



In This Issue

- [Introduction](#)
- [Key Provisions of the New Guidance](#)
- [Effective Date and Transition Requirements](#)

FASB Issues Targeted Transition Relief for Entities Adopting ASU 2016-13

by Michelle Leon and Stephen McKinney, Deloitte & Touche LLP

Introduction

The FASB recently issued [ASU 2019-05](#),¹ which provides transition relief for entities adopting [ASU 2016-13](#).² The amendments in ASU 2019-05 allow entities to elect the fair value option on certain financial instruments. This *Heads Up* highlights key provisions of ASU 2019-05. The changes contained in its amendments are applicable to all entities, at their option, within the scope of the affected guidance.

Key Provisions of the New Guidance

ASU 2019-05 amends ASU 2016-13 to allow companies to irrevocably elect, upon adoption of ASU 2016-13, the fair value option on financial instruments that (1) were previously recorded at amortized cost and (2) are within the scope of ASC 326-20³ if the instruments are eligible for the fair value option under ASC 825-10.⁴ The fair value option election does not apply to held-to-maturity debt securities. Entities are required to make this election on an instrument-by-instrument basis.

Effective Date and Transition Requirements

For entities that have adopted ASU 2016-13, the amendments in ASU 2019-05 are effective for fiscal years beginning after December 15, 2019, including interim periods therein. An entity may early adopt the ASU in any interim period after its issuance if the entity has adopted ASU 2016-13. ASU 2019-05's amendments should be applied "on a modified-retrospective basis by

¹ FASB Accounting Standards Update (ASU) No. 2019-05, *Targeted Transition Relief*.

² FASB Accounting Standards Update No. 2016-13, *Measurement of Credit Losses on Financial Instruments*.

³ FASB Accounting Standards Codification (ASC) Subtopic 326-20, *Financial Instruments — Credit Losses: Measured at Amortized Cost*.

⁴ FASB Accounting Standards Codification Subtopic 825-10, *Financial Instruments: Overall*.

means of a cumulative-effect adjustment to the opening balance of retained earnings balance in the statement of financial position as of the date that an entity adopted the amendments in [ASU] 2016-13." Certain disclosures are required.

For all other entities, the effective date will be the same as the effective date in ASU 2016-13.

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.
- Financial reporting.
- Tax accounting and provisions.
- Controllership perspectives.
- Governance, risk, and compliance.
- Transactions and business events.
- Driving enterprise value.
- Innovation in risk and controls.

Dbriefs also provides a convenient and flexible way to earn CPE credit — right at your desk.

Subscriptions

To subscribe to *Dbriefs*, or to receive accounting publications issued by Deloitte's Accounting Services Department, please register at [My.Deloitte.com](https://www.deloitte.com).

DART and US GAAP Plus

Put a wealth of information at your fingertips. The Deloitte Accounting Research Tool (DART) is a comprehensive online library of accounting and financial disclosure literature. It contains material from the FASB, EITF, AICPA, PCAOB, and SEC, in addition to Deloitte's own accounting manuals and other interpretive guidance and publications.

Updated every business day, DART has an intuitive design and navigation system that, together with its powerful search and personalization features, enable users to quickly locate information anytime, from any device and any browser. While much of the content on DART is available at no cost, subscribers have access to premium content, such as Deloitte's *FASB Accounting Standards Codification Manual*. For more information, or to sign up for a free 30-day trial of premium DART content, visit [dart.deloitte.com](https://www.deloitte.com).

In addition, be sure to visit [US GAAP Plus](https://www.deloitte.com), our free Web site that features accounting news, information, and publications with a U.S. GAAP focus. It contains articles on FASB activities and those of other U.S. and international standard setters and regulators, such as the PCAOB, AICPA, and SEC. Check it out today!

Heads Up is prepared by members of Deloitte's National Office as developments warrant. This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor.

Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

As used in this document, "Deloitte" means Deloitte & Touche LLP, a subsidiary of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.