

FASB Standard Setter Update: 2Q 2021

This paper provides an overview of proposed and final standards issued by FASB through June 2021, along with recent updates on outstanding exposure drafts and active projects.

During the quarter, only three accounting standards were issued and no exposure drafts. FASB did meet regularly and made progress on several long-standing projects. After formally removing several projects, FASB is beginning a new agenda consultation process to better meet the needs of financial statement users and preparers.

Accounting Standards Updates (ASU)

2Q 2021

Topic & Title	Description & Implementation Guidance	Effective Date ¹	
		PBEs (Not SRC)	Other Entities
ASU 2021-04 <i>Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options</i> Resource: FASB Issues Warrant Modification Guidance	Principles-based framework to interpret and clarify which existing guidance is applicable based on a transaction's substance.	Effective for all entities for interim and annual periods beginning after December 15, 2021	

¹ Effective dates are broken out between public business entities (PBE) and all others. Early adoption generally is permitted unless otherwise noted. The effective date framework is broken into two buckets. Bucket one establishes the initial mandatory effective date for a major standard and comprises SEC filers, excluding companies "eligible to be" smaller reporting companies (SRC) as currently defined by the SEC. Bucket two comprises all other entities and includes:

- A) All other PBEs, including SRCs
- B) Private companies
- C) All nonprofits (NFP), including those that have issued—or are conduit bond obligors for—securities traded, listed, or quoted on an exchange or an over-the-counter market
- D) All employee benefit plans, including those that file financial statements with the SEC

1Q 2021

Topic & Title	Description & Implementation Guidance	Effective Date	
		PBEs (Not SRC)	Other Entities
<p>ASU 2021-01 <i>Reference Rate Reform (Topic 848): Scope</i></p> <p>Resource: Reference Rate Reform Update</p>	<p>Expands scope of Topic 848 to include other rates that may be affected by reference rate reform and clarifies several issued from ASU 2020-04.</p>	<p>Effective on issuance. End date for contracts after December 15, 2022</p>	
<p>ASU 2021-02 <i>Franchisors—Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient</i></p> <p>Resource: FASB Finalizes Revenue Relief for Private Franchisors</p>	<p>Adds a practical expedient for a nonpublic franchisor that allows a franchisor to account for the certain pre-opening services as distinct from the franchise license. If the practical expedient is elected, the ASU adds an accounting policy election that would allow a franchisor to account for the pre-opening services as a single performance obligation.</p>	<p>N/A</p>	<p>ASC 606 Adopted</p> <p>Annual reporting periods beginning after December 15, 2019, and interim periods after December 15, 2020</p>
			<p>ASC 606 Not Adopted</p> <p>Annual and interim reporting periods beginning after December 15, 2020</p>
<p>ASU 2021-03 <i>Intangibles—Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events</i></p> <p>Resource: Private Companies & NFPs Get Limited Relief on Goodwill Assessment</p>	<p>The ASU creates an accounting alternative for private companies and NFPs. If elected, an entity will not be required to monitor for goodwill impairment triggering events during the reporting period but can evaluate the facts and circumstances as of the end of each reporting period (interim or annual) to determine whether a triggering event exists and, if so, whether it is more likely than not that goodwill is impaired.</p>	<p>N/A</p>	<p>Fiscal years beginning after December 15, 2019</p> <p>Early application is permitted for interim and annual financial statements that have not yet been issued or made available for issuance as of March 30, 2021.</p>

Exposure Drafts Issued 2Q 2021

Topic & Title	Description	Status
Proposed ASUs		
Derivative and Hedging (Topic 815) <i>Fair Value Hedging—Portfolio Layer Method</i> Issued May 5, 2021 Resource: Last-of-Layer Hedging Could Get Easier	The proposal would expand the current single-layer model to allow multiple-layer hedges of a single closed portfolio of prepayable financial assets or one or more beneficial interests secured by a portfolio of prepayable financial instruments. An entity would then be able to achieve hedge accounting for hedges of a great proportion of the interest rate risk in the assets within a closed portfolio.	Comments due July 5, 2021

Exposure Drafts Outstanding

The following chart includes proposed updates—not included in other sections of this document—where FASB has not issued a final pronouncement as of this publication’s date. FASB will determine the effective dates of the proposed amendments—if issued as a final ASU—after it considers feedback on the amendments.

