

COVID-19 Crisis Drives FASB to Propose Delays to Effective Dates of Revenue Recognition and Lease Accounting Standards for Certain Entities

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At its April 8 meeting, the Financial Accounting Standards Board (FASB) proposed delaying, for certain entities, the effective dates of its accounting standards for revenue recognition (Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*) and lease accounting (Accounting Standards Update No. 2016-02, *Leases (Topic 842)*). The board proposed these revised effective dates in response to disruptions in the market caused by the Coronavirus Disease 2019 (COVID-19) global pandemic. A summary of the FASB's April 8 board meeting can be found [here](#).¹

The FASB provided a 15-day comment period for these updates, which are expected to be ratified quickly by the board.

Summary of Proposed Changes

The proposed changes in effective dates for the FASB's revenue recognition standard are for organizations in the franchisor industry, specifically those that are not public business entities. The board proposed amending the effective dates for these franchisors to annual reporting periods beginning after December 15, 2019, and interim reporting periods within annual reporting periods beginning after December 15, 2020. The board also decided to make the amendment optional.

With regard to the lease accounting standard, the board proposed amending the effective date for private companies and not-for-profit entities to annual reporting periods beginning after December 15, 2021, and to interim periods within fiscal years beginning after December 15, 2022. Of note, early adoption will continue to be permitted.

¹ "Tentative Board Decisions," Wednesday, April 8, 2020, FASB Board Meeting, www.fasb.org/cs/ContentServer?c=FASBContent_C&cid=1176174436194&d=Touch&pagename=FASB%2FFASBContent_C%2FActionAlertPage

The FASB also discussed plans to support organizations as they navigate the effects of the COVID-19 global pandemic. The board noted there could be adjustments to effective dates for significant standards in 2022 and beyond, as well as possible changes to future standard-setting activities for current project deliberations.

Our Point of View

Without question, the speed, severity and impact of the COVID-19 global pandemic has resulted in historic shifts in the economy and among organizations worldwide. The FASB's proposed changes likely are welcome news for affected organizations battling to continue operations in the "new normal" the pandemic has created. The board is cognizant of the struggles that companies likely are encountering to implement complex and impactful new accounting standards after these unexpected COVID-19-related challenges arose.

Still, as we have noted in prior Flash Reports on these new standards, these are only temporary reprieves for affected organizations.² Even with this additional time, companies should focus on addressing the new requirements in a timely manner and not procrastinate these projects for too long. Affected organizations will not want to find themselves short of time or resources as the revised deadlines approach.

Our view continues to be that even amid today's dynamic environment, as long as companies follow a complete and thoughtful roadmap, pursue the work diligently, and have the affected financial statements ready for audit, they should be able to execute the transition to the new accounting standards by the effective dates, if not earlier. In fact, the FASB made it clear that organizations are welcome to adopt the standards prior to the effective dates.

² "FASB Approves New Effective Dates for Four Major Accounting Standards," Protiviti Flash Report, October 18, 2019, www.protiviti.com/US-en/insights/protiviti-flash-report-fasb-101819.

"FASB Issues Targeted Improvements to Lease Standard," Protiviti Flash Report, August 14, 2018, www.protiviti.com/US-en/insights/fasb-issues-targeted-improvements-lease-standard.

"It's Here, Are You Ready? – Transitioning to the New Revenue Recognition Standard," Protiviti Flash Report, June 2, 2014, www.protiviti.com/US-en/insights/its-here-are-you-ready-transitioning-new-revenue-recognition-standard.

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