

The FASB: Where to Now?

August 12, 2020

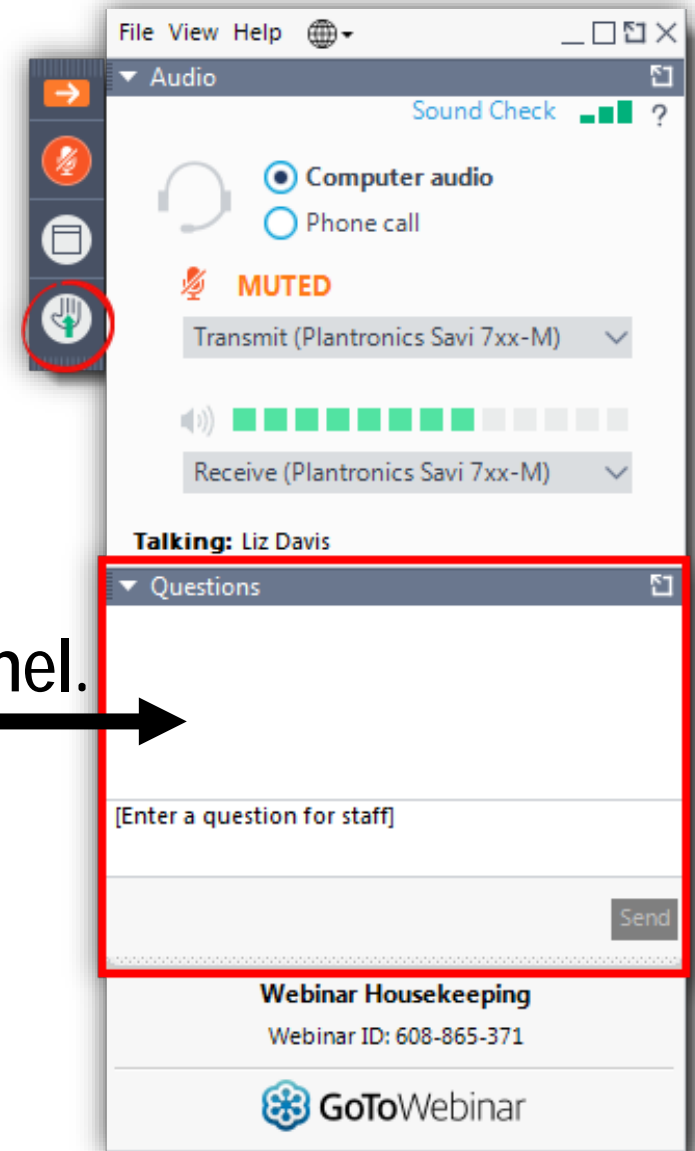


Housekeeping



Today's web seminar is being recorded.

All questions should be submitted via the Questions Panel.



Presenters



Moderator

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IXL Lease Advisory Services, LLC
ELFA Lease Accounting Committee Chair



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Grant Thornton LLP
Former FASB Board Member



Chris Roberge

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Disclaimer

- The views expressed by the presenters are not necessarily those of the presenters.
- These slides are for educational purposes only and are not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

Today's Topics

1

The FASB: who they are and what they do

2

The Boards major accomplishments over the last seven years

3

The agenda going forward

4

Q&A

Polling question

What is the status of your ASC 842 *Leases* implementation?



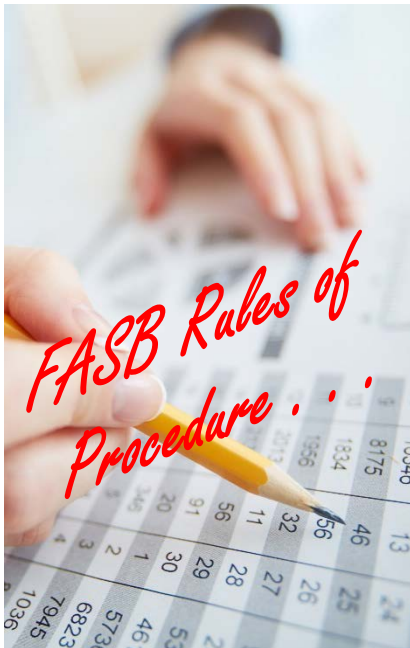
Financial Accounting Standards Board

Who are we and what do we do?

Financial Reporting . . . FASB Mission

“(v) considers, in adopting accounting principles, the need to keep standards current in order to reflect changes in the business environment...”

