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Accounting, financial reporting, and regulatory developments

FOURTH QUARTER 2021

In this update, we highlight some of the more important 2021 fourth quarter accounting, financial reporting, and regulatory developments that may impact both public and private companies. The content is not meant to be all-inclusive.

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Accounting guidance

Accounting guidance issued in fourth quarter 2021

ASU 2021-10: Government Assistance (Topic 832) — Disclosures by Business Entities about Government Assistance creates standardized disclosures for business entities that receive government assistance. Prior to the issuance of ASU 2021-10, there were no required disclosures for government assistance in U.S. GAAP, except for not-for-profit entities. This resulted in diversity in practice around what information was disclosed when business entities received government assistance.
The new disclosure requirements require business entities to disclose the following information about government assistance:

- *The nature of the transactions, including a general description and form of the transactions*
- *The accounting policies used to account for the transactions*
- *The amounts and line items on the balance sheet and income statement that are affected by the transactions*

The new guidance applies to business entities, all entities other than not-for-profit entities and employee benefit plans, who receive government assistance and is effective for annual periods beginning after Dec. 15, 2021. Early application is permitted.

ASU 2021-09: Leases (Topic 842) — Discount Rate for Lessees That Are Not Public Business Entities provides entities that are not public business entities with additional flexibility when deciding whether to make the accounting policy election to use the risk-free rate as the discount rate when applying the guidance in ASC Topic 842. Originally, ASC Topic 842 allowed entities that are not public business entities to make an entitywide policy election to use the risk-free rate as the discount rate when applying the guidance in ASC Topic 842. ASU 2021-09 allows an entity to make this accounting policy election by class of asset rather than at the entitywide level. This means an entity could elect to use the risk-free rate for one class of assets (e.g., vehicles) while using its incremental borrowing rate for another class of assets (e.g., real estate). It's expected this change will allow more entities to utilize the risk-free rate as the discount rate.

For entities that have not yet adopted ASC Topic 842, the guidance in ASU 2021-09 is effective when the requirements of the new lease standard are implemented. For entities that have already adopted ASC Topic 842, the guidance in ASU 2021-09 is effective for fiscal years beginning after Dec. 15, 2021, with earlier application permitted.

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ASU 2021-08: Business Combinations (Topic 805) — Accounting for Contract Assets and Contract Liabilities from Contracts with Customers requires entities to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC Topic 606. This ASU creates an exception to the general principle that assets and liabilities acquired in a business combination should be recorded at fair value.

In general, the acquiree should account for the acquired revenue contracts as if it had originated the contracts. However, because the acquiree may be following a different accounting framework or applying different policies or judgments in evaluating contracts than the acquirer, the acquirer may not be able to solely rely on the acquiree's carrying value of contract assets and contract liabilities, and would instead need to review the acquiree's analysis to evaluate the accuracy of the acquiree's conclusions or perform their own analysis under ASC Topic 606.

This new guidance is effective for public business entities for years beginning after Dec. 15, 2022, and for all other entities for fiscal years beginning after Dec. 15, 2023. Early adoption is permitted. Entities should also be aware of the potential tax implications of adopting this new guidance. Depending on how the revenue contracts have been structured, changes in the amount of deferred revenue recorded as a result of a business combination could impact the amount of future taxable income post-acquisition. Given this, entities should consult with their tax advisors on the potential tax implications prior to adopting the new guidance.

ASU 2021-07: Compensation — Stock Compensation (Topic 718) – Determining the Current Price of an Underlying Share for Equity-Classified Share-Based Awards (a consensus of the Private Company Council) allows private companies that issue equity-classified share-based payment awards to elect, as a practical expedient, to determine the current price input in its valuation model by using a "reasonable application of a reasonable valuation method." The ASU identifies the characteristics of the "reasonable application of a reasonable valuation method," which are consistent with those in the Treasury Regulations for valuations made for income tax purposes. Accordingly, a valuation performed in accordance with the requirements of Treasury Regulation Section 409A would be acceptable under ASC Topic 718. The practical expedient is elected on a measurement-date-by-measurement-date basis; therefore, it must be applied to all share-based payment arrangements that have the same underlying share and measurement date. This update is effective for annual periods beginning after Dec. 15, 2021, with early application permitted.

