FIRST QUARTER 2018

AN OFFERING FROM BDO'S NATIONAL ASSURANCE PRACTICE

SIGNIFICANT ACCOUNTING & REPORTING MATTERS

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FINANCIAL ACCOUNTING STANDARDS BOARD (FASB)

FINAL FASB GUIDANCE

All final FASB guidance can be accessed on the FASB website located under the *Standards* tab, *Accounting Standards Updates*.

Accounting Standards Update 2018-05, *Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118*

Issued: March 2018

Summary: ASU 2018-05 amends SEC paragraphs in ASC 740 to reflect SEC Staff Accounting Bulletin (SAB) No. 118. When the 2017 Tax Cuts and Jobs Act (Act) was signed into law, the SEC staff released SAB 118 for applying Topic 740 as it relates to the Act. SAB 118 outlines the approach companies may take if they determine that the necessary information is not available (in reasonable detail) to evaluate, compute, and prepare accounting entries to recognize the effect(s) of the Act by the time the financial statements are required to be filed. Companies may use this approach when the timely determination of some or all of the income tax effect(s) from the Act is incomplete by the due date of the financial statements. SAB 118 also prescribes disclosures that reporting entities must provide in these circumstances.

For additional information, refer to **BDO Knows Tax Reform: SEC and Tax Reform, SAB 118**.

Effective Date: The amendments to the Accounting Standards Codification became effective upon issuance.

Accounting Standards Update 2018-04, *Investments—Debt Securities (Topic 320) and Regulated Operations (Topic 980): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 117 and SEC Release No. 33-9273*

Issued: March 2018

Summary: ASU 2018-04 supersedes and amends various SEC paragraphs related to **SAB 117** which brings existing SEC guidance into conformity with ASC Topic 321.[1] SAB 117 amends SAB Topic 5[2] to indicate that SAB Topic 5.M is no longer applicable upon adoption of Topic 321. Topic 321 creates new guidance that eliminates the ability to present changes in the fair value of investments in equity securities within other comprehensive income, which eliminates the need for Topic 5.M.

Effective Date: The amendments to the Accounting Standards Codification became effective upon issuance.

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[1] Investments – Equity Securities
[2] Miscellaneous Accounting

Accounting Standards Update 2018-03, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*

Issued: February 2018

Summary: ASU 2018-03 clarifies certain amendments included in ASU 2016-01[3] on the recognition and measurement of financial instruments.

The amendments address the following specific issues within ASU 2016-01:

1. Under ASU 2016-01, an entity may measure an equity security without a readily determinable fair value at cost, as adjusted for observable price changes and impairment ("the measurement alternative"). An entity measuring an equity security using the measurement alternative may change its measurement approach to a fair value method in accordance with Topic 820[4] through an irrevocable election that would apply to that security and all identical or similar investments of the same issuer. Once an entity makes this election, the entity should measure all future purchases of identical or similar investments of the same issuer using a fair value method in accordance with Topic 820.

2. The adjustments made under the measurement alternative are intended to reflect the fair value of the security as of the date that the observable transaction for a similar security took place.

3. Remeasuring the entire value of forward contracts and purchased options on securities that lack a readily determinable fair value is required when observable transactions occur on the underlying equity securities.

4. When the fair value option is elected for a financial liability, the guidance in paragraph 825-10-45-5 should be applied, regardless of whether the fair value option was elected under either Subtopic 815-15[5] or 825-10.

5. For financial liabilities for which the fair value option is elected, the amount of change in fair value that relates to the instrument- specific credit risk should first be measured in the currency of denomination when presented separately from the total change in fair value of the financial liability. Then, both components of the change in the fair value of the liability should be remeasured into the functional currency of the reporting entity using end-of-period spot rates.

6. The prospective transition approach for equity securities without a readily determinable fair value in the amendments in Update 2016-01 is meant only for instances in which the measurement alternative is applied. An insurance entity subject to the guidance in Topic 944[6] should apply a prospective transition method when applying the amendments related to equity securities without readily determinable fair values. An insurance entity should apply the selected prospective transition method consistently to the entity's entire population of equity securities for which the measurement alternative is elected.

For additional information, refer to BDO's Alert.

Effective Date: The amendments in this Update are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years beginning after June 15, 2018. Public business entities with fiscal years beginning between December 15, 2017, and June 15, 2018, are not required to adopt these amendments until the interim period beginning after June 15, 2018, and public business entities with fiscal years beginning between June 15, 2018, and December 15, 2018, are not required to adopt these amendments before adopting the amendments in Update 2016-01. For all other entities, the effective date is the same as the effective date in Update 2016-01. All entities may early adopt these amendments for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, as long as they have adopted Update 2016-01.