Topic & Title	Description	Status
Proposed ASUs		
Business Combinations (Topic 805) <i>Accounting for Contract Assets and Contract Liabilities from Contracts with Customers</i> Issued December 15, 2020 Resource: Accounting to Be Clarified on Contract Liabilities in a Business Combination	The proposal would add guidance in Accounting Standards Codification (ASC) 805 to require an acquirer to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606.	Comments were due March 15, 2021 41 comment letters received, generally supportive
Compensation—Stock Compensation (Topic 718): <i>Determining the Current Price of an Underlying Share for Equity-Classified Share-Option Awards (a proposal of the Private Company Council)</i> Issued August 17, 2020 Resource: Private Company Relief Proposed for Share-Based Payments	The proposal would create a practical expedient to measure an equity award’s grant date fair value by determining the fair value of the services received as a proxy for the fair value of the equity-classified awards being granted. The proposed expedient would allow a nonpublic entity to use a valuation performed under Internal Revenue Code Section 409A to determine the price of its underlying shares.	FASB met on April 20, 2021, and further research is required.

Topic & Title	Description	Status
Proposed ASUs		
<p>Codification Improvements</p> <p><i>Amendments to Remove References to Concepts Statements</i></p> <p>Issued November 26, 2019</p>	<p>The proposal would remove references to various Concepts Statements. In most instances, the references are extraneous and not required to understand or apply the guidance. In other instances, the references are a substitute for actual wording from a Concepts Statement.</p>	<p>Comment period ended December 2, 2019</p>
<p>Leases (Topic 842)</p> <p><i>Targeted Improvements</i></p> <p>Issued October 20, 2020</p> <p>Resource: Additional Targeted Lease Relief Proposed</p>	<p>The exposure draft addresses three issues:</p> <ul style="list-style-type: none"> ▪ Sales-type leases with variable lease payments – lessor only ▪ Option to remeasure lease liability – lessee only ▪ Modifications to reduce the scope of a lease contract <p><i>FASB met on February 10, 2021 – option to remeasure was removed from the technical agenda and modification will be spun off into a separate project</i></p>	<p>FASB met on April 14, 2021:</p> <ul style="list-style-type: none"> - A final ASU will be issued on variable lease payments in 3Q - An exposure draft will be issued on the discount rate in 2Q
<p>Derivatives and Hedging (Topic 815)</p> <p><i>Codification Improvements to Hedge Accounting</i></p> <p>Issued November 12, 2019</p> <p>Resource: More Changes Proposed to Hedge Accounting</p>	<p>Additional clarifications on the following issues:</p> <ul style="list-style-type: none"> ▪ Change in hedged risk in a cash flow hedge ▪ Contractually specified components in cash flow hedges of nonfinancial forecasted transactions ▪ Foreign currency-denominated debt instruments as hedging instrument and hedged item (dual hedge) ▪ “Prepayable” definition in the shortcut method 	<p>No second quarter 2021 updates</p>
<p>Debt (Topic 470)</p> <p><i>Simplifying the Classification of Debt in a Classified Balance Sheet (Current versus Noncurrent)</i></p> <p>Issued September 12, 2019</p>	<p>Introduced a principle for determining debt classification.</p>	<p>On April 14, 2021, FASB canceled the project, concluding benefits do not outweigh the costs.</p>

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Topic & Title	Description	Status
Proposed ASUs		
<p>Disclosures (Various Topics)</p> <p><i>Disclosure Improvements: Codification Amendments in Response to the SEC’s Disclosure Update and Simplification Initiative</i></p> <p>Issued May 6, 2019</p> <p>Resource: FASB Proposes Disclosure Updates in Response to SEC Request</p>	<p>Additions to generally accepted accounting principles (GAAP) that were previously included in SEC guidance include changes to interim reporting, EPS, debt, consolidation, derivative and repo disclosures, foreign exchange, real estate investment trusts, and oil and gas industry-specific disclosures.</p> <p><i>FASB has not yet met to discuss feedback.</i></p>	<p>No second quarter 2021 updates</p>
<p>Income Taxes (Topic 740)</p> <p><i>Disclosure Framework—Changes to the Disclosure Requirements for Income Taxes</i></p> <p>Issued March 25, 2019</p> <p>Resource: FASB Re-Examines Tax Disclosures</p>	<p>The proposal adds three disclosures for all entities and additional disclosures only for PBEs.</p> <p><i>FASB last met on February 12, 2020, to begin redeliberations. Additional research is underway.</i></p>	<p>No second quarter 2021 updates</p>
<p>Consolidation (Topic 812)</p> <p><i>Reorganization</i></p> <p>Issued September 2017</p>	<p>Changes would affect the guidance’s organization and clarify certain items. Guidance currently in Topic 810 would be split. The new topic (Topic 812) would include variable interest entities (VIE) and voting interest entities. “Consolidation of Entities Controlled by Contract” would be moved to Topic 958. Subtopic 810-30 for research and development (R&D) arrangements would be superseded.</p> <p>FASB does not anticipate changes in practice or outcomes from the reorganization.</p> <p><i>At the last meeting in June 2018, FASB instructed the staff to develop nonauthoritative educational material.</i></p>	<p>No second quarter 2021 updates</p>
<p>Inventory (Topic 330)</p> <p><i>Disclosure Framework—Changes to the Disclosure Requirements for Inventory</i></p> <p>Issued January 10, 2017</p> <p>Resource: Proposed Changes to Inventory Disclosure Requirements</p>	<p>Adds disaggregation and other quantitative and qualitative disclosures for inventory.</p> <p><i>FASB last discussed this topic in June 2017. The complexity of the retail inventory method has delayed further progress.</i></p>	<p>No second quarter 2021 updates</p>

