

The background of the slide features a blurred image of a stack of papers on the left and a large, metallic, circular object, possibly a ring or a part of a machine, in the center. The overall tone is professional and clean.

# 2016 ACCOUNTING UPDATE

New Rules and Regulations Impacting  
Your Financials



# AGENDA

- Recent Pronouncements and Emerging Issues
- Technical Agenda
- Q&A

# RECENT PRONOUNCEMENTS & EMERGING ISSUES

- Simplification Initiative
- Revenue recognition
- Consolidation analysis
- Inventory
- Leases
- Income taxes
- Financial instruments credit losses
- Going concern
- Debt issuance costs
- Cloud computing
- Financial instruments



# TRENDING NOW

Simplification  
of Reporting

Convergence  
with IFRS

# UPDATE ON ASU NO. 2014-09,

## *Revenue from Contracts with Customers*



# ASU 2016-08 REVENUE RECOGNITION



# ASU 2016-10 REVENUE RECOGNITION





# ASU 2016-12 REVENUE RECOGNITION





# ASU 2015-02 CONSOLIDATION ANALYSIS



# ASU 2015-11: INVENTORY SIMPLIFYING THE MEASUREMENT OF INVENTORY



# ASU 2016-02:

## *Leases*

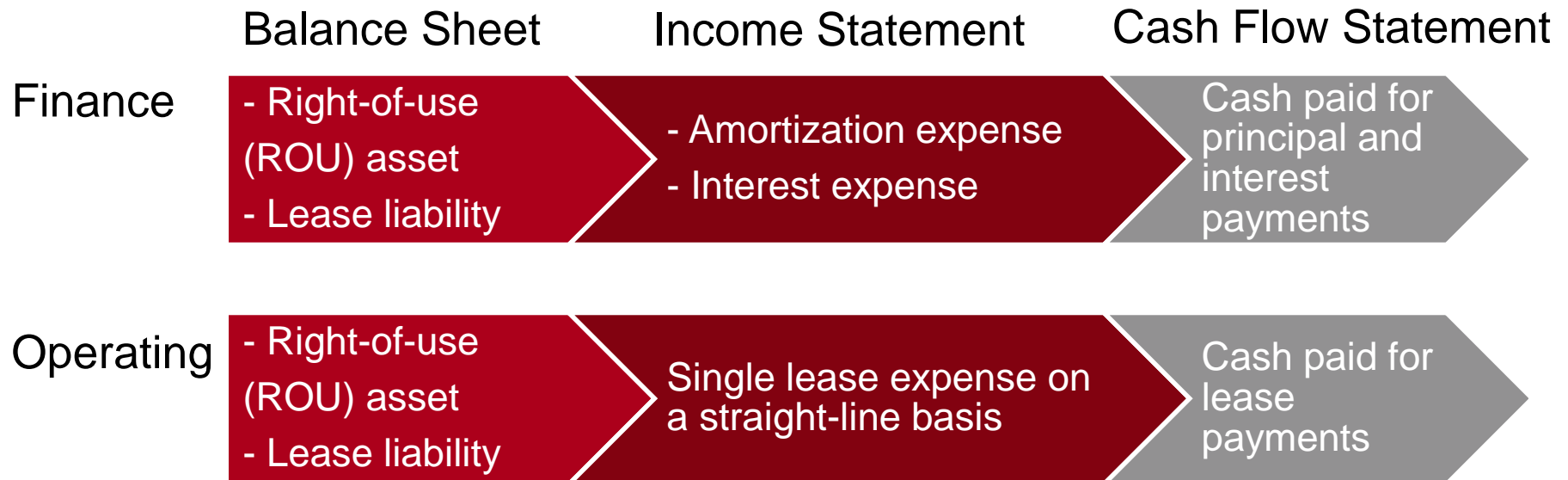


# LEASES (ASU 2016-02; TOPIC 842)

A lease contract conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration



# LESSEE ACCOUNTING OVERVIEW



# LEASES – EFFECTIVE DATE

## Public Companies

- Fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (CY 2019; FY 2019-2020)