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Regulatory update

High quality financial reporting in a complex environment

On Dec. 6, 2021, Paul Munter, the SEC's acting chief accountant, was the keynote speaker at the AICPA and CIMA Conference on Current SEC and PCAOB Developments and issued a **statement** on the Office of the Chief Accountant's (OCA) continued focus on high quality financial reporting in a complex environment. He discussed the roles of the preparer, auditor, and audit committee in ensuring high quality financial reporting and described the three elements necessary to support high quality financial reporting:

- *High quality standard-setting*
- *High quality implementation and application of those standards*
- *High quality audits*

Mr. Munter also highlighted the following rulemaking agenda items:

- *Climate risk disclosures*
- *Trading prohibitions under the Holding Foreign Companies Accountable Act (HFCAA)*
- *Recovery of erroneously awarded compensation*

CLIMATE RISK DISCLOSURES

"Given the dynamic nature of our capital markets, the total mix of information requested by investors continues to evolve to include new types of information, such as climate risk disclosures." To this point, SEC Chair Gary Gensler has stated: "Occasionally, investors in our capital markets tell us that they ... want something a little bit different. When it comes to climate risk disclosures, investors are raising their hands and asking regulators for more." Chair Gensler has since directed the staff to develop a climate risk disclosure rule proposal, taking into account feedback received earlier this year.

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He also mentioned that the FASB staff published an educational paper in March 2021 to provide investors, issuers, and others with an overview of the intersections between environmental matters, including climate change and existing U.S. GAAP requirements, and that the IASB staff issued similar educational materials in November 2020. Also, in September 2021, the staff in the Division of Corporation Finance (Corp Fin) published an illustrative letter containing sample comments that the Division may issue to companies regarding their climate-related disclosure or the absence of such disclosure. As stated in the sample comment letter, depending on the particular facts and circumstances, these disclosures may be required as part of a company's description of business, legal proceedings, risk factors, and management's discussion and analysis of financial condition and results of operations.

Mr. Munter noted that OCA actively monitors international developments on these topics. The IFRS Foundation, which is also responsible for governance and oversight of the IASB, announced in November 2021 the formation of the International Sustainability Standards Board (ISSB) to set IFRS sustainability disclosure standards.

TRADING PROHIBITIONS UNDER THE HFCAA

The SEC adopted final rules on Dec. 2, 2021, to specify disclosure and submission requirements for affected issuers under HFCAA. The Act also requires a trading prohibition for an issuer's securities if that issuer uses an audit firm that the PCAOB is unable to inspect or investigate completely for three consecutive years.

RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

On Oct. 14, 2021, the SEC issued a release reopening the comment period for its 2015 proposed rules that would direct the national securities exchanges and national securities associations to establish listing standards that would require each issuer to develop and implement a policy providing for the recovery of incentive-based compensation received by current or former executive officers that was awarded based on financial information that required restatement and require disclosure of the issuer's policy. Under the proposed rules, incentive-based compensation received by an executive officer during the three fiscal years preceding the date on which the issuer is required to prepare an accounting restatement to correct a material error would be subject to recovery, or "clawback." The amount to be recovered is the incentive-based compensation that exceeds the amount the executive officer would have received had the incentive-based compensation been determined based on the restated financial statements.

Special purpose acquisition companies (SPACs)

On Dec. 9, 2021, SEC Chair Gary Gensler spoke at the Healthy Markets Association Conference where he shared his **thoughts** on the use of SPACs to go public. He expressed concerns that the investing public may not be getting like protections between traditional IPOs and SPACs. He noted that, "due to the various moving parts and SPACs' two-step structure, I believe these vehicles may have additional conflicts inherent to their structure. There are conflicts between the investors who vote then cash out, and those who stay through the deal — what might be called 'redeemers' and 'remainers.' In order to reduce the potential for such information asymmetries, conflicts, and fraud, I've asked staff for proposals for the Commission's consideration around how to better align the legal treatment of SPACs and their participants with the investor protections provided in other IPOs, with respect to disclosure, marketing practices, and gatekeeper obligations."

DISCLOSURE

He has asked staff to make recommendations about how investors might be better informed about the fees, projections, dilution, and conflicts that may exist during all stages of SPACs, and how investors can receive those disclosures at the time they are deciding whether to invest and to also consider clarifying disclosure obligations under existing rules.

MARKETING

Chair Gensler also expressed concerns about the marketing of SPACs and has asked staff to make recommendations around how to guard against what effectively may be improper conditioning of the SPAC target IPO market, which could include providing more complete information at the time that a SPAC target IPO is announced.