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Topic & Title	Description	Status
Proposed ASUs		
<p>Government Assistance (Topic 832) <i>Disclosures by Business Entities about Government Assistance</i> Issued November 12, 2015 Resource: Proposed Improvements to Disclosures About Government Assistance</p>	<p>Redeliberations narrowed the proposed scope and eliminated some of the proposed disclosures. Scope is limited to grants of assets, tax assistance, low-interest-rate loans, loan guarantees, and forgiveness of liabilities.</p> <p><i>Disclosures will apply to a business entity that has accounted for a transaction with a government by analogizing to a grant or a contribution accounting model, e.g., a grant model within International Financial Reporting Standards or Subtopic 958-605, Not-for-Profit Entities—Revenue Recognition. The ASU will be effective for fiscal years beginning after December 15, 2021, for all business entities.</i></p>	<p>On May 26, 2021, FASB approved issuance of a final ASU, expected in 3Q 2021.</p>

Topic & Title	Description	Status
Concepts Statements		
<i>Concepts Statements are used by the board to develop sound and consistent accounting principles. Concepts Statements do not establish or override GAAP.</i>		
<p>Conceptual Framework—Financial Reporting Elements Issued July 16, 2020 Resource: FASB Re-Examines Financial Reporting Framework</p>	<p>The proposal makes minor updates to the definitions for several financial reporting elements—assets, liabilities, revenues, expenses, gains, and losses—to make the terms easier to understand and apply.</p> <p><i>On May 12, FASB decided the following:</i></p> <p><i>To remove the phrases “ongoing major or central operations” from the definitions of revenues and expenses and “peripheral or incidental transactions” from the definitions of gains and losses.</i></p> <p><i>To retain the use of the term “other activities” when defining revenues and expenses.</i></p>	<p>FASB met on April 21, 2021, and affirmed most aspects of the proposal.</p>

Topic & Title	Description	Status
Concepts Statements		
<i>Concepts Statements are used by the board to develop sound and consistent accounting principles. Concepts Statements do not establish or override GAAP.</i>		
<p>Conceptual Framework— Presentation</p> <p>Issued August 2016</p>	<p>The proposal would provide FASB with a framework for developing standards that summarize and communicate information on financial statements in a way that best meets the objective of financial reporting. This will become FASB’s basis when creating presentation requirements in future standards.</p> <p><i>FASB discussed this topic in November and December 2020. FASB agreed on seven factors on aggregation, and concluded there was no conceptual basis for other comprehensive income. Netting and subtotals will not be defined in the Concepts Statement.</i></p>	<p>FASB plans to issue a final Concepts Statement in the fourth quarter 2021.</p>

ITC Outstanding

An invitation to comment (ITC) is a document in which FASB does not express any preliminary views, and the project may or may not result in amendments to existing standards. Responses to ITCs help FASB understand whether it needs to consider amendments to the guidance to address the cost and benefit of information about goodwill and intangible assets and, if so, what amendments to consider.

