



# The Impact of Accounting Changes on Capital

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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

**3** MATCH EXPECTED CONDITIONS TO COMPARABLE HISTORICAL PERIOD

**2** WILL REQUIRE FORECASTING FUTURE ECONOMIC CONDITIONS

**4** USE LIFETIME CHARGEOFF 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

	<b>SEC</b>	<b>OTHER PUBLIC</b>	<b>NONPUBLIC</b>
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





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