

Heads Up

In This Issue:

- Overview
- Appendix — Questions for Respondents

Gaining Time

FASB Proposes to Defer the New Revenue Standard for One Year

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Overview

Today, the FASB issued a [proposed accounting standards update](#)¹ (ASU) to defer for one year the effective date of the new revenue standard (ASU 2014-09²) for public and nonpublic entities reporting under U.S. GAAP.

Under the proposal, entities reporting under U.S. GAAP would adopt the new standard as follows:

- *Public entities* — The standard would be effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2017. Early adoption would be permitted as of the original effective date in ASU 2014-09 (i.e., annual reporting periods beginning after December 15, 2016, including interim reporting periods within the annual periods).
- *Nonpublic entities* — The standard would be effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. Nonpublic entities would also be permitted to elect to early apply the standard as of the following:
 - Annual reporting periods beginning after December 15, 2016, including interim periods.
 - Annual reporting periods beginning after December 15, 2016, and interim periods within annual reporting periods beginning one year after the annual reporting period of initial application of the new standard.

The proposed ASU's Background Information and Basis for Conclusions notes that the Board unanimously approved deferral but that views differed about its length. Some believed that one year would suffice, noting that the FASB contemplated implementation challenges when it established the original effective date and that upcoming changes to the standard are intended to ease implementation issues. Others believed that two years would be more appropriate because it would give entities more time to put into place adequate processes, information systems, and controls. Thus, the Board seeks feedback on the proposed length of the deferral (as well as on other questions; see the [Appendix](#) for the proposed ASU's questions for respondents).

The proposed ASU also permits entities to early adopt the standard as of ASU 2014-09's original effective date. The Board noted that (1) any lack of comparability as a result of early adoption would most likely be brief and (2) early adoption would avoid penalizing entities that are ready to adopt the standard as of the original effective date.

¹ FASB Proposed Accounting Standards Update, *Revenue From Contracts With Customers (Topic 606): Deferral of the Effective Date*.

² FASB Accounting Standards Update No. 2014-09, *Revenue From Contracts With Customers*.

Comments on the proposed ASU are due by May 29, 2015.

Editor's Note: On April 28, 2015, the IASB tentatively decided to defer by one year the effective date of IFRS 15³ to January 1, 2018, but did not propose changing the standard's early-adoption provisions. As a result, the effective date of IFRS 15 would generally align with that in the proposed ASU. In May 2015, the IASB is expected to issue an exposure draft with a 30-day comment period on the deferral.

³ IFRS 15, *Revenue From Contracts With Customers*.

Appendix — Questions for Respondents

The questions below are reproduced from the proposed ASU.

Question 1: Should the effective date of the guidance in Update 2014-09 be deferred for one year for public business entities, certain not-for-profit entities, and certain employee benefit plans? Please explain why.

Question 2: Should the effective date of the guidance in Update 2014-09 be deferred for one additional year for all other entities? Please explain why.

Question 3: In addition to providing a one-year deferral of the effective date of the guidance in Update 2014-09, should the Board also provide an optional two-year deferral for all entities that apply that guidance retrospectively to each reporting period presented? Please explain why.

Question 4: Should earlier application of the guidance in Update 2014-09 be permitted as of the effective date originally included in Update 2014-09? Please explain why.

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