GATEKEEPER OBLIGATIONS

Chair Gensler expressed concerns about who is performing the role of gatekeepers, potentially including directors, officers, SPAC sponsors, financial advisors, and accountants. He noted that "there may be some who attempt to use SPACs as a way to arbitrage liability regimes. Many gatekeepers carry out functionally the same role as they would in a traditional IPO but may not be performing the due diligence that we've come to expect. Make no mistake: When it comes to liability, SPACs do not provide a 'free pass' for gatekeepers."

He has asked staff for recommendations about how to better align incentives between gatekeepers and investors and how to address the status of gatekeepers' liability obligations.

ACCOUNTING GUIDANCE

- Accounting guidance issued in fourth quarter 2021

REGULATORY UPDATE

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- Special purpose acquisition companies (SPACs)
- LIBOR transition: Key considerations for market participants
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- FASB issues two new chapters of its conceptual framework
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LIBOR transition: Key considerations for market participants

As a reminder, publication of the one-week and two-month USD LIBOR maturities and non-USD LIBOR maturities will cease immediately after Dec. 31, 2021, with the remaining USD LIBOR maturities ceasing immediately after June 30, 2023. In the United States, the preferred alternative rate is the Secured Overnight Financing Rate (SOFR), which is a measure of the cost of borrowing cash overnight, collateralized by U.S. Treasury securities, and is based on directly observable U.S. Treasury-backed repurchase transactions.

On Dec. 7, 2021, SEC staff issued a **statement** addressing various aspects of the forthcoming LIBOR transition. The SEC cautioned that investment professionals should be "mindful of their obligations when recommending LIBOR-linked securities (defined for purposes of this statement as any security that uses LIBOR as a benchmark) and, as applicable, investment strategy recommendations involving other LIBOR-linked investments such as interest rate swaps, municipal securities, or securitizations." This staff statement includes considerations for (1) broker-dealers regarding legal obligations when recommending LIBOR-linked securities; (2) broker-dealers underwriting primary offerings of municipal securities or recommending municipal securities; (3) investment advisers regarding legal obligations when recommending LIBOR-linked securities or otherwise providing advice regarding other LIBOR-linked investments; and (4) funds and investment advisers related to disclosure, valuation, and operational issues.

The statement also addresses certain issues that companies should consider related to the LIBOR transition, such as: applicable disclosure obligations with respect to the transition away from LIBOR; the likely impact that the LIBOR transition will have on valuation measurements using LIBOR as an input, including those valuations determined by investment companies; and operational complexities that the LIBOR transition is likely to introduce, which may require significant IT system changes and those in operational processes.

The statement notes that registrants should carefully consider the "fallback language" (i.e., language intended to provide an alternative reference rate or otherwise address a permanent cessation of LIBOR) in existing agreements as well as new LIBOR-linked securities.

The statement noted, "It is important that companies keep investors informed about their progress toward LIBOR risk identification and mitigation, and the anticipated impact on the company, if material. A number of existing rules or regulations may require disclosure related to the expected discontinuation of LIBOR, including rules and regulations related to disclosure of risk factors, management's discussion and analysis, board risk oversight, and financial statements. Issuers of registered

asset-backed securities also should consider relevant disclosure requirements under Regulation AB, as well as appropriate disclosures regarding the potential impacts of the LIBOR transition on investors in those securities. To provide meaningful insight to investors about the status of their identification and mitigation efforts, including significant matters yet to be addressed, companies should consider providing detailed and specific disclosure, rather than general statements about the progress of the company's transition efforts to date."

Companies are encouraged to provide qualitative disclosures and, when material, quantitative disclosures. An example given was the notional value of contracts referencing LIBOR that extend past Dec. 31, 2021, or June 30, 2023, as applicable. Another example related to companies with material risk related to outstanding debt with inadequate fallback provisions. In these cases, a company should consider disclosing how much debt will be outstanding after the relevant cessation date and the steps the company is taking to address the situation, such as renegotiating contracts or refinancing the obligations. To the extent that a company has or is taking steps to identify and assess LIBOR exposure and mitigate material risks or potential impacts of the transition, the company should consider providing investors insight into what the company has done, what steps remain, and the timeline for further efforts.