## All Other Organizations

- Fiscal year beginning after December 15, 2019 and interim periods beginning after December 15, 2020 (CY 2020; FY 2020-2021)

## Early Application

- Permitted for all organizations

\* “Public Companies” refers to the following: (1) public business entities, (2) a not-for-profit entity that has issues, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, and (3) an employee benefit plan that files or furnishes statements with or to the SEC



TYPE 1:  
FINANCING  
LEASES

TYPE 2:  
OPERATING  
LEASES



# ASU 2015-17 – INCOME TAXES

## Balance Sheet Classification of Deferred Taxes



# ASU 2016-13

## Financial Instruments – Credit Losses

**INCURRED  
LOSS**

HAVE I LOST  
MONEY?

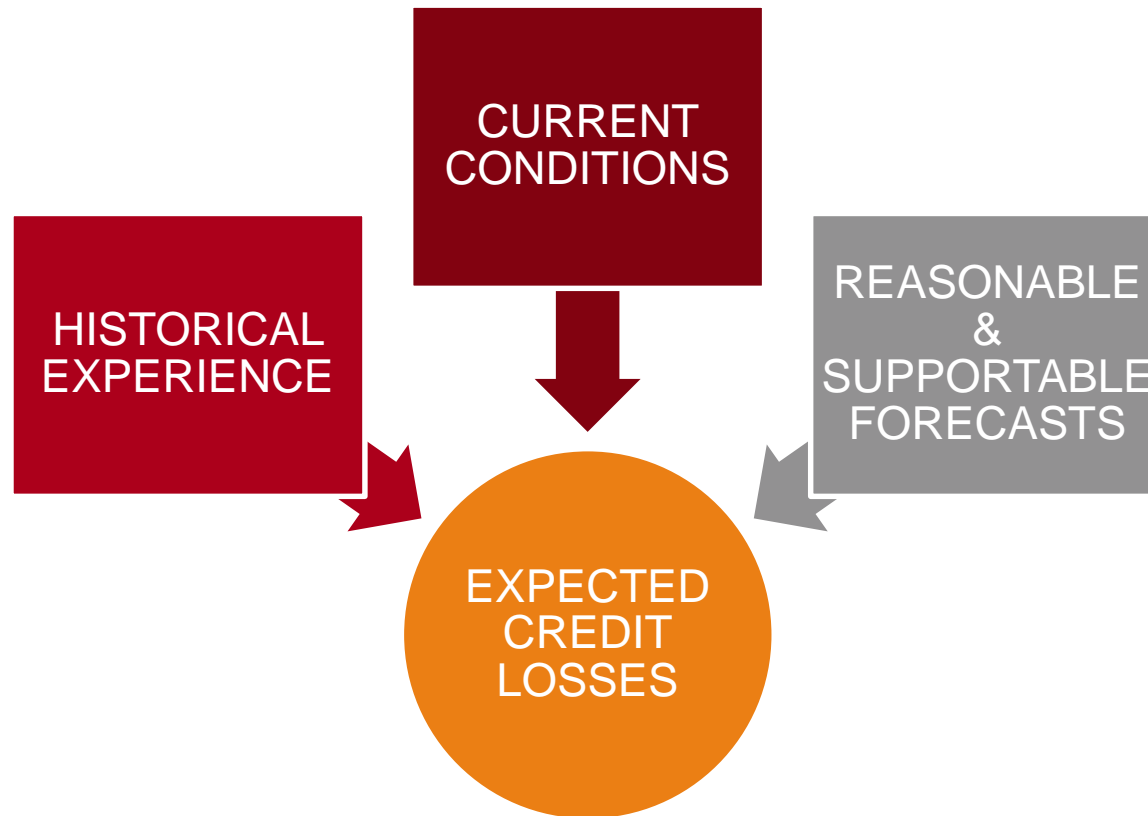


**EXPECTED  
LOSS**

WILL I LOSE  
MONEY?

