

MINUTES



MEMORANDUM

To: Board Members
From: Lazar, x384
Subject: Minutes of October 16, 2019 Board Meeting
Date: October 18, 2019
cc: Tosches

The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Board's deliberations. All of the conclusions reported are tentative and may be changed at future Board meetings. Decisions become final only after a formal written ballot to issue an Accounting Standards Update or a Statement of Financial Accounting Concepts.

Topic: Effective Date Consideration for Private Companies, Not-for-Profit Organizations, and Small Public Companies

Basis for Discussion: Effective Date Consideration for Private Companies, Not-for-Profit Organizations, and Small Public Companies Memo No. 2, "Comment Letter Summary"

Length of Discussion: 9:00 a.m. to 9:30 a.m. (EDT)

Attendance:

Board members present: Golden, Kroeker, Botosan, Buesser, Cosper, Hunt, and Schroeder

Board members absent: None

Staff in charge of topic: Roberge

Other staff at Board table: Kuhaneck, Posta, and Lazar

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues relating to the development of a final Accounting Standards Update addressing the effective dates for credit losses, hedging, and leases. Please refer to the current technical plan for information about project timelines.

Tentative Board Decisions:

The Board discussed comments received on its August 2019 proposed Accounting Standards Update, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, and whether to proceed to a draft of a final Accounting Standards Update for vote by written ballot.

The Board affirmed its decisions on amendments to the effective dates for:

1. Accounting Standards Update No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (Credit Losses)
2. Accounting Standards Update No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* (Hedging)
3. Accounting Standards Update No. 2016-02, *Leases (Topic 842)* (Leases).

Credit Losses

The Board decided that Credit Losses will be effective for:

1. Public business entities (PBEs) that are SEC filers, excluding entities eligible to be smaller reporting companies (SRCs) as currently defined by the SEC, for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. For calendar-year-end companies, this will be January 1, 2020. The Board affirmed that the one-time determination of whether an entity is eligible to be an SRC will be based on an entity's most recent assessment in accordance with SEC regulations as of the date that a final Update on effective dates is issued (for example, November 20, 2019).
2. For all other entities, the Board decided that Credit Losses will be effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years.

That decision provides additional implementation time for entities eligible to be SRCs, PBEs that are not SEC filers, and entities that are not PBEs (including private companies, not-for-profit organizations, and employee benefit plans). For all entities, early adoption will continue to be allowed; that is, early adoption is allowed for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (that is, effective January 1, 2019, for calendar-year-end companies).

(Vote: 7-0)

As a consequential amendment, the Board decided to align the effective dates of Accounting Standards Update No. 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, with the amended Credit Losses effective dates.

(Vote: 7-0)

Hedging

The Board decided to retain the existing effective date for Hedging for PBEs, which is for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, that is, effective January 1, 2019, for calendar-year-end companies. The Board decided to defer the mandatory effective date for Hedging for all other entities by an additional year. Therefore, Hedging will be effective for entities other than PBEs for fiscal years beginning after December 15, 2020 (effective January 1, 2021, for calendar-year-end companies), and interim periods within fiscal years beginning after December 15, 2021 (January 1, 2022, for calendar-year-end companies). Early adoption will continue to be allowed.

(Vote: 7-0)

Leases

The Board decided to retain the existing effective date for Leases for (1) all PBEs, (2) not-for-profit conduit bond obligors, and (3) employee benefit plans that file or furnish financial statements with the SEC. That date is for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (effective January 1, 2019, for calendar-year-end companies). The Board decided to defer the mandatory effective date for Leases for all other entities by an additional year. Therefore, Leases will be effective for all other entities beginning after December 15, 2020 (January 1, 2021, for calendar-year-end companies), and interim periods within fiscal years beginning after December 15, 2021 (January 1, 2022 for calendar-year-end companies). Early adoption will continue to be allowed.

(Vote: 7-0)

The Board concluded that it has received sufficient information and analysis to make an informed decision on the perceived costs of the changes and that the expected benefits would justify the expected costs of the amendments in the Accounting Standards Update. The Board directed the staff to draft a final Accounting Standards Update for vote by written ballot.

(Vote: 7-0)

General Announcements: The acting technical director gave an update on outreach and educational activities the staff is conducting for Credit Losses, including the series of Credit Losses workshops that are being held with stakeholders. More information about these activities is available on the FASB website.