The SEC noted that companies generally include disclosures about the LIBOR transition as part of risk factors, recent developments, MD&A, and/or quantitative and qualitative disclosures about market risk. The statement suggests that to the extent a company provides this disclosure in response to more than one disclosure requirement within a filing, consideration should be given to providing a cross-reference or otherwise summarizing or tying the information together, so an investor has a complete and clear view of the company's plan for the discontinuation of LIBOR, the status of the company's efforts, and the related risks and impacts. The staff expects disclosures to evolve over time as companies provide updates to reflect transition efforts and the broader market and regulatory landscape. Companies are encouraged to refer to the **July 2019 Staff Statement** as they prepare their disclosures to investors about the LIBOR transition and its potential impact on their businesses.

Spring-loaded awards

In December, the SEC issued Staff Accounting Bulletin (SAB) No. 120, which updates SAB Codification Topic 14, *Share-Based Payment*, and adds interpretive guidance for public companies to consider when entering into share-based payment transactions while in possession of material nonpublic information, including share-based payment transactions that are commonly referred to as being "spring-loaded." This SAB provides additional guidance to companies estimating

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the fair value of share-based payment transactions in accordance with Topic 718 regarding the determination of the current price of the underlying share and the estimation of the expected volatility of the price of the underlying share for the expected term when the company is in possession of material nonpublic information.

In addition, SAB No. 120 also rescinds portions of SAB Codification Topic 14 and conforms other portions of it to make staff interpretive guidance consistent with the guidance in FASB ASC Topic 718.

Sample letter to China-based companies

On Dec. 20, 2021, Corp Fin announced that it was issuing comments to China-based companies seeking more specific and prominent disclosure about the legal and operational risks associated with China-based companies. The comments focus on the need for clear and prominent disclosure regarding the structure of the company, including the relationship between the entity conducting the offering and the entities conducting the operating activities, risks associated with a company's use of the VIE structure, and the potential impact on the company's operations and investors' interests if such structure were disallowed or the contracts were determined to be unenforceable. The comments also focus on additional legal, regulatory, and enforcement risks that may apply to investments in China-based companies, such as the potential impact of the HFCAA and related rules and any necessary People's Republic of China (PRC) permissions a China-based company may need to operate its business or offer securities to foreign investors. Corp Fin also included an illustrative letter with sample comments.

Corp Fin previously provided its views regarding certain disclosure considerations for China-based companies, and, in July 2021, Chair Gensler issued a *Statement on Investor Protection Related to Recent Developments in China*. Among other things, the Chair's statement noted that PRC (or China) has provided new guidance to, and placed restrictions on, China-based companies raising capital outside of China.

SEC hot topics

Calendar-year companies should consider certain SEC concerns and suggestions when preparing 2021 annual financial statements and disclosures. At the 2021 AICPA and CIMA Conference on Current SEC and PCAOB Developments, SEC staff discussed matters related to accounting, financial reporting, and disclosures. A summary of some of the matters not discussed earlier, follows.

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COVID-19 DISCLOSURES

Unlike the prior year, this was not the dominant topic at this year's conference. However, SEC staff did remind companies to consider 2020 CF Disclosure Guidance: Topic 9 and Topic 9A for disclosure considerations and guidance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

ESG continued to be a hot topic with most speakers discussing this area. There is demand for a global set of ESG standards. In November 2021, the IASB announced the formation of the International Sustainability Standards Board (ISSB) to set IFRS sustainability disclosure standards. The SEC is moving toward its own standards, and it's expected that new SEC proposed disclosure rules on climate risks will be issued in early 2022, including whether ESG disclosures should be included in SEC filings such as Form 10K.

The SEC has already issued principle-based human capital disclosure requirements and is expected to issue more prescriptive guidance.

In addition, the role of the auditors in sustainably reporting was discussed in several sessions. The Center for Audit Quality (CAQ) speaker stated that audit firms are well positioned to provide assurance over ESG information. This was also discussed by the ESG panel. Assurance guidance over ESG disclosures is expected to be issued as disclosure requirements are adopted.

ESG reporting standards are expected to be issued fairly quickly so preparers are encouraged to gain an understanding of the company's ESG information. Mr. Munter noted companies should consider the ownership of ESG date, related processes and controls over the preparation of ESG information, and what level of governance and oversight exists for the reporting processes and controls.

SPACS

SEC staff noted the high volume of SPAC IPOs and that these transactions outnumbered traditional IPOs. Accounting for warrants and the related OCA April 2021 Statement was discussed, along with concerns over public company readiness by the target company as it relates to financial reporting, internal controls, and processes.

