



The Impact of Accounting Changes on Capital

Presented By

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Impact on Capital

WHAT ACCOUNTING CHANGES?

- CECL
- Leases
- Securities
- Revenue

GREAT! ANY MORE GOOD NEWS?

- Basel III
- Tax reform?



CECL

- 1** ALLOWANCE WILL BE BASED ON EXPECTED (LIFETIME) LOSSES, NOT INCURRED LOSSES
- 2** WILL REQUIRE FORECASTING FUTURE ECONOMIC CONDITIONS
- 3** MATCH EXPECTED CONDITIONS TO COMPARABLE HISTORICAL PERIOD
- 4** USE LIFETIME CHARGE OFF DATA FROM THAT PERIOD TO ESTIMATE ALL



Leases

BALANCE SHEET

On balance sheet unless term of one year or less, including extensions

LIABILITY

Equals present value of future payments

ASSET

Treated like premises and equipment for capital purposes

EXPENSE

Expense for operating leases will continue to be straight-line

Other Changes

- Equity securities
- Basel III – capital conservation buffer
- Tax reform?
- Acquisitions?





Effective Dates

	SEC	OTHER PUBLIC	NONPUBLIC
CECL	3/31/20	3/31/21	12/31/21
Leases	3/31/19	3/31/19	12/31/20
Equity securities	3/31/18	3/31/18	12/31/19
Capital conservation buffer – full phase-in	3/31/19	3/31/19	3/31/19
Tax reform	?	?	?

Revenue Recognition

- Uniform set of rules for recognition of revenue across industries
- Includes guidance on whether an entity is a principal or an agent





Contact Us



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