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[3] Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities
[4] Fair Value Measurement
[5] Derivatives and Hedging— Embedded Derivatives
[6] Financial Services— Insurance

Accounting Standards Update 2018-02, *Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*

Issued: February 2018

Summary: ASU 2018-02 provides entities the option to reclassify certain “stranded tax effects” resulting from the recent US tax reform from accumulated other comprehensive income to retained earnings.

Under the ASU, reporting entities will select an accounting policy to either reclassify all stranded tax effects caused by tax reform from AOCI to retained earnings, or continue recycling stranded effects (including those caused by tax reform) through earnings in future periods. Further, disclosure of either policy is required in all cases. The reclassification from AOCI to retained earnings is presented in the statement of shareholders equity.

For additional information, refer to BDO’s **Alert**.

Effective Date: The ASU is effective for all entities in fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted for public business entities for which financial statements have not yet been issued, and for all other entities for which financial statements have not yet been made available for issuance.

Entities have the option to record the reclassification either retrospectively to each period in which the income tax effects of tax reform are recognized, or at the beginning of the annual or interim period in which the amendments are adopted.

Accounting Standards Update 2018-01, *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*

Issued: January 2018

Summary: ASU 2018-01 eases the adoption of ASU 2016-02, Leases (Topic 842), for entities with land easements that exist or expire before an entity’s adoption of Topic 842. The ASU will benefit entities that do not account for those land easements as leases under existing GAAP (Topic 840).

The amendments are intended to reduce the cost and complexity associated with assessing whether all existing and expired land easements meet the definition of a lease. They allow entities who previously did not account for land easements under Topic 840 to elect a transition practical expedient to not assess those land easements under Topic 842. Once an entity adopts Topic 842, it must apply that Topic prospectively to all new or modified land easements, and may only apply the guidance in Example 10 of ASC 350-30 after concluding that a land easement does not meet the definition of a lease in Topic 842. An entity that currently accounts for land easements under Topic 840 may not elect this practical expedient.

For additional information, refer to BDO’s **Alert**.

Effective Date: The effective date and transition requirements for the amendments are the same as the effective date and transition requirements in ASU 2016-02, which takes effect in 2019 for public business entities and 2020 for all other entities, but may be early adopted. An entity that early adopted Topic 842 should apply the amendments in this Update upon issuance.

PROPOSED FASB GUIDANCE

The following is a summary of significant proposed guidance that was issued for comment during the quarter. All proposed FASB guidance can be accessed on the **FASB website** located under the *Projects* tab.

Proposed Accounting Standards Update, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract; Disclosures for Implementation Costs Incurred for Internal-Use Software and Cloud Computing Arrangements*

Issued: March 1, 2018

Comment Deadline: April 30, 2018

Summary: The proposed amendments would align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license).

Accordingly, the proposed amendments would require an entity (customer) in a hosting arrangement that is a service contract to follow the guidance in Subtopic 350-40 on internal-use software to determine which costs to implement the service contract would be capitalized as an asset related to the service contract and which costs would be expensed. Costs to develop or obtain internal-use software that cannot be capitalized under Subtopic 350-40, such as training costs and certain data conversion costs, also would not be capitalized for a hosting arrangement that is a service contract. Therefore, an entity (customer) in a hosting arrangement that is a service contract would determine which project stage (that is, preliminary project stage, application development stage, or post implementation stage) an implementation activity relates to. Costs for implementation activities in the application development stage would be capitalized depending on the nature of the costs, while costs incurred during the preliminary project and post implementation stages would be expensed as the activities are performed.

The proposed amendments would also require the entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract generally over the term of the hosting arrangement and present that expense in the same line item in the statement of income as the fees associated with the hosting element (service) of the arrangement.

Additionally, the proposed amendments would require an entity to disclose certain qualitative and quantitative information about implementation costs associated with internal-use software and hosting arrangements.

Proposed Accounting Standards Update, *Derivatives and Hedging (Topic 815): Inclusion of the Overnight Index Swap (OIS) Rate Based on the Secured Overnight Financing Rate (SOFR) as a Benchmark Interest Rate for Hedge Accounting Purposes*

Issued: February 20, 2018

Comment Deadline: March 30, 2018

Summary: The proposed amendments would permit use of the OIS rate based on SOFR as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815 in addition to direct Treasury obligations of the U.S. government (UST), the LIBOR swap rate, the OIS rate based on the Fed Funds Effective Rate, and the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Rate. The amendments in this proposed Update would add the OIS rate based on SOFR as a fifth U.S. benchmark interest rate, given recent concerns about the ongoing viability of LIBOR.

For additional information, refer to BDO's **comment letter**.

