



Summary of Recent Accounting Developments Q2 2020

by
Larry Gee

CNM Professional Practice Director

Summary of Recent Accounting Developments Second Quarter 2020

CNM Articles Published

- Practice Tips: Accounting for concessions received related to COVID-19

New Accounting Standards

- ASU 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842), Effective Dates for Certain Entities
 - ASC 606—Private and small reporting public companies that have not yet issued their annual financial statements for 2019 as of June 3, 2020 can elect to defer adoption of ASC 606 to their annual financial statements for 2020¹
 - ASC 842—one-year delay to 2022² for all private and small reporting public companies

Big Four Accounting Guides – new or revised

- PwC
 - Not-for-profit entities (May 2020)
 - Reference rate reform (April 2020)
 - Stock-based compensation (March 2020)
 - Revenue from contracts with customers (March 2020)
 - Loans and investments (March 2020)
- KPMG
 - Hot Topic: Customers' accounting for cloud computing arrangements after adopting ASU 2018-15 (May 2020)
 - In-depth Issues, Asset Acquisitions (April 2020)
 - Handbook on Service Concession Arrangements (April 2020)
 - Handbook on Accounting for Bankruptcies (April 2020)
 - Handbook on Accounting for Income Taxes (April 2020)
 - Handbook on Discontinued Operations (April 2020)
 - Handbook on Equity Method of Accounting (April 2020)
- EY
 - Technical Line, Accounting for rent concessions related to the COVID-19 pandemic under ASC 840 (June 2020)
 - Technical Line, How to account for proceeds from Paycheck Protection Program loans
 - Financial Reporting Developments, Issuer's accounting for debt and equity financings (May 2020)
 - Financial Reporting Developments, Consolidation (May 2020)

¹ Fiscal years beginning after December 15, 2019 and interim periods beginning after December 15, 2020.

² Fiscal years beginning after December 15, 2021 and interim periods beginning after December 15, 2022.

Summary of Recent Accounting Developments

Second Quarter 2020

- EY (cont'd)
 - Financial Reporting Developments, Certain investments in debt and equity securities after the adoption of ASU 2016-01 (May 2020)
 - Financial Reporting Developments, Reinsurance (May 2020)
 - Financial Reporting Developments, Equity method investments and joint ventures (April 2020)
 - Bankruptcies, liquidations, and quasi-reorganizations (April 2020)
 - CECL for short-term receivables (April 2020)
 - Segment reporting (April 2020)
 - Discontinued operations (April 2020)
 - Financial Reporting Developments, Intangibles—goodwill and other (April 2020)
- Deloitte
 - A Roadmap to Applying the New Leasing Standard (June 2020)
 - Heads Up—Accounting and Reporting Considerations for Forgivable Loans Received by Business Entities Under the CARES Act's Paycheck Protection Program
 - A Roadmap to the Accounting and Financial Reporting of Carve-Out Transactions (May 2020)
 - A Roadmap to the Presentation and Disclosure of Earnings per Share (May 2020)
 - A Roadmap to the Preparation of the Statement of Cash Flows (May 2020)
 - A Roadmap to Accounting for Income Taxes (April 2020)
 - A Roadmap to the Issuer's Accounting for Convertible Debt (April 2020)
- BDO
 - Borrower Accounting for Paycheck Protection Program Loans

Other Guidance

- AICPA, Technical Questions and Answers, Section 3200.18, Borrower Accounting for a Forgivable Loan Received Under the Small Business Administration Paycheck Protection Program
- IASB Issues Amendment to IFRS Leases Standard to Help Lessees Accounting for COVID-19-Related Rent Concessions
 - The IASB has issued an amendment to IFRS 16, Leases, to make it easier for lessees to account for COVID-19-related rent concessions such as rent holidays and temporary rent reductions.
- SEC Division of Corporation Finance, COVID-19 Related FAQs
 - The FAQ provides guidance on: (1) implementing the SEC's guidance with the COVID-19 Order modifying exemptions from the reporting and proxy delivery requirements for public companies; and (2) questions related to registration statements on Form S-3.
- Center for Audit Quality—Managing Fraud Risk, Culture, and Skepticism During COVID-19

Summary of Recent Accounting Developments

Second Quarter 2020

- The SEC adopted amendments to the financial disclosure requirements of Regulation S-X for acquisitions and dispositions of businesses³
 - The SEC also amended the significance tests in the “significant subsidiary” definition by incorporating a registrant’s market capitalization into the investment test and adding a revenue component to the income test.
- Center for Audit Quality—Going Concern: Management and Auditor Responsibilities
- COSO, Risk Appetite—Critical to Success
- PCAOB, Guide to Reading the PCAOB’s New Inspection Report
- AICPA, Audit and Accounting Guide—Current Expected Credit Losses (May 2020)
- FASB staff Q&A, Topic 815: Cashflow hedge accounting affected by the COVID-19 pandemic
- FASB staff issues COVID-19 FAQs related to ASC 842
- SEC staff comments it will not object to a registrant who concludes that deferral of certain accounting standards provided in the CARES Act is GAAP
 - Sections 4013 and 4014 of the CARES Act permit insured depository financial institutions and credit unions to defer the application of CECL and the application of troubled debt restructuring (TDR) reporting and accounting to forbearance loan modifications to certain borrowers for a limited period.

³ The amendments are effective January 1, 2021 with earlier application permitted.



www.cnmlp.com

Who is CNM?

Founded in 2003, CNM is recognized as one of the premier technical advisory firms in Southern California with Big 4 experience that provides the responsive customer service of a boutique firm. And we're a dynamic team that enlists all our energy to help transform the way your company does business – carefully evaluating your needs, simplifying your financial processes, and passionately solving problems in the most cost-effective way.

Our extensive knowledge of US GAAP, ICFR and SEC reporting skills has given us the ability to assist our clients with transactions that are not only multifaceted, but the capability to implement new or complex accounting standards. We have over 130 partners and employees in our Los Angeles, Orange County, San Diego, and New York City offices. Many of our clients are developed from direct referrals from the Big 4 accounting firms, speaking to the level of quality services we provide.

To learn more about how we can help, visit our website at www.cnmlp.com.



LOS ANGELES

A | 21051 Warner Center Lane
Suite 140
Woodland Hills, CA 91367
O | 818.999.9501

ORANGE COUNTY

A | 15635 Alton Parkway
Suite 450
Irvine, CA 92618
O | 949.299.5582

NEW YORK CITY

A | 264 West 40th Street
19th Floor
New York, NY 10018

SAN DIEGO

A | 8910 University Center Lane
Suite 400
San Diego, CA 92122

Restriction on Disclosure and Use of Information – This material contains confidential and proprietary information of CNM LLP, the unauthorized disclosure of which would provide a competitive advantage to others, as a result the recipient of this document shall not disclose, use, or duplicate this document, in whole or in part, for any purpose other than for the recipient's evaluation of CNM LLP's proposal.