Topic & Title	Description	Status
ITC		
<p>Business Combinations (Topic 805)</p> <p><i>Identifiable Intangible Assets and Subsequent Accounting for Goodwill</i></p> <p>Issued July 9, 2019</p> <p>Resource: New Accounting Proposed for Assumed Liabilities in a Business Combination</p>	<p>This ITC asked for feedback on whether to change the subsequent accounting for goodwill.</p> <p><i>FASB met on December 16, 2020, and agreed to allow companies to amortize goodwill over 10 years.</i></p> <p><i>Final ASU is not likely until 4Q 2021 or 1Q 2022.</i></p>	<p>FASB met on April 7, 2021, and directed the staff to do additional research on if certain intangible assets should be subsumed into goodwill and factors that may be used to estimate the useful life of goodwill.</p>

Other Agenda Items

Active Projects

In addition to proposed ASUs, FASB’s technical plan includes the following active projects not discussed in the earlier sections and excludes technical corrections or codification improvements and taxonomy updates. Recent updates are noted in *italics*.

Recognition & Measurement Projects	
<p>Improving the Accounting for Asset Acquisitions and Business Combinations (Phase 3)</p> <p>Initial deliberations</p> <p>Added to agenda October 2014</p>	<p>FASB met on September 2, 2020, and affirmed that the project should address the accounting for contingent consideration, transaction costs, and certain recognition and measurement exceptions, as well as the accounting for contingent consideration and in-process research and development (IPR&D) by a primary beneficiary of a VIE that is not a business. FASB removed the following from the project’s scope:</p> <ul style="list-style-type: none"> ▪ Narrowing differences between the accounting for IPR&D in acquisitions of assets and acquisitions of businesses ▪ The accounting for reassessments of lease contracts in asset acquisitions and the lease recognition and measurement exception. These lease issues will be considered as part of FASB’s implementation efforts on leases <p><i>On May 26, 2021, FASB continued deliberations but did not reach significant conclusions. Staff directed to do further research and better define what is and what is not an asset acquisition for the project’s scope.</i></p>
<p>Codification Improvements—Financial Instruments—Credit Losses (Vintage Disclosures: Gross Write-Offs and Gross Recoveries)</p> <p>On hold</p> <p>Added to agenda September 2018</p>	<p>At an April 2019 meeting, FASB decided not to move ahead with this project. FASB may reconsider additional standard setting after CECL’s effective date.</p>
<p>Initial Recognition and Measurement of Nonmonetary Assets in a Joint Venture</p> <p>Initial deliberations</p> <p>Added to agenda September 2019</p>	<p>The project will address the accounting for nonmonetary assets, including businesses, contributed to a joint venture in a standalone joint venture’s financial statements.</p> <p>On July 22, 2020, FASB expanded the scope to include all contributions, irrespective of whether they are monetary or nonmonetary.</p> <p><i>On February 17, 2021, FASB directed the staff to do further research on disclosures when an opening balance sheet is presented. A ballot exposure draft is expected in late June.</i></p>

<p>Distinguishing Liabilities from Equity (Phase 2)</p> <p>Initial deliberations</p> <p>Added to agenda February 2020</p>	<p>In February 2020, FASB narrowed the scope of its initial project and added a separate project to explore improvements to aspects of the derivatives scope exception guidance in Subtopic 815-40.</p> <p><i>On February 3, 2021, FASB decided that the project scope should include freestanding financial instruments that have all the characteristics of a derivative instrument, freestanding instruments that potentially are settled in an entity's own stock, regardless of whether the instrument has all the characteristics of a derivative instrument, and embedded features that have the characteristics of a derivative instrument.</i></p>
<p>Fair Value Measurement of Equity Securities with Sale Restrictions</p> <p>Initial deliberations</p> <p>Added to agenda July 2020</p>	<p>The objective of this project is to reduce diversity in practice on measuring the fair value of equity securities that are subject to an underwriter lockup restriction.</p> <p><i>On May 26, 2021, FASB approved the issuance of an exposure draft with a 60-day comment period. The scope was expanded to all equity securities subject to a contractual sale restriction. ASC 820, Fair Value Measurement, will be updated to clarify that lock-up agreements are entity specific and not a part of the unit of account in the measurement of fair value of equity securities. Special transition provisions will be made for Investment companies.</i></p>
<p>Reference Rate Reform – Fair Value Hedging</p> <p>Initial deliberations</p> <p>Added to agenda July 2020</p>	<p>This project will monitor global reference rate reform initiatives to identify areas of GAAP that may need to be amended in response to those initiatives.</p> <p><i>At a July 2020 meeting, FASB decided to consider developing a principle for identifying benchmark interest rates eligible for fair value hedge accounting both within and outside the U.S. because reference rate reform is expected to result in the emergence of new interest rates as LIBOR alternatives.</i></p>