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MATERIALITY

Speakers from OCA, Corp Fin, and Division of Enforcement addressed the importance of carefully assessing errors discovered after the issuance of financial statements when determining whether a potential restatement is to be reflected in the financial statements as a "Big R" or "little r." In a "Big R" restatement, prior financial statements are restated, whereas in a "little r" restatement, the error is corrected in the current period financial statements by restating the prior-period information and the prior-period financial statements are not reissued. "Little r" as compared to "Big R" restatements have increased in recent years. SAB 99 provides guidance on the materiality assessment, including the requirement to assess both quantitative and qualitative factors. Mr. Munter noted that in cases where the error is quantitatively material, it's rare that qualitative factors would be able to overcome the magnitude of the error and support a conclusion that a "little r" restatement is appropriate. He also noted that in cases where the error is quantitatively immaterial, qualitative factors should be carefully analyzed because in combination, the qualitative and quantitative factors could make the restatement a "Big R" restatement. This topic was discussed by many speakers and is a focus of the SEC.

The impact on internal control over financial reporting (ICRF) must also be considered. Of note is that even if a restatement is determined to be a "little r," there could still be material weakness.

NON-GAAP MEASURES AND METRICS

SEC staff discussed three issues that continue to be an issue. They were: prominence (where the measure is presented), mislabeling (such as using a term for the measure that's similar to a GAAP term), and using metrics instead of non-GAAP measures (must ensure the metric is a non-GAAP measure).

REVENUE CONSULTATIONS

Common OCA revenue consultation topics involved principal versus agent considerations, determination of performance obligations, and identification of the customer and consideration paid to a customer.

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SEGMENTS

SEC staff continues to focus on segment reporting and how registrants apply the guidance in ASC Topic 280, Segment Reporting, and IFRS 8, Operating Segments, and they consider all publicly available information when reviewing segment information, including public filings as well as information available from a registrant's earnings calls, website, and industry or analyst presentations. It was noted that the staff has observed companies presenting multiple measures of segment profit or loss in the notes to their financial statements, and they are likely to comment when that is the case. Staff also noted that the management approach is a fundamental concept in ASC Topic 280, and companies should carefully consider all information that the chief operating decision-maker (CODM) uses on a regular basis, including any changes to that information based on changes in the business.

DISAGGREGATION OF REVENUE AND PRESENTATION OF GROSS PROFIT

SEC staff discussed that they continue to ask registrants for information supporting their conclusions on the appropriate presentation of revenue and cost of sales in the income statement and that they specifically focus on the proper disaggregation of revenue in accordance with Rule 5-03(b)(1) of Regulation S-X and the improper presentation of gross profit when depreciation and amortization have been excluded from cost of sales. Under SAB Topic 11.B, *Depreciation and Depletion Excluded from Cost of Sales*, depreciation and amortization may be excluded from cost of sales if the line item clearly discloses its exclusion, and the income statement does not include gross profit. If both cost of product and cost of service line items are presented, the staff expects the disclosure of depreciation and amortization related to each type of cost of revenue.

SEC staff may request additional information about technology costs, particularly whether such costs should be classified as costs of revenue. These costs may be especially significant for technology platform companies and may include costs to maintain or enhance the company's platform or technology products or services. A company's description of its technology investments should be consistent with its income statement presentation.

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DIGITAL ASSETS

OCA has received a number of consultations related to digital asset-related transactions or business models. These questions include, among others, when digital assets represent an asset or liability of the registrant, determining the cost basis for digital assets, and revenue recognition considerations. SEC staff indicated that unless the digital assets are considered to be securities and subject to other accounting guidance, they most likely should be accounted for as intangible assets. Many investors and preparers are asking for guidance from the FASB and SEC to help in the accounting for these assets. There are existing accounting models to account for these digital assets; however, many investors would like a fair value model. The FASB received over 400 letters in the comment process during 2020 that proposed that these assets be recorded at fair value and may add a project to its technical agenda to address the accounting.

CYBERSECURITY

The conference included a cybersecurity panel that discussed best practices in reducing losses, including reputational, and the importance of board involvement. Panelists noted that this issue is a top agenda item for many boards with audit committees also involved specifically to ensure that the company's internal controls are effective and that the required financial statement and filing disclosures are made.

