Deloitte.

Heads Up

July 10, 2015
Volume 22, Issue 24

Final Answer

FASB Confirms Decision to Defer Effective Date of New Revenue Standard by One Year

by Kristin Bauer and Rachel Grandovic, Deloitte & Touche LLP

At its meeting yesterday, the FASB reaffirmed the guidance in its April 2015 proposed ASU[1] that defers for one year the effective date of the new revenue standard (ASU 2014-09[2]) for both public and nonpublic entities reporting under U.S. GAAP and allows early adoption as of the original effective date.

After reviewing and discussing the feedback received, the Board decided to adopt the standard as originally proposed. Thus, the final ASU, which is expected to be issued in the coming weeks, will require the following:

- For public entities, the standard will be effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2017. Early adoption will be permitted as of the original effective date in ASU 2014-09 (i.e., annual reporting periods beginning after December 15, 2016, including interim reporting periods within those annual periods).
- For nonpublic entities, the standard will be effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. Nonpublic entities can also elect to early adopt the standard as of the following:
  - Annual reporting periods beginning after December 15, 2016, including interim periods.
  - Annual reporting periods beginning after December 15, 2016, and interim periods within annual reporting periods beginning one year after the annual reporting period of initial application of the new standard.

The FASB's final decision comes after a month-long comment period that closed on May 29, 2015. Comment-letter respondents unanimously supported the deferral of the effective date by at least one year, stating that the additional time would allow for more successful implementation of the requirements as entities work through issues associated with IT solutions and adoption of new processes and controls. Respondents had varying views on the other questions posed, including whether the deferral should be two years rather than one and to what extent (if at all) early adoption should be permitted.

[1] FASB Proposed Accounting Standards Update, *Revenue From Contracts With Customers (Topic 606): Deferral of the Effective Date*.
[2] FASB Accounting Standards Update No. 2014-09, *Revenue From Contracts With Customers*.

Although the Board's final decision was to retain the guidance from the proposal, some Board members expressed differing views on the various options at the meeting. For instance, one Board member questioned the early-adoption option, stating that investors could become confused by the incomparability that would result from entities' adoption of the guidance at different times and their use of different transition methods.[3] In addition, some members reiterated their concern that a one-year deferral may not give entities enough time, while others were concerned that an additional year (i.e., a two-year deferral) would delay implementation efforts. Further, some members supported a one-year deferral in light of the IASB's parallel proposal to defer the effective date of its counterpart standard, IFRS 15,[4] by one year.

Editor's Note: The IASB issued an exposure draft (ED)[5] in May 2015 to seek feedback on its tentative decision to defer the effective date of the new revenue standard by one year. If finalized, the IASB's proposal would be consistent with the FASB's decision. Comments on the ED were due by July 3, 2015. The IASB is expected to discuss feedback received and make a final decision at its meeting during the week of July 20.

3 ASU 2014-09 permits entities to use different transition methods when adopting the new guidance, including a full retrospective approach and a modified approach. For a description of the two methods, see Deloitte's May 28, 2014, *Heads Up*.

4 IFRS 15, *Revenue From Contracts With Customers*.

5 IASB Exposure Draft ED/2015/2, *Effective Date of IFRS 15* — proposed amendments to IFRS 15.

Subscriptions

If you wish to receive *Heads Up* and other accounting publications issued by Deloitte's Accounting Standards and Communications Group, please register at www.deloitte.com/us/subscriptions.

Dbriefs for Financial Executives

We invite you to participate in *Dbriefs*, Deloitte's webcast series that delivers practical strategies you need to stay on top of important issues. Gain access to valuable ideas and critical information from webcasts in the "Financial Executives" series on the following topics:

- Business strategy and tax.
- Driving enterprise value.
- Financial reporting.
- Financial reporting for taxes.
- Governance, risk, and compliance.
- Technology.
- Transactions and business events.

Dbriefs also provides a convenient and flexible way to earn CPE credit — right at your desk. Subscribe to *Dbriefs* to receive notifications about future webcasts at www.deloitte.com/us/dbriefs.

Technical Library and US GAAP Plus

Deloitte makes available, on a subscription basis, access to its online library of accounting and financial disclosure literature. Called Technical Library: The Deloitte Accounting Research Tool, the library includes material from the FASB, EITF, AICPA, PCAOB, IASB, and SEC, in addition to Deloitte's own accounting and SEC manuals and other interpretive accounting and SEC guidance.

Updated every business day, Technical Library has an intuitive design and navigation system that, together with its powerful search features, enable users to quickly locate information anytime, from any computer. Technical Library subscribers also receive Technically Speaking, the weekly publication that highlights recent additions to the library. For more information, including subscription details and an online demonstration, visit www.deloitte.com/us/techlibrary.

In addition, be sure to visit US GAAP Plus, our free Web site that features accounting news, information, and publications with a U.S. GAAP focus. It contains articles on FASB activities and updates to the *FASB Accounting Standards Codification*™ as well as developments of other U.S. and international standard setters and regulators, such as the PCAOB, AICPA, SEC, IASB, and IFRS Interpretations Committee. Check it out today!