Accounting Standards Updates Effective in 2019 for Calendar Year-End Non-Public Companies

SCHNEIDER DOWNS

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ASU #	ASU Name	*Annual reporting periods beginning after* Nonpublic Effective Date	Interim Reporting Effective Date	Types of Entities Impacted	Key Provisions
2014-09	Revenue from Contracts with Customers (Topic 606)	December 15, 2017 (see ASU 2015-14 for effective date deferral)	December 15, 2018 (see ASU 2015-14 for effective date deferral)	All entities with reciprocal exchange transactions	‣ Eliminates the transaction and industry-specific revenue recognition guidance under superseded ASC Topic 605 and replaces it with a five-step principles-based approach for revenue recognition ‣ Prescribes a greater amount of estimation and judgment ‣ Introduces the concept of performance obligations and distinction among performance obligations ‣ Seeks to capture the economic intent of multiple contracts and potentially combine contracts or contract modifications or potentially separate contract modifications (i.e., change orders) that had been previously accounted for as a single unit of account ‣ Introduces and permits variability into revenue transaction prices within certain constraints ‣ Establishes guidelines for determining over-time revenue recognition versus point-in-time revenue recognition ‣ Affords certain practical expedients such as the right-to-invoice and shipping and handling costs expedients ‣ Requires new and enhanced disclosures surrounding revenue transactions
2015-14	Revenue from Contracts with Customers (Topic 606) - Deferral of Effective Date	December 15, 2018†	December 15, 2019†	All entities with reciprocal exchange transactions	‣ Deferred the effective date by one year for all types of entities
2016-08	Revenue from Contracts with Customers (Topic 606) - Principal versus Agent Considerations (Reporting Revenue Gross versus Net)	December 15, 2018+	December 15, 2019†	All entities with reciprocal exchange transactions, particularly those entities that either (1) arrange for other entities to perform promises or tasks of a contract or (2) that have been contracted to perform certain tasks and promises in a contact	‣ Clarifies the definitions of principal and agent relationships in the context of Revenue from Contracts with Customers ‣ The key difference from superseded guidance is that the assessment of principal versus agent is applied at the performance obligation level

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2016-12	Revenue from Contracts with Customers (Topic 606) - Narrow-Scope Improvements and Practical Expedients	December 15, 2018†	December 15, 2019†	All entities with reciprocal exchange transactions	This ASU clarifies certain narrow aspects of Topic 606, including: ‣ Assessment of collectability ‣ Presenting sales taxes and other similar taxes collected from customers ‣ Noncash consideration ‣ Contract modifications at transition date ‣ Completed contracts at transition date ‣ Disclosing the accounting change in the period of adoption
2017-05	Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20) - Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets	December 15, 2018†	December 15, 2019†	‣ All entities with transfers of nonfinancial assets, groups of nonfinancial assets ‣ Real estate entities ‣ Entities that contribute nonfinancial assets to a joint venture or other no controlled investee	Subtopic 610-20 was originally issued in conjunction with ASU 2014-09 to provide guidance for recognizing gains and losses from the transfer of nonfinancial assets in contracts with noncustomers. The ASU does the following: ‣ Clarifies the scope of Subtopic 610-20. Financial assets are within the scope of 610-20 if they meet the definition of an in-substance nonfinancial asset. ‣ Defines in-substance nonfinancial asset, in part, as a financial asset promised to a counterparty in a contract if substantially all of the fair value of the assets (recognized and unrecognized) that are promised to the counterparty in the contract is concentrated in nonfinancial assets. If substantially all of the fair value of the assets that are promised to the counterparty in a contract is concentrated in nonfinancial assets, then all of the financial assets promised to the counterparty are in-substance nonfinancial assets within the scope of Subtopic 610-20. ‣ Excludes the transfer of all businesses and not-for-profit activities from Subtopic 610-20. These are accounted for in accordance with Subtopic 810-10. ‣ Establishes that the distinct nonfinancial asset or in-substance nonfinancial asset is the unit of account within Subtopic 610-20 ‣ Clarifies that an entity should identify each distinct nonfinancial asset or in-substance nonfinancial asset promised to a counterparty and derecognize each asset when a counterparty obtains control of it. ‣ Clarifies that an entity should allocate consideration to each distinct asset by applying the guidance in Topic 606 on allocating the transaction price to performance obligations ‣ Prescribes when an entity should derecognize distinct nonfinancial assets or in-substance nonfinancial assets in partial sales transactions. ‣ Provides measurement guidance when an entity receives (or retains) a noncontrolling interest in a transaction that transfer control of a distinct nonfinancial asset or a distinct in-substance nonfinancial asset. ‣ Clarifies transactions excluded from Subtopic 610-20, including real estate or non-real estate sale-leaseback transactions, transactions accounted for under ASC 860, and transaction of nonfinancial assets that are part of the consideration in a business combination transaction under ASC 805.

