Credit Losses Standard (April 2019)
- KPMG
  - Statement of Cash Flows Handbook (May 2019)
  - Accounting for Income Taxes Handbook (May 2019)
  - Long Duration Contracts (March 2019)
  - Share-Based Payment Handbook (March 2019)
  - Leases Handbook (March 2019)
  - Credit Impairment Handbook (March 2019)
- EY
  - Statement of Cash Flows (June 2019)
  - Certain Investments in Debt and Equity Securities (after adoption of ASU 2016-01) (June 2019)
  - Certain Investments in Debt and Equity Securities (before adoption of ASU 2016-01) (June 2019)
  - Share-Based Payment (after the adoption of ASU 2018-07, *Improvements to Nonemployee Share-Based Payment Accounting*) (June 2019)
  - Credit Impairment under ASC 326 (June 2019)
  - Lease Accounting, ASC 842 (June 2019)
  - Lease Accounting, ASC 840, Leases (June 2019)
  - Discontinued Operations (after the adoption of ASU 2014-08) (May 2019)
  - Discontinued Operations (before the adoption of ASU 2014-08) (May 2019)
  - Bankruptcies, Liquidations and Quasi-Reorganizations (May 2019)
  - Segment Reporting, ASC 280 (May 2019)
  - Asset Retirement Obligations (May 2019)
  - Accounting Changes and Error Corrections (May 2019)
  - Intangibles—Goodwill and Other (April 2019)
  - Exit of Disposal Cost Obligations (April 2019)
  - Real Estate Sales (April 2019)
- Deloitte
  - A Roadmap to Distinguishing Liabilities from Equity (2019)
  - Accounting Spotlight: Revenue Recognition, Determining Whether a Performance Obligation Is Satisfied at a Point in Time or Over Time (June 2019)
  - A Roadmap to SEC Reporting Considerations for Business Combinations (2019)
  - A Roadmap to the Issuer's Accounting for Convertible Debt (2019)
  - A Roadmap to the Preparation of the Statement of Cash Flows (2019)
  - A Roadmap to Accounting for Noncontrolling Interests (2019)
  - A Roadmap to Consolidation—Identifying a Controlling Financial Interest (2019)
  - A Roadmap to the Issuer's Accounting for Convertible Debt (2019)
  - A Roadmap to Accounting and Financial Reporting for Carve-Out Transactions (2019)
  - Accounting Spotlight: Revenue Recognition, Accounting for Costs of Obtaining a Contract (April 2019)
  - Roadmap to Applying New Leasing Standard (2019)

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## New Accounting Standards

- ASU 2019-06 (May 2019), *Intangibles—Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958): Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities*
  - The amendments extend certain private company accounting alternatives related to goodwill and certain identifiable intangible assets to Not-for-Profit entities.<sup>1</sup>
- ASU 2019-05 (May 2019), *Financial Instruments—Credit Losses (Topic 326), Targeted Transition Relief*
  - The amendment permits a one-time transition option to irrevocably elect the fair value option under ASC 825-10 to financial assets within the scope of ASC 326, on an instrument-by-instrument basis, except for debt securities classified as held-to-maturity.<sup>2</sup>
- ASU 2019-04 (April 2019), *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*<sup>3</sup>
  - The amendments primarily clarify certain aspects of Topic 326, including:
    - accounting policy elections for accrued interest receivables;
    - transfers of loans and debt securities between classification categories (e.g., held for sale and held for investment, and available for sale to held to maturity);
    - consideration of expected recoveries; projections of future interest rate environments for variable rate loans; consideration of prepayments in determining the effective interest rate under a discount method approach;
    - consideration of costs to sell for collateral dependent loans;
    - requiring the amortized cost basis of line-of-credit arrangements that are converted to term loans to be disclosed in a separate column in the notes to the financial statements; and
    - consideration of renewals or extensions if they are included in the original or modified contract and are not unconditionally cancellable by the lender.
  - The amendments also clarify how to account for partial-term fair value hedges of interest rate risk, how to account for fair value hedge basis adjustments, and how to apply the hypothetical derivative method.
  - Various minor clarifications were made to clarify the guidance in ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*.
- ASU 2019-03 (March 2019), *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*<sup>4</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>5</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>6</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> The amendments are effective immediately.

<sup>2</sup> The effective date is the same as prescribed in ASU 2016-13.

<sup>3</sup> The amendments to ASU 2016-13 are effective upon adoption of ASU 2016-13 (or fiscal years beginning after December 15, 2019 for early adopters). The amendments to the hedging guidance are effective upon adoption of ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* (or the beginning of the next fiscal year for early adopters). The amendments to ASU 2016-01 are effective for fiscal years beginning after December 15, 2019.

<sup>4</sup> Effective for annual financial statements issued for fiscal years beginning after December 15, 2019.

<sup>5</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>6</sup> The effective date is for fiscal years beginning after December 15, 2019.

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## Other Guidance

- Center for Audit Quality, Guide to Internal Controls Over Financial Reporting (May 2019)
- BDO practice aid, Complex Financial Instruments (May 2019)
- PCAOB Staff Guidance, Implementation of Critical Audit Matters: A Deeper Dive on the Communication of CAMS (May 2019)
- 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)
- FASB Staff Q&A, Topic 326, Issue 1—Whether the Weighted-Average Remaining Maturity Method is an Acceptable Method to Estimate Expected Credit Losses



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