

## Post-Implementation Review (PIR) Board Update

7/29/2020

### PIR PROCESS ACTIVITY PLANS FOR LEASES

#### Stage 1: Post-Issuance-Date Implementation Monitoring

1. Since the issuance of Accounting Standards Update No. 2016-02, *Leases (Topic 842)*, the Board has provided resources to monitor and assist stakeholders with the implementation of Topic 842. Certain of the Stage 1 PIR activities have been completed for public companies given the 2019 effective date of the amendments for those companies. To date, the FASB staff and the Board have:
  - a. Responded to over 270 technical inquiries
  - b. Discussed leases implementation issues at 12 public Board meetings held on implementation issues
  - c. Issued 5 Updates improving and simplifying Topic 842
  - d. Issued 2 Updates deferring Topic 842 for private companies and not-for-profit (NFP) organizations
  - e. Provided a Staff Q&A on accounting for lease concessions in response to COVID-19
  - f. Developed educational materials and created an implementation website as a single place to house all implementation resources
  - g. Performed public webcasts held upon issuance of the Update as well as throughout the adoption period (including industry-specific webcasts, private company-focused webcasts, and investor education podcasts).

As part of the PIR process, the FASB will continue to perform those activities as entities implement and apply Topic 842, particularly for nonpublic entities that have not yet adopted the Topic. Additionally, the FASB will continue to communicate and perform outreach with key stakeholders and the FASB's advisory groups.

2. Today, the Board considered the following issues at its agenda prioritization meeting:
  - a. Private company option to not provide Topic 840, Leases, disclosures when the alternative transition method is selected
  - b. Day 1 losses on sales-type leases
  - c. Remeasurement of lease liabilities for changes in an index/rate
  - d. Reduction in scope of master lease agreement.
3. A public roundtable will be held on September 18, 2020 (delayed due to COVID-19) in which the following topics are expected to be discussed:
  - a. Lessee discount rate
  - b. Embedded leases
  - c. Lease modifications
  - d. Lessee allocation of payments.

## **Stage 2: Post-Effective-Date Evaluation of Costs and Benefits**

4. For Stage 2, the following activities are ongoing or planned over the next several months.

### *Preparer Focus*

5. Survey public company preparers about adoption experience. This activity will be performed for private companies and NFP entities after the Topic is effective for those organizations.

### *Auditor and Regulator Focus*

6. Continue outreach with auditors and regulators about the adoption experience associated with public companies. This activity will be performed after the standard is effective for private companies.

### *Accounting System Focus*

7. Gather feedback from advisory groups about the costs and benefits of adoption. Continue to gather feedback as an agenda topic for advisory meetings (Financial Accounting Standards Advisory Council [FASAC], Small Business Advisory Committee [SBAC], Private Company Council [PCC], and Not-for-Profit Advisory Committee [NAC]).

### *Investor Focus*

8. Outreach with users (for example, buy-side/sell-side/credit analysts) to understand the costs and benefits of the financial reporting resulting from Topic 842. Continue to hold discussions with the Investor Advisory Committee (IAC). Additionally, continue to monitor analyst reports.

9. Sponsor academic research to assess certain aspects of the standards to provide information to the Boards on the effectiveness of the standards.

### **Stage 3: Summary of Research and Reporting**

10. In this phase, the Boards will discuss in public the results of their research and prepare a final report for the Standard-Setting Process Oversight Committee (SSPOC).

## **PIR PROCESS ACTIVITY PLANS FOR CREDIT LOSSES**

### **Stage 1: Post-Issuance-Date Implementation Monitoring**

11. Since the issuance of Accounting Standards Update No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, the Board has provided resources to monitor and assist stakeholders with the implementation of Topic 326. Certain of the Stage 1 PIR activities have been completed for public companies given the 2020 effective date of the amendments for those companies. To date, the FASB staff and the Board have:
  - a. Formed a Transition Resource Group (TRG) and have held 4 public meetings and issued 23 educational papers.
  - b. Conducted outreach with:
    - (1) Investor groups—15
    - (2) Preparers—55
    - (3) Industry trade groups—1
    - (4) Academics—5
    - (5) Accounting firms/regulators—80+
    - (6) Roundtables—(a) on current expected credit losses (CECL) implementation and (b) on CECL alternative.
  - c. Responded to 79 technical inquiries since 2016.
  - d. Issued 5 Updates improving and simplifying Topic 326, and issued 1 Update deferring Topic 326 for public business entities that do not meet the definition of a U.S. Securities and Exchange Commission (SEC) filer, private companies, and NFP organizations.
    - (1) Collectively received 227 comments letters on respective proposed Updates.
  - e. Issued 2 Staff Q&A's:
    - (1) *Whether the Weighted-Average Remaining Maturity Method Is an Acceptable Method to Estimate Expected Credit Losses*
    - (2) *Developing an Estimate of Expected Credit Losses on Financial Assets.*

- f. Conducted 10 educational workshops with a focus on community banks and credit unions.
  - g. Developed educational materials and created an implementation website as a single place to house all implementation resources.
12. As part of the PIR process, the FASB will continue to perform those activities as noted above for entities implementing and applying Topic 326, particularly for nonpublic entities that have not yet adopted the Topic. Additionally, the staff will:
- a. Continue to communicate and perform outreach with key stakeholders and FASB advisory groups
  - b. Continue to perform archival review of financial reports including call report data, 10-Q quarterly financial statements, and earnings call/investor transcripts
  - c. Host a roundtable in the first half of 2021 to discuss the implementation of Topic 326.

