

Accounting Update: Deferral of Lease Accounting Standard to 2021

On October 16, 2019, the Financial Accounting Standards Board (“FASB”) declared its decision on amendments to the effective dates for three significant accounting standards. One of those standards that is most impactful to many of our clients that issue financial statements prepared using generally accepted accounting standards (“GAAP”), is the accounting standard update (ASU No. 2016-02) surrounding Leases (Topic 842). For private companies, the Board decided to defer the effective date for the accounting standard update beginning for years after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021. Early adoption will still be allowed.



What does this mean for you?

Prior to this decision, calendar-year private companies were looking to implement the new lease standard starting January 1, 2020. This decision has delayed the effective date one year to January 1, 2021 for calendar-year companies. Therefore, private companies will have one more year to review, renegotiate and recognize their leases as it applies to the new standard.

The FASB directed its staff to draft a final Accounting Standards Update for vote by written ballot to occur mid-November. As such, the decision is technically tentative and could be changed at future Board meetings. The FASB was unanimous in its decision and therefore deferral is expected.

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