Source: Sarbanes-Oxley Act of 2002; Amendment to Section 19 of the 1933 Securities Act; 15 USC 7218 SEC. 108 (b)(1)(A)(v)



. . . to establish and improve standards of financial accounting and reporting that foster financial reporting by nongovernmental entities that provides decision-useful information to investors and other users of financial reports

Source: FASB Rules of Procedure, adopted pursuant to the authority granted in the Restated Certificate of incorporation and By-Laws of the Financial Accounting Foundation, amended and restated through December 11, 2013.

https://www.fasb.org/jsp/FASB/Document_C/DocumentPage&cid=1176162391050

Diversity of Views . . . Stakeholders



The FASB's Major Accomplishments

Seven Years of Plenty

FASB Achievements While Mr. Golden was Chair

- Issued Major New Standards
- Improved Private Company Input/Feedback
- Simplification

Major New Standards Issued

- Revenue recognition
- Leases
- Credit Losses (CECL)
- Derivatives & hedging
- Not-for-profit financial statements

Improved Private Company Involvement

- Perpetuated the Private Company Council
- Actively sought private company input early in the process
- Instituted alternative methods of providing input/feedback
- Led to the simplification initiative

Simplification

- Extraordinary items eliminated
- Development stage companies
- Discontinued operations
- Inventory measurement
- Debt issuance cost presentation
- Defined benefit plan assets measurement date

Where to Now?

July Board Meeting Projects

■ July 15

- Identifiable intangible assets and subsequent accounting for goodwill
- Segment reporting
- Post-implementation review open discussion
- [Board Meeting Handout](#)
- [Tentative Board Decisions](#)

■ July 22

- Revenue recognition—practical expedient for private company franchisors
- Accounting by a joint venture for nonmonetary assets contributed by investors
- Post-implementation review open discussion
- [Board Meeting Handout](#)
- [Tentative Board Decisions](#)

Agenda Prioritization–July 29

- Projects added to the Board’s technical agenda
 - Leases–Targeted Improvements
 - Effect of Underwriter Restriction on Fair Value Measurement
 - Reference Rate Reform (expanded scope for existing project)
- Projects added to the Board’s research agenda
 - Effect of Sale Restrictions on Fair Value Measurements
- Projects not added by the Board
 - Topic 842 transition disclosures
 - Fair value hedge accounting for fixed-rate call option monetization strategies
 - Customer account disclosures
 - Permit an entity to elect as its functional currency the parent’s reporting currency for all its foreign subsidiaries
 - Including the current portion of fixed assets as an element of working capital

Leases–Targeted Improvements

Project is intended to address issues on which the Board can act because it already has sufficient information from stakeholders.

Included issues:

1. Sales-type leases with substantial variable lease payments
2. Remeasurement of lease payments based on a reference index or rate
3. Reduction of scope in a lease contract

Tentative Board Decisions

- 1. Sales-type leases with substantial variable lease payments:** A lessor would be required to classify a lease with lease payments that are predominantly variable as an operating lease.
- 2. Remeasurement of lease payments based on a reference index or rate:** Lessees would have an option (entity-wide election) to remeasure lease liabilities upon a change in a reference index or rate affecting future lease payments.

Tentative Board Decisions

- 3. Reduction of scope in a lease contract:** When a separate lease component within a contract is terminated and the economics of the remaining lease components remain substantially the same as before the partial termination of that contract, an entity (lessee or lessor) would not apply modification accounting to the remaining lease components.

Exposure draft expected to be released for comment in the third quarter of 2020.

Leases Roundtable

9/18

FASB Leases Implementation

VIRTUAL PUBLIC ROUNDTABLE

Session 1: 8:30 AM - 12:00 PM EDT

Session 2: 1:00 PM - 4:30 PM EDT

Roundtable Participants

“The roundtable discussion will give us the chance to hear from stakeholders about their varied experiences implementing the leases standard, which is an important part of the FASB’s post-implementation review process. Their feedback will help us improve how we support ongoing leases implementation for all stakeholders, as well as identify any issues we may need to address.”

Richard R. Jones, FASB Chair

Financial
Statement
Users

Public
Preparers

Private
Preparers

Industry Reps

Auditors

Roundtable Topics

■ Incremental borrowing rate

- Lessee's application of the discount rate guidance on the incremental borrowing rate and difficulties encountered during implementation

■ Lessee use of the rate implicit in the lease

- Determining whether a lessee can "readily determine" the rate implicit in the lease given lessor specific inputs (for example – residual value)

■ Lease modification model

- Complexities and outcomes associated with lessee and lessor application of the modification guidance

Roundtable Topics (continued)

■ Embedded leases

- Identifying leases embedded in non-lease contracts, such as service contracts

■ Lessee allocation of payments

- Complexities and outcomes associated with lessee allocation guidance in Topic 842 when fixed and variable payments exist in conjunction with lease and non-lease components

Polling question

Which of the issues that will be addressed at the Leases roundtable represent areas of difficulty for your company?







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This web seminar has been recorded and will be available, along with the slides, on the ELFA website.



To request a certificate for CPE, please contact Janet Fianko at jfianko@elfaonline.org.



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What's Next?



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Local Property Taxation – COVID-19 Impact and Challenges

TAX

W^{ELFA} EDNESDAY EBINARS@1

The graphic features a central yellow speech bubble with the word "TAX" in white. Surrounding it are several green circular icons: a classical building, a house, a percentage sign, a factory, and a sign that says "OPEN". The background is a light green with faint virus-like patterns and various geometric shapes.