## **Stage 2: Post-Effective-Date Evaluation of Costs and Benefits**

13. For Stage 2, the following list represents activities planned or ongoing.

### *Preparer Focus*

14. Survey financial statement preparers about the adoption experience:
- a. Conduct one-on-one outreach with stakeholders adopting CECL in 2020 to learn directly from those implementing the standard (private company efforts to begin after the standard is effective)
  - b. Conduct an additional roundtable like the first, focused primarily on private companies and NFP entities.

### *Auditor and Regulator Focus*

15. Outreach with auditors and regulators about adoption experience. Conduct one-on-one outreach with stakeholders adopting CECL in 2020 to learn directly from those implementing the standard.

### *Accounting System Focus*

16. Gather feedback from advisory groups about the costs and benefits of adoption.

### *Investor Focus*

17. Understand the benefits of the standard from investors and other users (such as regulatory banking agencies). Assess and monitor investor perceptions to understand whether the pronouncement achieved its expected benefits and the information utility to investors. Efforts will include listening to earnings presentations, reading transcripts, reviewing supplemental schedules, and financial statements.

18. Consider sponsoring academic research to assess certain aspects of the standards to provide information to the Boards on the effectiveness of the standards.

### **Stage 3: Summary of Research and Reporting**

19. In this phase, the Boards will discuss in public the results of their research and prepare a final report for the SSPOC.

## **PIR PROCESS ACTIVITY PLANS FOR REVENUE**

### **Stage 1: Post-Issuance-Date Implementation Monitoring**

20. Since the issuance of Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, the Board has provided resources to monitor and assist stakeholders with the implementation of Topic 606. The majority of the Stage 1 PIR activities have been completed for public companies given the 2018 effective date of the amendments for those companies.
21. To date, the FASB staff and the Board have:
  - a. Held 6 public meetings of the Transition Resource Group (TRG); responded to 100 submissions to the TRG resulting in 60 TRG papers.
  - b. Issued 2 Updates deferring the effective date of Topic 606 (1 deferral for all entities and 1 deferral for certain entities that are not public business entities)
  - c. Issued 4 Updates to clarify or simplify the standard
  - d. Added a project to the technical agenda to reduce the cost of applying Topic 606 to accounting for initial franchise fees for franchisors that are not public business entities
  - e. Responded to over 250 technical inquiries
  - f. Developed educational materials and created an implementation website as a single place to house all implementation resources; issued a Staff Q&A, *Revenue Recognition Implementation Q&As*, that compiled educational resources into a single document
  - g. Performed public webcasts held upon issuance of the Update as well as throughout the adoption period (including industry-specific webcasts, private company-focused webcasts, and investor education podcasts)
  - h. Communicated with and performed outreach with key stakeholders (including American Institute of Certified Public Accountants [AICPA] industry task forces) and the FASB's advisory groups
  - i. Performed continuous monitoring of IFRS Standards' implementation activities for the converged guidance.

As part of the PIR process, the FASB will continue to perform those activities as entities implement and apply Topic 606, particularly for nonpublic entities that have not yet

adopted the Topic. Additionally, the FASB will continue to communicate and perform outreach with key stakeholders and FASB advisory groups.

## **Stage 2: Post-Effective-Date Evaluation of Costs and Benefits**

22. For Stage 2, the following activities have been completed for public companies.

### *Preparer Focus*

23. Surveyed public company preparers about adoption experience. Survey was completed by 42 companies.

### *Auditor and Regulator Focus*

24. Performed outreach with auditors and regulators about adoption experience associated with public companies. Performed outreach with eight practitioners and one regulator.

### *Accounting System Focus*

25. Gathered feedback from advisory groups about costs and benefits of adoption. Continue to gather feedback as an agenda topic for advisory meetings (FASAC, SBAC, PCC, and NAC).

26. Performed analysis of XBRL to assess effect of adoption.

27. Monitored publications from key stakeholders about cost of adoption (for example, studies or surveys conducted by accounting firms)

28. Completed review of third-party restatement report for 2018; plan to review reports in subsequent years as they are issued.

### *Investor Focus*

29. Gathered feedback from advisory groups (IAC) about costs and benefits of adoption. Additionally, plan to continue to monitor analyst reports.

30. Plan to sponsor academic research to assess certain aspects of the standards to provide information to the Boards on the effectiveness of the standards.

31. Those activities will be performed for private companies and NFP entities after Topic 606 is effective for those organizations.

## **Stage 3: Summary of Research and Reporting**

32. In this phase, the Boards will discuss in public the results of their research and prepare a final report for the SSPOC.