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2016-01	Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities	December 15, 2018	December 15, 2019	All entities holding financial assets or financial liabilities	‣ Changes in the fair value for equity investments measured at fair value are recognized in net income instead of other comprehensive income ‣ Simplifies the impairment assessment for equity investments without readily determinable fair values ‣ Eliminates the disclosures requirement for non-public business entities to disclose fair value of financial instruments measured at amortized cost ‣ Retains the disclosure requirement for public business entities to disclose fair value of financial instruments measured at amortized cost; however, these public business entities no longer have the requirement to disclose methods and assumptions used to estimate fair value of financial instruments measured at amortized cost ‣ Requires separate presentation in other comprehensive income of the change in fair value of a liability resulting from instrument-specific credit risk when an entity has elected the fair value option ‣ Requires separate presentation of financial assets and financial liabilities by measurement category and form on the balance sheet and in the footnotes
2018-03	Technical Corrections and Improvements to Financial Instruments - Overall (Subtopic 925-10): Recognition and Measurement of Financial Assets and Financial Liabilities	December 15, 2018‡	December 15, 2019‡	All entities holding financial assets or financial liabilities	‣ Clarifies certain aspects of ASU 2016-01, particularly regarding the measurement alternatives, forward contracts and purchased options, presentation requirements, fair value option for liabilities denominated in a foreign currency, and transition guidance for equity securities without a readily determinable fair value
2016-04	Liabilities - Extinguishments of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products	December 15, 2018	December 15, 2019	Primarily retail and any other entities that utilize prepaid gift cards.	‣ Liabilities resulting from the sale of prepaid stored-value products are financial liabilities ‣ Allows a narrow-scope exception to Subtopic 405-20 to require that breakage for these financial liabilities be accounted for under the breakage model prescribed in Topic 606 ‣ This ASU establishes guidance for the derecognition of prepaid stored-value product liabilities, for which no guidance currently exists

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2016-15	Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments	December 15, 2018	December 15, 2019	All entities required to present a statement of cash flows	▸ This ASU was issued to eliminate the diversity in practice of how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This ASU addresses eight specific cash flow classification issues. ▸ Cash payments for debt prepayment or debt extinguishment costs should be classified as cash outflows for financing activities ▸ Settlement of zero-coupon debt with insignificant coupon interest rates in relation to the effective interest rate of the borrowing will need to bifurcate the settlement between operating cash outflows for accreted interest component and financing cash outflows for the principal component ▸ Contingent consideration paid not soon after the business combination acquisition date should be bifurcated between cash flows from financing activities and cash flows from operating activities, depending the determination of excess consideration over the contingent liability. Contingent consideration paid after the acquisition date should be classified as cash flows from investing activities ▸ Cash proceeds from insurance claims should be classified based upon the underlying nature of the loss for which the claim was made ▸ Cash proceeds from corporate-owned life insurance policies should be classified as cash inflows from investing activities. The cash payments for the associated policy premiums may be classified as either operating activities, investing activities, or a combination of operating and investing activities ▸ Equity method investors will make an accounting policy election in order to classify investee distributions within the statement of cash flows. This ASU establishes the Cumulative Earnings Approach and the Nature of the Distribution Approach policy elections for equity method investors ▸ A transferor's beneficial interest obtained in a securitization of financial assets should be disclosed as a noncash activity, and any payments received should be classified as cash inflows from investing activities ▸ In situations where cash inflows or outflows have aspects of more that one classification of cash flow, this ASU establishes guidelines to determine the proper classification either through separate identifiable cash flows model or the application of the predominance principle

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2016-18	Statement of Cash Flows (Topic 230): Restricted Cash	December 15, 2018	December 15, 2019	All entities with restricted cash	‣ Establishes the requirement that the statement of cash flows should explain the change during the period in the total of cash, cash equivalents, and amounts described as restricted cash or requested cash equivalents ‣ Clarifies that amounts described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling beginning-of-period and ending-of-period cash in the statement of cash flows ‣ Requires that when cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents are presented in more than one line item within the statement of financial position, an entity shall, for each period that a statement of financial position is presented, present on the face of the statement of cash flows or disclose in the notes to the financial statements, the line items and amounts of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents reported within the statement of financial position. ‣ This ASU provides the first guidance on presentation of restricted cash; however, the ASU still does provide a definition of restricted cash or cash equivalents
2016-16	Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory	December 15, 2018	December 15, 2019	C-corporations engaging in intra-entity transfers of assets	‣ Previously, the recognition of current and deferred income tax effects for intra-entity assets transfers were prohibited until that asset was sold to a third party. Under this ASU, entities should recognize the income tax consequences of such asset transfers other than inventory, when the transfer occurs.

