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Further Details Regarding the Delay of Revenue Recognition Standard

AUDIT, CONSTRUCTION
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On April 1, 2015, the Financial Accounting Standards Board (FASB) agreed to defer the effective date of the new revenue recognition standard, ASU 2014-09, Revenue from Contracts with Customers, for one year for both public and private entities. The FASB proposal is expected to be exposed with a 30-day comment period. The International Accounting Standards Board (IASB) is also expected to consider a possible delay in the effective dates of its companion standard. The converged revenue recognition standard is considered by many to be the “crown jewel” of the convergence process undertaken by FASB and IASB many years ago.

The FASB proposal would require public entities to apply the amendments in ASU 2014-09 for annual reporting periods beginning after December 15, 2017, including interim reporting periods therein (January 1, 2018, for a calendar year entity). Public entities would be allowed to elect to (early) adopt the amendments as of the original effective date (for annual reporting periods beginning after December 15, 2016, including interim periods therein). Public entities that adopt early would be required to adopt on an annual and interim basis. Heretofore, there was no early adoption option for public entities in ASU 2014-09.

The FASB proposal would require nonpublic entities to apply the amendments in ASU 2014-09 for an annual reporting period beginning after December 15, 2018 (January 1, 2019, for a calendar year entity) and interim reporting periods within annual reporting periods beginning after December 15, 2019. A nonpublic entity may also elect to apply the amendments as of the original effective dates for public entities (for annual reporting periods beginning after December 15, 2016, including interim reporting periods therein). Nonpublic entities that desire to adopt early could also choose to early adopt on an annual basis, and subsequently for interim and annual periods.

This is welcome news for many companies due to a host of implementation challenges associated with the new standard, as well as potential changes and clarifications in several areas currently being contemplated. However, for those companies that will be prepared for implementation in accordance with the original effective dates, early adoption will be permitted

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