REFERENCE RATE REFORM

See earlier discussion *LIBOR transition: Key considerations for market participants.*

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Other developments

FASB issues two new chapters of its conceptual framework

In December 2021, FASB issued two new chapters of its Conceptual Framework. The Conceptual Framework includes the underlying objectives and fundamentals that are used as the foundation for FASB for setting new accounting standards. While the changes to the Conceptual Framework in these two chapters don't alter any existing requirements within the Accounting Standards Codification, the updates may lead to changes in future standards-setting activity. The two new chapters are:

- ***FASB Concepts Statement No. 8, Conceptual Framework for Financial Reporting — Chapter 4, Elements of Financial Statements*** *defines the 10 elements contained within the financial statements. These elements include assets, liabilities, equity (net assets), investments by owners, distributions to owners, comprehensive income, revenues, expenses, gains, and losses.*
- ***FASB Concept Statement No. 8, Conceptual Framework for Financial Reporting — Chapter 7, Presentation*** *describes how information should be displayed in order to provide useful information to financial statement users.*

FASB receives feedback on future agenda

During 2021, FASB requested stakeholder feedback on setting its agenda for future standards-setting activity. Based on the feedback received, FASB placed the following projects on its research agenda for future standards-setting activity:

- *Accounting for exchange-traded digital assets and commodities*
- *Accounting for and disclosure of intangibles*
- *Hedge accounting*
- *Accounting for financial instruments with environmental, social and governance (ESG)-linked features and regulatory credits*
- *Accounting for government grants*

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Standards adoption

Standards issued in 2021

Final ASU	Early adoption	Effective date
ASU 2021-10: *Government Assistance (Topic 832) — Disclosures by Business Entities about Government Assistance*	Yes	Effective for all business entities for fiscal years beginning after Dec. 15, 2021
ASU 2021-09: *Leases (Topic 842) — Discount Rate for Lessees That Are Not Public Business Entities*	Yes — if early ASU 2016-02 is early adopted	**Nonpublic entities that have not adopted ASC 842:** *See ASU 2016-02* **Nonpublic entities that have adopted ASC 842:** *Fiscal years beginning after Dec. 15, 2021, and interim periods within fiscal years beginning after Dec. 15, 2022.* **Public business entities:** *Not eligible*
ASU 2021-08: *Business Combinations (Topic 805) — Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*	Yes	**Nonpublic:** *Fiscal years beginning after Dec. 15, 2023, and interim periods within those fiscal years.* **Public:** *Fiscal years beginning after Dec. 15, 2022, and interim periods within those fiscal years*
ASU 2021-07: *Compensation — Stock Compensation (Topic 718) — Determining the Current Price of an Underlying Share for Equity-Classified Share-Based Awards (a consensus of the Private Company Council)*	Yes	**Nonpublic:** *Fiscal years beginning after Dec. 15, 2021, and interim periods within fiscal years beginning after Dec. 15, 2022* **Public business entities:** *Not eligible*
ASU 2021-06: *Presentation of Financial Statements (Topic 205), Financial Services — Depository and Lending (Topic 942), and Financial Services — Investment Companies (Topic 946), Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10786, Amendments to Financial Disclosures about Acquired and Disposed Businesses, and No. 33-10835, Update of Statistical Disclosures for Bank and Savings and Loan Registrants*	N/A	Effective upon issuance
ASU 2021-05: *Leases (Topic 842) — Lessors — Certain Leases with Variable Payments*	Yes	**Nonpublic:** *fiscal years beginning after Dec. 15, 2021, and interim periods within fiscal years beginning after Dec. 15, 2022* **Public:** *fiscal years beginning after Dec. 15, 2021, and interim periods within those fiscal years*

**Effective 2021 for nonpublic companies*
***Effective 2021 for public business entities*

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Final ASU	Early adoption	Effective date
ASU 2021-04: *Earnings Per Share (Topic 260), Debt — Modifications and Extinguishments (Subtopic 470-50), Compensation — Stock Compensation (Topic 718), and Derivatives and Hedging — Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options*	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2021
ASU 2021-03: Intangibles — *Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events*	Yes	**Nonpublic:** *Fiscal years beginning after Dec. 15, 2019.** **Public business entities:** *Not eligible*
ASU 2021-02: Franchisors — *Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient*	Yes	**Nonpublic:** *If ASC 606 has not already been adopted, annual reporting periods beginning after Dec. 15, 2019, and interim periods within annual periods beginning after Dec. 15, 2020.** *If ASC 606 has already been adopted, interim and annual reporting periods beginning after Dec. 15, 2020.** **Public business entities:** *Not eligible*
ASU 2021-01: *Reference Rate Reform (Topic 848): Scope*	Effective upon issuance	*Effective for the period March 12, 2020 through Dec. 31, 2022.*,***