Proposed Accounting Standards Update, *Leases (Topic 842): Targeted Improvements*

Issued: January 5, 2018

Comment Deadline: February 5, 2018

Summary:

Transition—Comparative Reporting at Adoption

The proposed amendments would provide entities with an additional (and optional) transition method to adopt the new lease requirements by allowing entities to initially apply the requirements by recognizing a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption consistent with the request by preparers. Consequently, an entity's reporting for the comparative periods presented in the financial statements in which the entity adopts the new lease requirements would continue to be in accordance with current GAAP (Topic 840), including disclosures.

Separating Components of a Contract

The proposed amendments would provide lessors with a practical expedient, by class of underlying assets, to not separate nonlease components from the related lease components and, instead, to account for those components as a single lease component, if both of the following are met:

1. The timing and pattern of revenue recognition for the nonlease component(s) and related lease component are the same.
2. The combined single lease component would be classified as an operating lease.

A lessor electing this proposed practical expedient would be required to disclose the class or classes of underlying assets for which it has elected the practical expedient and the nature of the nonlease components included within the single lease component.

For additional information, refer to BDO's **comment letter**.

OTHER ACTIVITIES

The following section provides high level summaries of other relevant FASB publications and activities.

FASB Q&A: Private Companies and Not-for-Profit Entities Can Apply SAB 118

Background: When the 2017 Tax Cuts and Jobs Act (Act) was signed into law, the SEC staff released SAB 118 for applying Topic 740 as it relates to the Act. SAB 118 outlines the approach public companies may take if they determine that the necessary information is not available (in reasonable detail) to evaluate, compute, and prepare accounting entries to recognize the effect(s) of the Act by the time the financial statements are required to be filed. Public companies may use this approach when the timely determination of some or all of the income tax effect(s) from the Act is incomplete by the due date of the financial statements. SAB 118 also prescribes disclosures that reporting entities must provide in these circumstances. Refer to **BDO Knows Tax Reform: SEC and Tax Reform, SAB 118** for more information on the Act and SAB 118.

Summary: The FASB staff announced in a Q&A that it would not object to private companies and not-for-profit entities applying SAB 118, which the staff believes complies with GAAP. This view is based upon the historical application of SABs by private companies and not-for-profit entities.

The FASB staff also believes that a private company or not-for-profit entity opting to apply SAB 118 would need to do so in its entirety, including the disclosure requirements. Such reporting entity should also disclose its accounting policy of applying SAB 118, required by ASC paragraphs 235-10-50-1 through 50-3.[7]

For additional information, refer to BDO's **Alert**.

Private Company Council

Summary: The Private Company Council (PCC) met in April 2018 to discuss the following topics:

- FASB projects on collaborative arrangements and consolidation
- EITF Issue No. 17-A, "Customer's Accounting for Implementation, Setup, and Other Upfront Costs (Implementation Costs) Incurred in a Cloud Computing Arrangement That Is Considered a Service Contract"
- Employee share-based compensation

The meeting minutes will be posted to the PCC website **here**. The PCC is scheduled to meet next on June 26, 2018.

[7] *Notes to financial statements, Disclosures*

Emerging Issues Task Force

The Emerging Issues Task Force (EITF) met on January 18, 2018. The following conclusions reached by the EITF do not represent final or proposed guidance until they are ratified by the FASB.

Issue 17-A: Customer's Accounting for Implementation, Setup, and Other Upfront Costs (Implementation Costs) Incurred in a Cloud Computing Arrangement That Is Considered a Service Contract

Status: Consensus-for-exposure

Summary: On February 7, 2018, the Board ratified the Task Force consensus-for-exposure on Issue 17-A on cloud computing arrangements. The FASB subsequently issued a proposed Accounting Standards Update (refer to *Proposed FASB Guidance*, above).

The Task Force also requested that the FASB staff research if there currently is diversity in practice in accounting for on-premise software licenses under Subtopic 350-40 and to perform additional research on the initial and subsequent measurement for the hosting fees.

For additional information see the EITF project page **here**.

FASB Transition Resource Groups

Credit Losses TRG

Summary: The FASB established the Transition Resource Group (TRG) for Credit Losses early in 2016 to solicit, analyze, and discuss implementation issues that could arise when organizations implement ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*. In September 2017, the FASB discussed issues related to identification and measurement of reasonably expected troubled debt restructurings (TDRs) that were unresolved at TRG's June 2017 meeting. During their December 2017 meeting, the Board discussed general implementation activities and made the following tentative decisions on specific issues:

1. Troubled debt restructurings (TDRs): Provide transition relief for entities that elect to use a prepayment-adjusted effective interest rate (EIR) in a discounted cash flow (DCF) method to measure credit losses upon adoption. Accordingly, entities may calculate the prepayment-adjusted EIR based on the original contractual terms of the loan and prepayment assumptions as of the date of adoption.