Presentation & Disclosure Projects	
<p>Segment Reporting</p> <p>Initial deliberations</p> <p>Added to agenda September 2017</p>	<p>At an October 2020 meeting, FASB directed the staff to prepare an analysis of alternatives on how public entities might determine the level for identifying the significant segment expense categories.</p> <p><i>On May 12, 2021, FASB continued deliberations. A public entity would be required to apply the significant expense principle on an interim basis in addition to an annual basis. An entity would be required to apply on an interim basis the annual disclosure requirements ASC 280-10-50-22 and 280-10-50-25. The existing reconciliation for segment profit or loss will be retained.</i></p>

<p>Financial Performance Reporting—Disaggregation of Performance Information</p> <p>Initial deliberations Added to agenda September 2017</p>	<p>Improve the decision-usefulness of the income statement through the disaggregation of performance information. FASB will focus on disaggregating functional lines into natural components.</p> <p>FASB met in December 2019 and concluded the internal view approach was not a viable path forward. The project was kept on the active agenda, pending results from the segment reporting project and International Accounting Standards Board research work.</p>
<p>Disclosures—Interim Reporting</p> <p>Initial deliberations Added to agenda July 2018</p>	<p>FASB staff is developing principles for interim disclosure and performing research and outreach.</p> <p><i>An exposure draft with a 90-day comment period is expected to be issued in third quarter 2021.</i></p>
<p>Disclosure of Supplier Finance Programs Involving Trade Payables</p> <p>Initial deliberations Added to agenda October 2020</p>	<p>The objective of this project is to develop disclosure requirements that enhance transparency about the use of supplier finance programs involving trade payables.</p>

Framework Projects	
<p>Conceptual Framework—Measurement</p> <p>Initial deliberations Added to agenda June 2014</p>	<p>FASB will develop concepts related to measurement. The last FASB meeting was November 2019, and the staff was directed to begin work on an ITC.</p>

Research Projects

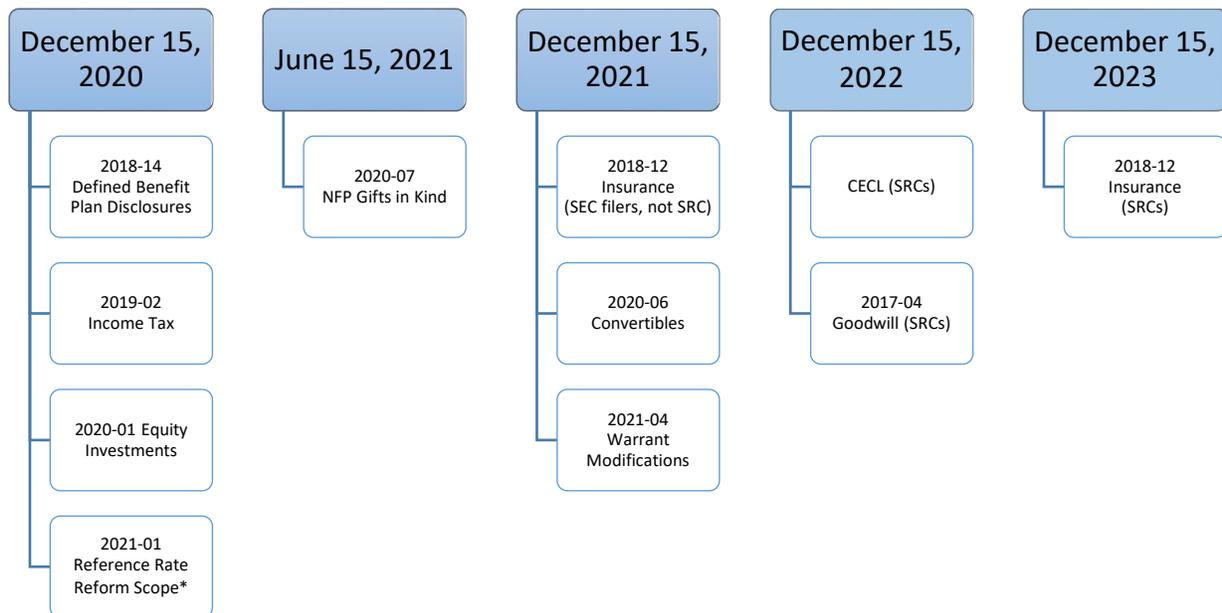
- **Effect of Sale Restrictions on Fair Value Measurements** – The project’s objective is to research the types of restrictions that exist in practice on the sale of certain assets; examine whether there is diversity in practice in interpreting and applying the guidance within Topic 820, *Fair Value Measurement*, related to sale restrictions; and consider whether additional standard setting is necessary.
- **Accounting for and Disclosure of Intangibles** – The research will consider potential ways to improve the accounting for and disclosure of intangibles, including internally developed intangibles and research and development.
- **Financial Performance Reporting** – This project’s objective is to consider whether to require a measure of operations and whether and how to define a measure of operations for both NFP and business entities.
- **Hedge Accounting Phase 2** – The objective of this project is to obtain stakeholders’ feedback that could bring further alignment of hedge accounting with risk management activities beyond the targeted improvements made to the hedge accounting model in ASU 2017-12.
- **Targeted Improvements to the Statement of Cash Flows** – The project’s objective is to reduce existing diversity in practice in how certain cash receipts and cash payments are presented in the statement of cash flows under Topic 230, *Statement of Cash Flows*, and other topics.