*Effective 2021 for nonpublic companies
**Effective 2021 for public business entities

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Standards issued in prior years effective 2021 or after

Final ASU	Early adoption	Effective date
Update 2020-11: *Financial Services — Insurance (Topic 944): Effective Date and Early Adoption*	Yes	**SEC registrants (excluding entities that qualify as SRCs):** *fiscal years beginning after Dec. 15, 2022, including interim periods within those fiscal years.* **All other entities:** *fiscal years beginning after Dec. 15, 2024, and interim periods beginning in fiscal years beginning after Dec. 15, 2025.*
Update 2020-10: *Codification Improvements*	Yes	**See ASU**
Update 2020-08: *Codification Improvements to Subtopic 310-20, Receivables — Nonrefundable Fees and Costs*	Yes for nonpublic entities only — but no earlier than years beginning after Dec. 15, 2020	**Nonpublic:** *fiscal years beginning after Dec. 15, 2021, and interim periods within annual periods beginning after Dec. 15, 2022.* **Public business entities:** *fiscal years beginning after Dec. 15, 2020, and interim periods within these fiscal years.***
Update 2020-07: *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*	Yes	*Effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022.*
Update 2020-06: *Debt — Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging — Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*	Yes — but no earlier than fiscal years beginning after Dec. 15, 2020	**SEC registrants (excluding entities eligible to be SRCs):** *fiscal years beginning after Dec. 15, 2021, and interim periods within those fiscal years.* **All other entities:** *fiscal years beginning after Dec. 15, 2023, and interim periods within those fiscal years.*
Update 2020-05: *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Date for Certain Entities*	Yes	REVENUE RECOGNITION **Nonpublic:** *fiscal years beginning after Dec. 15, 2019, and interim periods within annual periods beginning after Dec. 15, 2020** LEASES **Nonpublic:** *fiscal years beginning after Dec. 15, 2021, and interim periods within annual periods beginning after Dec. 15, 2022* **Public not-for-profit entities:** *fiscal years beginning after Dec. 15, 2019 and interim periods within those fiscal years*
Update 2020-04: *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*	Effective upon issuance	*Effective for the period March 12, 2020 through Dec. 31, 2022*,***
Update 2020-03: *Codification Improvements to Financial Instruments*	Yes	*See ASU*

**Effective 2021 for nonpublic companies*
***Effective 2021 for public business entities*

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Final ASU	Early adoption	Effective date
Update 2020-02: *Financial Instruments — Credit Losses (Topic 326) and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 119 and Update to SEC Section on Effective Date Related to Accounting Standards Update No. 2016-02, Leases (Topic 842)*	Yes, if ASU 2016-13 adopted	*See ASU 2016-02* *See ASU 2016-13*
Update 2020-01: *Investments — Equity Securities (Topic 321), Investments — Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815*	Yes	**Nonpublic:** *fiscal years beginning after Dec. 15, 2021, and interim periods within those fiscal years.* **Public business entities:** *fiscal years beginning after Dec. 15, 2020, and interim periods within those fiscal years.***
Update 2019-12: *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*	Yes	**Nonpublic:** *fiscal years beginning after Dec. 15, 2021 and interim periods within annual periods beginning after Dec. 15, 2022.* **Public business entities:** *fiscal years beginning after Dec. 15, 2020, and interim periods within these fiscal years.***
Update 2019-11: *Codification Improvements to Topic 326, Financial Instruments — Credit Losses*	Yes, if ASU 2016-13 adopted	*See ASU 2016-13*
Update 2019-10: *Financial Instruments — Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*	N/A	*See ASU 2016-02* *See ASU 2016-13* *See ASU 2017-12**
Update 2019-09: *Financial Services — Insurance (Topic 944): Effective Date*	N/A	*See ASU 2018-12*
Update 2019-05: *Financial Instruments — Credit Losses (Topic 326): Targeted Transition Relief*	Yes, if ASU 2016-13 adopted	*See ASU 2016-13*
Update 2019-04: *Codification Improvements to Topic 326, Financial Instruments — Credit Losses, Topic 815 Derivatives and Hedging, and Topic 825, Financial Instruments*	Yes	*See ASU*
Update 2019-02: *Entertainment — Films — Other Assets — Film Costs (Subtopic 926-20) and Entertainment Broadcasters — Intangible — Goodwill and Other (Subtopic 920-350): Improvements to Accounting for Costs of Films and License Agreements for Program Materials*	Yes	**Nonpublic:** *fiscal years beginning after Dec. 15, 2020.** **Public business entities:** *fiscal years beginning after Dec. 15, 2019.*
Update 2019-01: *Leases (Topic 842): Codification Improvements*	Yes, if ASU 2016-02 adopted	*See ASU 2016-02*