2. Variable-rate financial assets: Allow entities to determine the EIR and expected cash flows (including expected prepayments and defaults) using their own expectations of future interest rates when estimating credit losses on variable rate assets using a DCG method.

3. Subsequent events: Regarding consequential amendments made to Topic 855,[8] the Board decided that when determining an estimate of credit losses, an entity should not recognize in the financial statements the effects of any events that occur after the balance sheet date but before financial statements are issued or are available to be issued. However, subsequent events should be reflected in the estimate of credit losses if an entity determines an error correction is necessary under Topic 250.[9]

For more information on the credit losses standard, refer to BDO's archived **webinar** and BDO's **Alert**. The credit losses TRG is scheduled to meet next on June 11, 2018.

[8] Subsequent Events

[9] Accounting Changes and Error Corrections

AICPA Financial Reporting Executive Committee

Summary: The Financial Reporting Executive Committee (FinREC) is the senior committee of the AICPA for financial reporting. It is authorized to make public statements on behalf of the AICPA on financial reporting matters. During the quarter, significant topics discussed by FinREC included:

Revenue Recognition – In January 2017, the AICPA published the first edition of its *Audit and Accounting Guide: Revenue Recognition*, and has issued updates periodically thereafter. This guide addresses general accounting considerations, general auditing considerations, and accounting implementation issues in specific industries. The AICPA plans to continue updating the online edition as additional accounting implementation issues are finalized. At its completion, the guide will include 16 industry-specific chapters that address accounting implementation issues, and provide industry- specific illustrative examples of how to apply the new standard. It will also provide detailed coverage of audit considerations.

FinREC issued additional industry-specific working drafts, and will issue remaining working drafts for comment throughout the first half of 2018, which will affect a variety of industry sectors. Comment periods are generally 60 days.

Complete details and additional AICPA resources are available **here**.

Accounting and Valuation Guide - FinREC continued making progress on a new interpretive practice guide, Valuation of Portfolio Company Investments of Venture Capital and Private Equity Firms and Other Investment Companies.

Refer to the AICPA website at: **www.aicpa.org/interestareas/frc/accountingfinancialreporting/pages/finrec.aspx**.

SECURITIES AND EXCHANGE COMMISSION (SEC)

FINAL AND PROPOSED SEC GUIDANCE

All SEC Final Rules can be accessed on the **SEC website** located under the *Regulatory Actions* section, *Final Rules*.

(Note: The following pertains to significant accounting and reporting SEC releases. For a complete listing of SEC rules, please refer to the SEC website.)

The SEC did not issue any significant final or proposed guidance during the quarter.

OTHER ACTIVITIES

The following section provides high level summaries of other relevant SEC publications and activities.

SEC Staff Issues Additional SAB 118 Guidance on Changes in Estimates and GILTI Accounting Policy Choice

Summary: In February 2018, the SEC issued additional SAB 118 interpretive guidance in response to stakeholder questions concerning: (1) accounting for changes in estimates between the earnings release and filing dates, and (2) the adoption of an income tax accounting policy related to Global Intangible Low-Taxed Income tax (GILTI tax).

For additional information, refer to BDO's **Alert**.

SEC Staff Issues Statement and Guidance on Public Company Cybersecurity Disclosures

Summary: On February 21, 2018, the SEC issued an **interpretive release** (the "release") that reinforces and expands the guidance on reporting and disclosing cybersecurity risks and incidents that was previously issued in 2011 by the Division of Corporation Finance (the "Division"). This new release became effective on February 26, 2018.

In response to the increasing significance of cybersecurity incidents, the SEC issued this release, which outlines its views with respect to cybersecurity disclosure requirements under the federal securities laws as they apply to public operating companies. In addition this release addresses the importance of cybersecurity policies and procedures and the application of insider trading prohibitions in the cybersecurity context.

The Division's 2011 guidance reminded registrants that although existing disclosure requirements do not explicitly include cybersecurity risks or cyber incidents, registrants may nonetheless be obligated to make such disclosures. The specific disclosure obligations within the Division's 2011 guidance included:

- Risk Factors
- Management’s discussion and analysis of financial condition and results of operations (“MD&A”)
- Description of Business
- Legal Proceedings
- Financial statement disclosures
- Disclosure controls and procedures

Each of those specific disclosure obligations were reinforced within the release. Additionally, the release expanded upon the Division’s 2011 guidance by including a focus on the following new topics:

- Stressing the importance of cybersecurity policies and procedures.
- Application of insider trading prohibitions in the cybersecurity context.
- Board risk oversight disclosures.

For additional information, refer to **BDO’s Alert**.

PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD (PCAOB)

FINAL AND PROPOSED PCAOB GUIDANCE

All final and proposed PCAOB guidance can be accessed on the **PCAOB website** located under the *Rules of the Board* tab.

The PCAOB did not issue any significant final or proposed guidance during the quarter.

INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB)

FINAL IASB GUIDANCE

All final IASB guidance can be accessed on the **IASB website** located under the *IFRS* tab, *Standards and Interpretations*.

Amendments to IAS 19 Employee Benefits

Issued: February 2018

Summary: The IASB has amended IAS 19 *Employee Benefits* to specify how companies determine pension expenses when changes to a defined benefit plan occur. When a plan amendment, curtailment or settlement takes place, IAS 19 requires a company to remeasure its net defined benefit liability or asset.

The amendments require a company to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Until now, IAS 19 did not specify how to determine these expenses for the period after the change to the plan.

Effective Date: The revision to IAS 19 apply to plan amendments, curtailments and settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019. Earlier application is permitted.

Revised Conceptual Framework

Issued: March 2018

Summary: The IASB has issued a revised *Conceptual Framework for Financial Reporting* (Conceptual Framework)

Introduces a number of new aspects compared to the previous version issued in 2010, specifically including:

- concepts on measurement, including factors to be considered when selecting a measurement basis
- concepts on presentation and disclosure, including when to classify income and expenses in other comprehensive income
- guidance on when assets and liabilities are removed from financial statements

It also updates
- the definitions of asset and liability; and
- the criteria for recognising assets and liabilities in financial statements

Finally it has clarified the guidance on prudence, stewardship, measurement uncertainty and substance over form.

Further information is available from the IASB's web site **here**.

Effective Date: The revised version, which has an effective date of January 1, 2020.

PROPOSED IASB GUIDANCE

The following is a summary of all significant proposed guidance that was issued or was open for comment during the quarter. All proposed IASB guidance can be accessed on the IASB website located under the *Get Involved* tab, *Comment on a Proposal*.

Exposure Draft 2018-1: Accounting Policy Changes

Issued: March 2018

Comment Deadline: July 27, 2018

Summary: The IASB is proposing narrow-scope amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

In deciding how far back to go in applying a change in accounting policy that results from an agenda decision made by the IFRS Interpretations Committee, the ED proposes that companies should consider not only whether it is practicable but also the benefits to users and costs to the company of making the change.

Further information and the ED is available from the IASB's web site **here**.

GET TO KNOW BDO

BDO'S NATIONAL PRESENCE

For more than 100 years, BDO USA has been recognized as a premier accounting, tax, and advisory organization for our exceptional client service; experienced, accessible service teams; focus on quality and efficiency; and our ability to adapt to, and navigate successfully in, a changing marketplace.

Founded as Seidman & Seidman in New York City in 1910, the firm has grown to serve clients through over 60 offices and more than 550 independent alliance firm locations nationwide. Today, BDO USA, LLP, a Delaware limited liability partnership, is the U.S. Member of BDO International Limited, a UK company limited by guarantee, which forms part of the international BDO network of independent member firms.

BDO USA, LLP

$1.41 billion Revenues

49% Assurance **34%** Tax **17%** Advisory

563 Partners

5,394 Professional Personnel

6,461 Total Personnel

60+ Offices

550+ Independent Alliance firm locations nationwide

Statistics as of and for the year ended 6-30-17.

BDO'S GLOBAL REACH

BDO's strength is derived from our structure as a cohesive global network and dedication to internal integration and seamless client service - when and where our clients need us. In each country, BDO Member Firms are composed of people who are knowledgeable about national laws, business customs, and local and international business methods. As our clients expand globally, their access to our international network can help them better reach their business and financial goals.

As our clients expand globally, our access to our international network can help them do business with a depth of experience in international matters, significant resources and international client service capabilities.

Statistics as of and for the year ended 9-30-17.

BDO'S INDUSTRY FOCUS

Industry experience has emerged at the top of the list of what businesses need and expect from their accountants and advisors. The power of industry experience is perspective - perspective we bring to help you best leverage your own capabilities and resources.

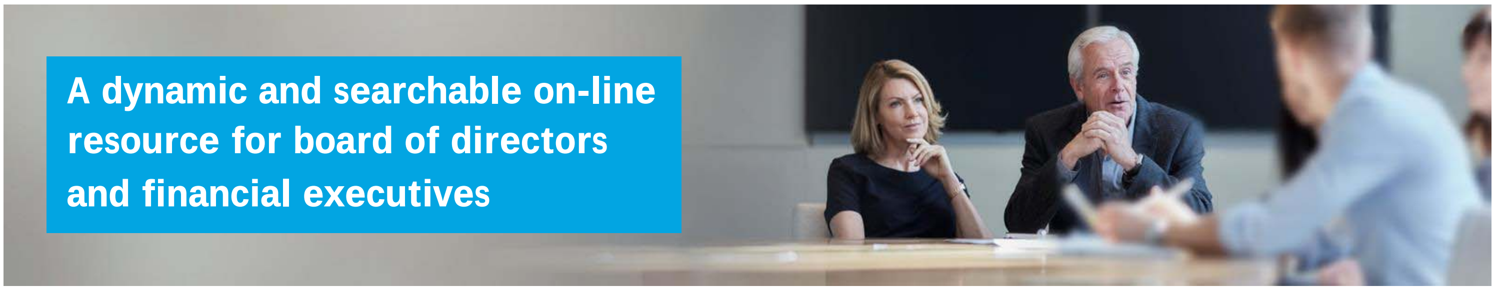
BDO's industry focus is part of who we are and how we serve our clients, and has been for over a century. We demonstrate our experience through knowledgeable professionals, relevant client work and participation in the industries we serve.