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Appendix A – Effective Dates for Final Standards for PBEs

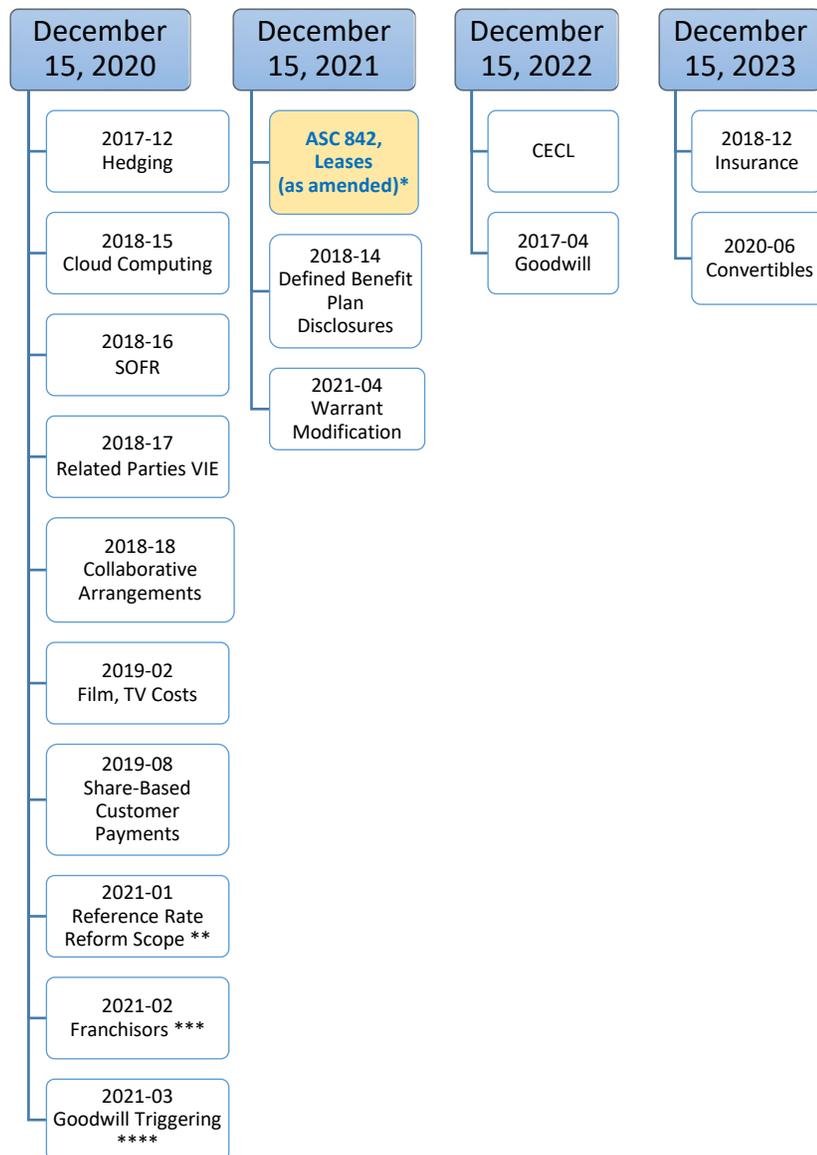
Reporting Periods Beginning After



* Effective on issuance

Appendix B – Effective Dates for Final Standards for Non-PBEs

Reporting Periods Beginning After



* Includes NFP bond obligors

** Effective on issuance

*** If ASC 606 is not yet adopted

**** Fiscal years beginning after December 15, 2019. Early application for financial statements that have not been issued or made available for issuance as of March 30, 2021