



New GAAP Requirements with Effective Dates for the Year-End 2016

As we begin to prepare financial statements as of the end of 2016, we will be faced with many new GAAP updates which become effective this year. While not all of these will affect you or your clients, many will.

This quick checklist is designed to help you identify which items may apply to your individual situation. For a full explanation of any item, please refer to the authoritative reference site given.

Best wishes for 2017 and good luck implementing these new requirements.

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Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern

Who is Affected-
All entities

Summary-
Requires management evaluate conditions that could raise substantial doubt about the entity's ability to continue as a going concern. Disclosures are required based on the evaluation and reaction.

FASB Codification Reference-
Going Concern- 205-40

Extraordinary and Unusual Items

Who is Affected-
All entities

Summary-
This removes the concept and provisions for extraordinary items and requires new disclosures for items considered both infrequent and unusual in nature.

FASB Codification Reference-
Extraordinary and Unusual Items- 225-20

Simplifying the Presentation of Debt Issuance Costs

Who is Affected–

All entities who have debt issuance costs

Summary–

Debt issuance costs should be presented as a reduction to the debt liability and will be consistent with debt discounts. Amortization of the debt issuance costs will be reported as interest expense.

FASB Codification Reference–

Interest—Imputation of Interest—835–30

Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement

Who is Affected–

Customers who pay fees for cloud computing arrangements

Summary–

If the cloud arrangement includes a software license, then you should account for the software license element in accordance with the rules for the acquisition of other software licenses. If not, then you should treat it as a service contract.

FASB Codification Reference–

Intangibles—Goodwill and Other—Internal-Use Software—350–40

Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period

Who is Affected–

All entities that grant share-based payments to employees with a performance target after the service period

Summary–

Requires that a performance target that affects vesting and could be achieved after the service period to be treated as a performance condition and, thus, should not be reflected in estimating the grant-date award fair value.

FASB Codification Reference–

Compensation—Stock Compensation— 718

Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity

Who is Affected–

One who is required to consolidate a collateralized financing entity under the VIE rules when all financial assets and liabilities of the CFE are measured at fair value in consolidated statements based on other topics and changes in the fair value are reflected in earnings.

Summary-

An alternative measurement method for the financial assets and liabilities is allowed if elected.

FASB Codification Reference-

Consolidation- 810

Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity

Who is Affected-

All entities who issue hybrid financial instruments in the form of a share

Summary-

If the hybrid financial statement is issued in the form of a share, the entity must determine the nature of the host contract.

FASB Codification Reference

Derivatives and Hedging- 815

Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share

Who is Affected-

Entities that elect to measure the fair value of an investment using the net asset value per share as a practical expedient

Summary-

These investments will no longer have to be categorized in the fair value hierarchy. Disclosure requirements have been updated.

FASB Codification Reference-

Fair Value Measurement-820-10-15-4-5

Effects on Historical Earnings per Unit of Master-Limited Partnership Dropdown Transactions

Who is Affected-

This applies to master limited partnerships which receive net assets in a dropdown transaction

Summary-

When calculating the historical earnings per unit using the two class method, all earnings and losses of the transferred business before the dropdown date are allocated to the general partner. New disclosures are required as well.

FASB Codification Reference-

Earnings Per Share- 260

Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets

Who is Affected-

Entities with a fiscal year that does not end at a month-end and that sponsor defined benefit or other post retirement plans and are required to provide disclosures related to fair value of the plan

Summary-

The entity is permitted to measure the plan assets and obligations using the month-end closest to the fiscal year-end.

FASB Codification Reference-

Compensation—Retirement Benefits-715

Plan Accounting: Defined Benefit Pension Plans, Defined Contribution Pension Plans, and Health and Welfare Benefit Plans

Who is Affected-

Defined benefit, defined contribution plans, and health and welfare benefit plans

Summary-

Fully benefit-responsive investment contracts are required to be measured at contract value. New disclosures are required. The investments may be valued as of the month end closest to the plan's fiscal year end.

FASB Codification Reference-

Defined Benefit Pension Plans- 960
Defined Contribution Pension Plans-962
Health and Welfare Benefit Plans-965

Short Duration Insurance Contracts

Who is Affected-

All insurance entities that issue short-duration contracts as defined in Topic 944

Summary-

New disclosures are required for insurance companies.

FASB Codification Reference-

Financial Services—Insurance-944