

FASB Approves Deferral of Leasing and Revenue Standards for Certain Private Companies

Summary

The FASB approved a one-year deferral of the effective date of:

- ASC 842, *Leases*, for all private companies, and
- ASC 606, *Revenue from Contracts with Customers*, for privately-held companies that have not been issued financial statements. The deferral of ASC 606 is expanded from the previous proposal and will be available to entities in all industries.

Background

On June 3, 2020, the FASB issued an Accounting Standards Update (ASU) that grants a one-year deferral of the effective date for ASC 842, *Leases* ("ASC 842"), and ASC 606, *Revenue from Contracts with Customers* ("ASC 606"), for certain entities.

After considering feedback from stakeholders, the Board voted to approve the deferral of the effective date for ASC 842 for private companies and certain not-for-profit entities ("NFPs") for one year. For private companies and private NFPs, the leasing standard will be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. For public NFPs, the leasing standard will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years.

Notably, the FASB also voted to approve the deferral the effective date for ASC 606, *Contracts with Customers*, for one year for **all** privately held entities that have not yet issued financial statements as of the date the final ASU is issued. This expands the scope of the deferral from the original proposal, which would have benefitted only privately-held franchisors. As a result, private entities in any industry that haven't issued financial statements can elect to defer the adoption of the revenue standard to annual

periods beginning after December 15, 2019 and interim reporting periods within annual reporting periods beginning after December 15, 2020.

Early adoption would continue to be allowed for each of these standards.

Other Projects

The FASB previously indicated a decision to temporarily delay many of its current standard-setting projects that are not yet effective, to allow entities more time to focus on the pressing issues they are currently facing and to provide resources to assist entities with technical questions.

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