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2017-01	Business Combinations	December 15, 2018	December 15, 2019	Entities engaging in transactions that must determine whether they have acquired or sold a business	‣ Supplements existing guidance under Topic 805 to aid in the determination of whether a transaction should be accounted for as an acquisition or disposal of assets or a business ‣ Provides steps to make it easier to account for a transaction as an asset acquisition or disposal rather than as an acquisition or disposal of a business ‣ Current guidance defines three elements of a business - inputs, processes and outputs. An integrated set of these elements typically constitutes a business ‣ These amendments provide screen to determine when a set of these elements is not a business ‣ The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business ‣ If the screen is not met, in order to be considered a business, a set must include an input and process that contribute to the ability to create an output ‣ Removes the evaluation of whether a market participant could replace missing elements ‣ Narrows the definition of outputs to better align with the definitions in ASC 606
2017-06	Plan Accounting: Defined Benefit Pension Plans (Topic 960) Defined Contribution Pension Plans (Topic 962) Health and Welfare Benefit Plans (Topic 965) - Employee Benefit Plan Master Trust Reporting	December 15, 2018	Not applicable	Employee Benefit Plans holding an interest in a master trust	‣ These amendments cover the reporting by an employee benefit plan for its interest in a master trust and seek to eliminate diversity in practice ‣ Requires that a plan's interest in a master trust and any change in that interest to be presented in a separate line in the statement of net assets available for benefits and in the statement of changes in net assets available for benefits ‣ Removes the requirements to disclose the percentage interest in the master trust for plans with divided interests and requires that all plans disclose the dollar amount on their interest in each of the categories of general types of investments ‣ Requires the disclosure of the master trust's other asset and other liability balances and the dollar amount of the plan's interest in each of those balances

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2017-07	Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost	December 15, 2018	December 15, 2019	Companies that sponsor a defined benefit pension plan, postretirement benefit plans, or other types of benefits accounted for under Topic 715	‣ Requires an employer to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period ‣ Other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented ‣ If a separate line item or items are used to present the other components of net benefit cost, that line item or items must be appropriately described. If a separate line item or items are not used, the line item or items used in the income statement to present the other components of net benefit cost must be disclosed. ‣ Only the service cost component is eligible for capitalization, when applicable
2017-10	Service Concession Arrangements (Topic 853): Determining the Customer of the Operation Services	December 15, 2018+	December 15, 2019+	Government Entities	‣ A service concession arrangement is an arrangement between a grantor and an operating entity whereby the operating entity will operate the grantor's infrastructure (for example, airports, roads, bridges, tunnels, prisons and hospitals) for a specified period of time ‣ To illustrate, a public-sector entity grantor (government) enters into an arrangement with an operating entity under which the operating entity will provide operation services (which include operation and general maintenance of the infrastructure) for a toll road that will be used by third-party users (drivers). The amendments in this Update clarify that the grantor (government), rather than the third-party drivers, is the customer of the operation services in all cases for service concession arrangements within the scope of Topic 853.
2017-15	Codification Improvements to Topic 995, U.S. Steamship Entities: Elimination of Topic 995.	December 15, 2018	December 15, 2019	All entities that have unrecognized deferred taxes related to statutory reserve deposits that were made on or before December 15, 1992	‣ The amendments in this Update supersede obsolete guidance in Topic 995 on unrecognized deferred taxes related to certain statutory reserve deposits. If an entity has unrecognized deferred income taxes related to statutory deposits made on or before December 15, 1992, the entity would be required to recognize the unrecognized income taxes in accordance with Topic 740

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2018-02	Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income	December 15, 2018	December 15, 2018	Entities with stranded tax effects in accumulated other comprehensive income.	‣ As a result of the passage of the 2017 Tax Cuts and Jobs Act, there are certain stranded tax effects within accumulated other comprehensive income ‣ Permits a reclassification from AOCI to retained earnings for stranded tax effects resulting from the 2017 Tax Cuts and Jobs Act
2018-08	Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting for Contributions Received and Contributions Made	As a resource recipient: December 15, 2018 As a resource provider: December 15, 2019	As a resource recipient: December 15, 2019 As a resource provider: December 15, 2020	All entities with non-reciprocal transactions	‣ Clarifies how entities will determine whether to account for a transfer of assets as a reciprocal exchange transaction under Topic 606 or a nonreciprocal nonexchange transaction (i.e., a contribution) ‣ Addresses conditional contributions. If an agreement includes a barrier (or barriers) that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the transferor's obligation to transfer assets, it is a conditional contribution ‣ Excludes certain contributions from being classified as conditional such as those payments from a third-party payer (i.e., a government entity) that is part of an existing exchange transaction
2019-06	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	Effective Immediately	Effective Immediately	NFP entities that engaged in business acquisitions	‣ The amendments contained within ASU 2014-02 and ASU 2014-18 are extended to not-for-profit entities ‣ Permits the amortization of goodwill on a straight-line basis over 10 years ‣ Simplifies the requirements to test for impairment ‣ Simplifies the accounting for intangible assets and goodwill in an acquisition

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