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Update 2018-20: *Leases (Topic 842): Narrow-Scope Improvements for Lessors*	Yes, if ASU 2016-02 adopted	*See ASU 2016-02*
Update 2018-19: *Codification Improvements to Topic 326, Financial Instruments — Credit Losses*	Yes, if ASU 2016-13 adopted	*See ASU 2016-13*
Update 2018-18: *Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606*	Yes, if ASU 2014-09 adopted	**Nonpublic:** *annual reporting periods beginning after Dec. 15, 2020, and interim periods within annual periods beginning after Dec. 15, 2021.** **Public business entities:** *fiscal years beginning after Dec. 15, 2019, and interim periods within these fiscal years.*
Update 2018-17: *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities*	Yes	**Nonpublic:** *fiscal years beginning after Dec. 15, 2020, and interim periods beginning after Dec. 15, 2021.** **Public business entities:** *fiscal years beginning after Dec. 15, 2019, and interim periods within these fiscal years.*
Update 2018-16: *Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes*	Yes, if ASU 2017-12 adopted	*See ASU 2017-12**
Update 2018-15: *Intangibles — Goodwill and Other — Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*	Yes	**Nonpublic:** *annual reporting periods beginning after Dec. 15, 2020, and interim periods within annual periods beginning after Dec. 15, 2021.** **Public business entities:** *fiscal years beginning after Dec. 15, 2019, and interim periods within those fiscal years.*
Update 2018-14: *Compensation — Retirement Benefits — Defined Benefit Plans — General (Subtopic 715-20): Disclosure Framework — Changes to the Disclosure Requirements for Defined Benefit Plans*	Yes	**Nonpublic:** *fiscal years ending after Dec. 15, 2021.** **Public business entities:** *fiscal years ending after Dec. 15, 2020.*
Update 2018-12: *Financial Services — Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*	Yes	**SEC registrants (excluding entities eligible to be SRCs):** *fiscal years beginning after Dec. 15, 2021 and interim periods within those fiscal years.* **All other entities:** *fiscal years beginning after Dec. 15, 2023 and interim periods beginning after Dec. 15, 2024.*
Update 2018-11: *Leases (Topic 842): Targeted Improvements*	Yes, if ASU 2016-02 adopted	*See ASU 2016-02*
Update 2018-10: *Codification Improvements to Topic 842, Leases*	Yes, if ASU 2016-02 adopted	*See ASU 2016-02*

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Update 2018-01: *Leases (Topic 842) — Land Easement Practical Expedient for Transition to Topic 842*	Yes	*See ASU 2016-02*
Update 2017-12: *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*	Yes	**Nonpublic:** *fiscal years beginning after Dec. 15, 2020 and interim periods beginning after Dec. 15, 2021.** **Public business entities:** *fiscal years beginning after Dec. 15, 2018 and interim periods within those fiscal years.*
Update 2017-04: *Intangibles — Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*	Yes	**SEC registrants (excluding entities that qualify as SRCs):** *fiscal years beginning after Dec. 15, 2019, including interim periods within those fiscal years.* **All other entities:** *fiscal years beginning after Dec. 15, 2022, including interim periods within those fiscal years.*
Update 2016-13: *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*	Yes, as of fiscal years beginning after Dec. 15, 2018, including interim periods within those fiscal years	**SEC registrants (excluding entities that qualify as SRCs):** *fiscal years beginning after Dec. 15, 2019, including interim periods within those fiscal years.* **All other entities:** *fiscal years beginning after Dec. 15, 2022, including interim periods within those fiscal years.*
Update 2016-02: *Leases (Topic 842)*	Yes	**Nonpublic:** *fiscal years beginning after Dec. 15, 2021, and interim periods within annual periods beginning after Dec. 15, 2022* **Public not-for-profit entities:** *fiscal years beginning after Dec. 15, 2019 and interim periods within those fiscal years* **Public business entities:** *fiscal years beginning after Dec. 15, 2018, including interim periods within those fiscal years.*

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