# ASU 2016-13

## Financial Instruments – Credit Losses



# ASU 2016-13

## Effective dates

### **PUBLIC COMPANIES (SEC FILERS)**

Effective for fiscal years, and interim periods within those fiscal years, beginning after **DECEMBER 15, 2019**

### **PUBLIC COMPANIES (NOT SEC FILERS)**

Effective for fiscal years, and interim periods within those fiscal years, beginning after **DECEMBER 15, 2020**

### **ALL OTHER ENTITIES**

Effective for fiscal years beginning after **DECEMBER 15, 2020** and interim periods within fiscal years beginning after **DECEMBER 15, 2021**

**EARLY APPLICATION** is permitted, for periods beginning after **DECEMBER 15, 2018**

# GOING CONCERN

## ASU 2014-15

- Applies to all entities
- Annual and interim periods ending after December 15, 2016
- Early application permitted



# GOING CONCERN

## ASU 2014-15

“**Management** is required to determine, for each reporting period, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the **financial statements are issued** (for public entities, including conduit debt obligors) or within one year after the **date that the financial statements are available to be issued** (for nonpublic entities)”

# GOING CONCERN

## ASU 2014-15

**Disclosures** - If substantial doubt is alleviated as a result of management's plans:

- Principal conditions or events that raise substantial doubt before consideration of management's plans
- Management's evaluation of those conditions or events
- Management's plans that alleviate substantial doubt



# GOING CONCERN

## ASU 2014-15

**Disclosures** - If substantial doubt is not alleviated as a result of management's plans:

- Statement indicating substantial doubt about entity's ability to continue as a going concern within one year after date financial statements are issued
- Principal conditions or events that raise substantial doubt before consideration of management's plans
- Management's evaluation of those conditions or events
- Management's plans that are intended to mitigate conditions that raise substantial doubt

# DEBT ISSUANCE COSTS

## ASU 2015-03

For non-public entities, effective for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. Early adoption permitted.



# DEBT ISSUANCE COSTS

## ASU 2015-15

- Amendment to ASU 2015-03
- Original guidance does not address presentation or subsequent measurement of debt issuance costs for line-of-credit agreements
- Amortize issuance costs over the term of the agreement, regardless of outstanding borrowings



## ASU 2015-05:

Customer's Accounting for  
Fees Paid in a Cloud  
Computing Arrangement



# CLOUD COMPUTING FEES

## ASU 2015-05

### **APPLIES TO:**

- Public entities – effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015
- All other entities – effective for annual periods beginning after December 15, 2016

Early adoption permitted

# CLOUD COMPUTING FEES

ASU 2015-05

## **PROSPECTIVE DISCLOSURES:**

- The nature of and reason for the change in accounting principle
- The transition method
- A qualitative description of the financial statement line items affected

## **RETROSPECTIVE DISCLOSURES:**

- All of the prospective disclosures
- Quantitative information about the effects of the accounting change

# ASU 2016-01:

## Recognition and Measurement of Financial Assets and Liabilities





# FINANCIAL INSTRUMENTS

## ASU 2016-01

### **EQUITY SECURITIES –**

- Measured at fair value with changes recorded to net income (except equity method and consolidated)
- With readily determinable fair value - no longer classified as trading or available-for-sale
- With non-readily determinable fair value – remeasured at fair value when there is an observable price change or impairment

# FINANCIAL INSTRUMENTS

## ASU 2016-01

### **APPLIES TO:**

Public entities – effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2017

All other entities – effective for annual periods beginning after December 15, 2018 and interim periods beginning after December 15, 2019

Early adoption is not permitted



# TECHNICAL AGENDA

# QUESTIONS?

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