

AN ALERT FROM THE BDO NATIONAL ASSURANCE PRACTICE

BDO FLASH REPORT

FASB



SUBJECT

FASB ISSUES ASU TO DEFER THE EFFECTIVE DATE OF THE NEW REVENUE STANDARD

SUMMARY

The FASB recently issued ASU 2015-14 to defer the effective date of its new revenue recognition standard by one year. As such, it now takes effect for public entities in fiscal years beginning after December 15, 2017. All other entities have an additional year. However, early adoption is permitted for any entity that chooses to adopt the new standard as of the original effective date. The ASU announcing the deferral is available [here](#).

BACKGROUND

The new revenue recognition standard was issued in May, 2014,¹ nine months later than originally expected. Since then, stakeholders have raised numerous implementation questions, some of which are likely to result in amendments to the new revenue standard. The Board has also been informed by practitioners that additional time is necessary to facilitate implementation efforts. In light of these circumstances, the ASU provides a one-year deferral. The FASB has also indicated that stakeholders should proceed under the assumption that no further deferral will be considered, absent extraordinary circumstances.

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¹ ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606)

Main Provisions:

Public business entities will adopt the standard for annual reporting periods beginning after December 15, 2017, including interim periods within that year. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim periods within that year.²

All other entities will adopt the standard for annual reporting periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019. Early adoption is permitted as of either:

- ▶ An annual reporting period beginning after December 15, 2016, including interim periods within that year, or
- ▶ An annual reporting period beginning after December 15, 2016 and interim periods within annual reporting periods beginning one year after the annual period in which an entity first applies the new standard.

As part of its deliberations, the FASB considered, and ultimately decided against a two-year deferral for entities that adopt the new revenue standard retrospectively.

On the Horizon:

The IASB recently voted to confirm a one year deferral of the effective date of its companion revenue recognition standard, IFRS 15. A formal amendment to that standard is expected in September, 2015. See the IASB [website](#) for details.

² A not-for-profit entity that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, and an employee benefit plan that files or furnishes financial statements with or to the SEC have the same effective date as public business entities.

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