

AN ALERT FROM THE BDO NATIONAL ASSURANCE PRACTICE

BDO FLASH REPORT

FASB

SUBJECT

FASB ISSUES PROPOSAL TO DEFER REVENUE STANDARD BY ONE YEAR

SUMMARY

The FASB issued an exposure draft proposing a one-year delay of the effective date for the new revenue recognition standard that it issued jointly with the IASB in 2014. Under the proposed amendments, the revenue recognition standard would take effect in 2018 for calendar year-end public entities. It would take effect for private entities in 2019. The proposal is open for comment through May 29, and is available [here](#).

DETAILS:

Main Provisions:

The FASB has issued a proposed ASU¹ which would defer the effective date of the new revenue standard.² The deadline for comments on the proposal is May 29, 2015.

The FASB's decision to propose a deferral results from a number of requests to defer the effective date. However, the Board also received feedback from some entities that do not think a deferral is necessary. As a result, the proposal includes an option for public and private entities to early adopt using the original effective dates, which is designed to provide flexibility for different companies in various stages of their implementation efforts. The IASB has also recently indicated it will propose a similar extension of the effective dates in IFRS 15, the companion to the new revenue standard in U.S. GAAP.

Specifically, the deferral would require public entities to apply the new revenue standard for annual reporting periods beginning after December 15, 2017, including interim reporting periods therein (i.e., beginning on January 1, 2018 for a calendar year entity). Public entities would be permitted to elect to early adopt for annual reporting periods beginning after December 15, 2016.

Nonpublic entities would apply the new revenue standard for annual reporting periods beginning after December 15, 2018 (i.e., January 1, 2019 for a calendar year entity) and interim reporting periods within annual reporting periods

¹ Proposed Accounting Standards Update, *Revenue from Contracts with Customers (Topic 606) - Deferral of the Effective date*

² ASU 2014-09 *Revenue from Contracts with Customers*



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beginning after December 15, 2019 (i.e., the quarter ended March 30, 2020 for a calendar year entity). Nonpublic entities may elect to early adopt for annual reporting periods beginning after December 15, 2016, including interim reporting periods therein.

BDO Comment:

While developing the proposed deferral, the FASB considered a two-year delay. However, a majority of the Board members concluded one year is appropriate. Those who respond to the exposure draft might consider addressing the length of the deferral in their comments.

On the Horizon:

The joint FASB/IASB Transition Resource Group has held a number of meetings to discuss revenue recognition implementation issues. As a result, the Boards have decided certain changes are needed to make the new revenue standard more operational and are planning to propose amendments to that effect, which will also be exposed for public comment. Additional changes in connection with future TRG deliberations are also possible. Therefore, stakeholders should monitor these developments during their implementation efforts.

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