A variety of publications and insights depicting specific industry issues, emerging trends and developments are available **here**.

For further information on the following BDO industries, please visit **https://www.bdo.com/industries**.

- Consumer Business
- Financial Services
- Gaming, Hospitality and Leisure
- Government Contracting
- Healthcare
- Manufacturing and Distribution
- Natural Resources
- Nonprofit and Education
- Private Equity
- Public Sector
- Real Estate and Construction
- Restaurants
- Technology and Life Sciences

BDO CENTER FOR CORPORATE GOVERNANCE AND FINANCIAL REPORTING



AN INCREDIBLE RESOURCE AT YOUR FINGERTIPS

The BDO Center for Corporate Governance and Financial Reporting was born from the need to have a comprehensive, online, and easy-to-use resource for topics relevant to boards of directors and financial executives. We encourage you to visit the Center often for up-to-date information and insights you can rely on.

What you will find includes:

- Thought leadership, practice aids, tools, newsletters, and comment letters
- Technical updates and insights on emerging business issues
- Three-pronged evolving curriculum consisting of upcoming webinars and archived self-study content
- Opportunities to engage with BDO thought leaders
- External governance community resources

"FINALLY, A RESOURCE CENTER WITH THE CONTINUAL EDUCATION NEEDS OF THOSE CHARGED WITH GOVERNANCE AND FINANCIAL REPORTING IN MIND!"

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EFFECTIVE DATES OF U.S. ACCOUNTING PRONOUNCEMENTS

This appendix was prepared with a calendar year-end company in mind. Therefore standards with an initial effective date in 2017 have been included since many companies applied them for the first time in 2018, e.g., the first interim or annual period beginning on or after December 15, 2017. Standards that do not require adoption before 2019 are highlighted in gray.

Also, refer to BDO's **IFRS Bulletin** summarizing effective dates of IFRS pronouncements.

PRONOUNCEMENT	EFFECTIVE DATE - PUBLIC	EFFECTIVE DATE - NON PUBLIC
ASC 220, Income Statement—Reporting Comprehensive Income		
ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*	Effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted for which financial statements have not yet been made available for issuance. Entities have the option to record the reclassification either retrospectively to each period in which the income tax effects of tax reform are recognized, or at the beginning of the annual or interim period in which the amendments are adopted.	Effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted for which financial statements have not yet been made available for issuance. Entities have the option to record the reclassification either retrospectively to each period in which the income tax effects of tax reform are recognized, or at the beginning of the annual or interim period in which the amendments are adopted.
ASC 230, Statement of Cash Flows		
ASU 2016-18, *Restricted Cash*	Effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period.	Effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period.
ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*	Effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted.	Effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted.
ASC 310-20, Receivables—Nonrefundable Fees and Other Costs		

PRONOUNCEMENT	EFFECTIVE DATE - PUBLIC	EFFECTIVE DATE - NON PUBLIC
ASU 2017-08, *Premium Amortization on Purchased Callable Debt Securities*	Effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period.	Effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period.
ASC 326, Credit Losses		
ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*	For public business entities that are SEC filers, the amendments are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. For all other public business entities, the amendments are effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years.	For all other entities, including not-for-profit entities and employee benefit plans within the scope of Topics 960 through 965 on plan accounting, the amendments are effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021.
ASC 350, Intangibles - Goodwill and Other		
ASU 2017-04, *Simplifying the Test for Goodwill Impairment*	A public business entity that is a U.S. Securities and Exchange Commission (SEC) filer should adopt the amendments for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. A public business entity that is not an SEC filer should adopt the amendments for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2020. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017.	All other entities, including not-for-profit entities, should adopt the amendments for their annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2021. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017.
ASC 405, Liabilities		

PRONOUNCEMENT	EFFECTIVE DATE - PUBLIC	EFFECTIVE DATE - NON PUBLIC
ASU 2016-04, *Liabilities—Extinguishments of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products*	Effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted.	Effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted.
ASC 606, Revenue; and ASC 610-20, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets		

