
SEC Staff Emphasizes Disclosure Requirements Regarding New Accounting Standards; FASB Standard-Setting Update

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At a conference last week, the Chief Accountant of the SEC's Division of Corporation Finance emphasized that the SEC staff will scrutinize companies' financial reports in their upcoming reports on Form 10-K to see if they include required disclosures about the impacts of applying new accounting standards on revenue recognition, credit losses and leases.

These requirements were outlined in September by another SEC staff member who [told the FASB Emerging Issues Task Force](#) that current SEC staff guidance requires registrants to evaluate the potential impacts of Accounting Standard Updates on financial statements once they are adopted. According to the staff member,

[I]f a registrant does not know or cannot reasonably estimate the impact that adoption of [Accounting Standards Updates] is expected to have on the financial statements, then in addition to making a statement to that effect, that registrant should consider additional qualitative financial statement disclosures to assist the reader in assessing the significance of the impact that the standard will have on the financial statements of the registrant when adopted. In this regard, the SEC staff expects the additional qualitative disclosures to include a description of the effect of the accounting policies that the registrant expects to apply, if determined, and a comparison to the registrant's current accounting policies. Also, a registrant should describe the status of its process to implement the new standards and the significant implementation matters yet to be addressed.

For more information on pending changes in accounting standards, see the most recent "[Summary of FASB Developments](#)" prepared by Randy McClanahan of Butler Snow LLP in Birmingham, Alabama, for the Annual Meeting of the ABA Business Law Section Law and Accounting Committee. Randy's summary covers the Financial Accounting Standards Board's recent Accounting Standards Updates and other pending projects. In particular, the Summary describes the FASB's recent updates regarding statements of cash flows, credit impairment, and revenue recognition.

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