PRONOUNCEMENT	EFFECTIVE DATE - PUBLIC	EFFECTIVE DATE - NON PUBLIC
ASU 2014-09, *Revenue from Contracts with Customers* **ASU 2015-14,** *Revenue from Contracts with Customers: Deferral of the Effective Date* **ASU 2016-08,** *Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* **ASU 2016-10**, *Identifying Performance Obligations and Licensing* **ASU 2016-12,** *Narrow-Scope Improvements and Practical Expedients* **ASU 2016-20,** *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers* **ASU 2017-05,** *Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*	Effective for annual periods beginning after December 15, 2017, including interim periods therein. Entities may adopt using a retrospective approach (with certain optional practical expedients) or a cumulative effect approach. Under the this alternative, an entity would apply the new revenue standard only to contracts that are incomplete under legacy U.S. GAAP at the date of initial application (e.g. January 1, 2018) and recognize the cumulative effect of the new standard as an adjustment to the opening balance of retained earnings. That is, prior years would not be restated and additional disclosures would be required to enable users of the financial statements to understand the impact of adopting the new standard in the current year compared to prior years that are presented under legacy U.S. GAAP. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim periods within that year.	Effective for annual periods beginning after December 15, 2018. In addition, the new standard is effective for interim periods within annual periods that begin after December 15, 2019. The same transition alternatives apply. 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 the entity first applies the new standard.
ASC 715, Compensation—Retirement Benefits		
ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*	Effective for public business entities for fiscal years beginning after December 15, 2017, including interim periods within those years. Early adoption is permitted as of the beginning of an annual period.	Effective for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted as of the beginning of an annual period.
ASC 718, Compensation—Stock Compensation		

PRONOUNCEMENT	EFFECTIVE DATE - PUBLIC	EFFECTIVE DATE - NON PUBLIC
ASU 2017-09, *Scope of Modification Accounting*	Effective for fiscal years beginning after December 15, 2017, including interim periods within those years. Early adoption is permitted, including adoption in an interim period.	Effective for fiscal years beginning after December 15, 2017, including interim periods within those years. Early adoption is permitted, including adoption in an interim period.
ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*	Effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted.	Effective for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted.
ASC 740, Income Taxes		
ASU 2016-16, *Intra-Entity Transfers of Assets Other Than Inventory*	Effective for annual reporting periods beginning after December 15, 2017 and interim reporting periods within those fiscal years. An entity may elect early adoption, but it must do so for the first interim period of an annual period if it issues interim financial statements.	Effective for annual reporting periods beginning after December 15, 2018 and interim periods within annual periods beginning after December 15, 2019. An entity may elect early adoption, but it must do so for the first interim period of an annual period if it issues interim financial statements.
ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*	Effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted as of the beginning of any interim or annual reporting period.	Effective for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted as of the beginning of any interim or annual reporting period.
ASC 805, Business Combinations		
ASU 2017-01, *Clarifying the Definition of a Business*	Effective for annual periods beginning after December 15, 2017, including interim periods within those periods. Early adoption is permitted if certain criteria are met.	Effective for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted if certain criteria are met.
ASC 815, Derivatives and Hedging		

PRONOUNCEMENT	EFFECTIVE DATE - PUBLIC	EFFECTIVE DATE - NON PUBLIC
ASU 2017-12, *Targeted Improvements to Accounting for Hedging Activities*	Effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early application is permitted in any interim period after issuance of the amendments for existing hedging relationships on the date of adoption.	Effective for fiscal years beginning after December 15, 2019, and interim periods beginning after December 15, 2020. Early application is permitted in any interim period after issuance of the amendments for existing hedging relationships on the date of adoption.
ASU 2017-11, *(Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception*	The amendments in Part I of the ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted for all entities, including adoption in an interim period. The amendments in Part II have no accounting impact and therefore do not have an associated effective date.	The amendments in Part I of the ASU are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted for all entities, including adoption in an interim period. The amendments in Part II have no accounting impact and therefore do not have an associated effective date.
ASU 2016-06, *Contingent Put and Call Options in Debt Instruments*	Effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. However, if an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of that fiscal year.	Effective for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. However, if an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of that fiscal year.
ASU 2016-05, *Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships*	Effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted.	Effective for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted.
ASC 825, Financial Instruments		

PRONOUNCEMENT	EFFECTIVE DATE - PUBLIC	EFFECTIVE DATE - NON PUBLIC
ASU 2018-03, *Recognition and Measurement of Financial Assets and Financial Liabilities*	Effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years beginning after June 15, 2018. Entities with fiscal years beginning between December 15, 2017, and June 15, 2018, are not required to adopt these amendments until the interim period beginning after June 15, 2018, and entities with fiscal years beginning between June 15, 2018, and December 15, 2018, are not required to adopt these amendments before adopting the amendments in Update 2016-01. Early adoption is permitted as long as they have adopted Update 2016-01.	Effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019 with early adoption permitted for fiscal years beginning after December 15, 2017 including interim periods within those years. Entities may early adopt these amendments for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, as long as they have adopted Update 2016-01.
ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*	Effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Certain provisions of the ASU are eligible for early adoption.	Effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019 with early adoption permitted for fiscal years beginning after December 15, 2017 including interim periods within those years. Certain provisions of the ASU are eligible for early adoption prior to December 15, 2017.
ASC 842, Leases		
ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*	Effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. Specific transition requirements apply.	Effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. Specific transition requirements apply.
ASU 2016-02, *Leases*	Effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. Specific transition requirements apply.	Effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. Specific transition requirements apply.

PRONOUNCEMENT	EFFECTIVE DATE - PUBLIC	EFFECTIVE DATE - NON PUBLIC
ASC 853, Service Concession Arrangements		
ASU 2017-10, *Determining the Customer of the Operation Services*	For an entity that has not adopted Topic 606 before the issuance of this ASU, the effective date and transition requirements for the amendments generally are the same as the effective date and transition requirements for Topic 606. An entity may apply this ASU earlier, including within an interim period, even though the entity has not yet adopted Topic 606, but specific transition requirements apply. For a public business entity that has adopted Topic 606 before the issuance of this ASU, the ASU is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years.	For an entity that has not adopted Topic 606 before the issuance of this ASU, the effective date and transition requirements for the amendments generally are the same as the effective date and transition requirements for Topic 606. An entity may apply this ASU earlier, including within an interim period, even though the entity has not yet adopted Topic 606, but specific transition requirements apply. For a nonpublic entity that has adopted Topic 606 before the issuance of this ASU, the ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019.
ASC 958, Not-for-Profit Entities and Topic 954, Health Care Entities		
ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*	Not applicable.	Effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Application to interim financial statements is permitted but not required in the initial year of application. Early adoption is permitted.
ASC 958-810, Not-for-Profit Entities—Consolidation		
ASU 2017-02, *Clarifying When a Not-for-Profit Entity That Is a General Partner or a Limited Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity*	Not applicable.	Effective for annual financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period. If an NFP early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period.
ASC 960, Defined Benefit Pension Plans; ASC 962, Defined Contribution Pension Plans; and ASC 965, Health and Welfare Benefit Plans		

PRONOUNCEMENT	EFFECTIVE DATE - PUBLIC	EFFECTIVE DATE - NON PUBLIC
ASU 2017-06, *Employee Benefit Plan Master Trust Reporting (a consensus of the Emerging Issues Task Force)*	Not applicable.	Effective for fiscal years beginning after December 15, 2018, and should be applied retrospectively. Early adoption is permitted.
Other		
ASU 2018-05, *Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118*	The amendments became effective in March 2018.	Not applicable.
ASU 2018-04, *Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 117 and SEC Release No. 33-9273*	The amendments became effective in March 2018.	Not applicable.
ASU 2017-15, *Codification Improvements to Topic 995, U.S. Steamship Entities—Elimination of Topic 995*	Effective for fiscal years beginning after December 15, 2018. Early application is permitted.	Effective for fiscal years beginning after December 15, 2018. Early application is permitted.
ASU 2017-14, *Amendments to SEC Paragraphs Pursuant to Staff Accounting Bulletin No. 116 and SEC Release No. 33-10403*	The amendments became effective on August 29, 2017.	Not applicable.
ASU 2017-13, *Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842), Amendments to SEC Paragraphs Pursuant to the Staff Announcement at the July 20, 2017 EITF Meeting and Rescission of Prior SEC Staff Announcements and Observer Comments*	The amendments represent guidance related to the effective dates of the standards noted in the title, therefore, the amendments themselves do not have an effective date.	Not applicable.

PRONOUNCEMENT	EFFECTIVE DATE - PUBLIC	EFFECTIVE DATE – NON PUBLIC
ASU 2017-03, *Accounting Changes and Error Corrections (Topic 250) and Investments—Equity Method and Joint Ventures (Topic 323): Amendments to SEC Paragraphs Pursuant to Staff Announcements at the September 22, 2016 and November 17, 2016 EITF Meetings*	Effective immediately upon issuance.	Not applicable.
ASU 2016-11, *Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting*	The amendments within Topics 605 and 932 are effective upon adoption of Topic 606. Paragraph 815-10-S99-3 is rescinded to coincide with the effective date of ASU 2014-16.	The amendments within Topics 605 and 932 are effective upon adoption of Topic 606. Paragraph 815-10-S99-3 is rescinded to coincide with the effective date of ASU 2014-16.