



51A Middle Street Newburyport, MA 01950
Phone: 800-588-7039 Fax: 877-902-4284
contact@bhfe.com www.bhfe.com

Course Information

Course Title: **FASB Review 2021 #312121**

Recommended CPE credit hours for this course

In accordance with the standards of the CFP Board, the National Registry of CPE Sponsors and the IRS, CPE credits have been granted based on a 50-minute hour.

CPA 16

National Registry of CPE Sponsors ID Number: 107615.
Sponsor numbers for states requiring sponsor registration:
Florida Division of Certified Public Accountancy: 4761 (Ethics #11467)
Hawaii Board of Public Accountancy: 14003
New York State Board of Accountancy (for ethics): 002146
Ohio State Board of Accountancy: M0021
Pennsylvania Board of Accountancy: PX178025
Texas State Board of Accountancy: 009349

Course Description

The purpose of this course is to inform the reader of the various changes affecting accounting and financial reporting, as well as a review and recall of existing accounting standards. Topics include a summary of newly issued FASB statements, current and pending developments, practice issues, a discussion of accounting and financial reporting issues related to COVID-19, the CARES Act and PPP loans, and more.

Program Delivery Method: Self-Study (NASBA QAS Self-Study/interactive)

Subject Codes/Field of Study

NASBA (CPA): Accounting

Course Level, Prerequisites, and Advance Preparation Requirements

Program Level: Overview.

This program is appropriate for professionals at all organizational levels.

Prerequisites: Basic understanding of U.S. GAAP

Advance Preparation: None

Course Content

Publication revision date: 4/14/2021

Course book: *FASB Review*, by Steven C. Fustolo, CPA, MBA.

Final exam (online): Eighty questions (multiple-choice).

Instructions for taking this course

Note: Download and save the PDF of this course to your computer for future reference, and to enable the search function (Menu: Edit>Find) and bookmarks (icon on left side of document window) for easier navigation.

You must complete this course within one year of the date of purchase (if you do not complete the course within one year, contact us to determine whether an updated edition of the course is available, in which case we will provide you with a PDF of the updated course and the online exam at no charge).

A passing grade of at least 70% is required on the final exam for this course. You may retake the exam if you do not pass it on the first attempt (no charge).

Complete the course by following the learning objectives listed on the following page, studying the text, and studying the review questions at the end of each major section. Once you have completed studying the course, answer the final exam questions (online).

Instructions for Taking the Final Exam Online

- Login to your account online at www.bhfe.com.
- The exam may be started, stopped, then resumed at a later date.
- The exam is "open book," it is not timed, and it may be retaken if not passed on the first attempt (no charge).
- Results (correct, incorrect answers) and certificate appear immediately upon passing the exam.

Have a question? Call us at 800-588-7039 or email us at contact@bhfe.com.

Learning Objectives

As a result of studying each assignment, you should be able to meet the objectives listed below for each individual assignment.

I. ASSIGNMENT AND SUBJECT

1. Review the materials from Chapter 1
2. Study the Review Questions and Suggested Solutions throughout Chapter 1
3. Answer the Review Questions and compare your answers to the Suggested Solutions

After reading the Chapter 1 course material, you will be able to:

- Recognize some types of concentrations that might require disclosure under the risk and uncertainty rules
- Identify the definition of near term
- Recall the frequency in which an entity should test goodwill for impairment
- Recall the method for valuing certain types of inventory
- Recognize how business interruption insurance recoveries may be presented on the statement of income
- Identify certain GAAP going-concern terminology
- Identify certain tax law changes made by the CARES Act, and
- Recognize how a company should present and account for CARES Act PPP loans and related forgiveness on its financial statements.

II. ASSIGNMENT AND SUBJECT

1. Review the materials from Chapter 2

2. Study the Review Questions and Suggested Solutions throughout Chapter 2
3. Answer the Review Questions and compare your answers to the Suggested Solutions

After reading the Chapter 2 course material, you will be able to:

- Recognize a key change made to GAAP by the new lease standard
- Identify a type of lease that exists for a lessee under ASU 2016-02
- Recall a type of lease for which the ASU 2016-02 rules do not apply
- Recognize some of the criteria that determine whether a contract is or is not a lease
- Identify how a lessee should account for initial direct costs
- Recall how a lessor should account for initial direct costs for a lease in certain instances
- Identify how a lessor should account for lease payments received on the income statement for an operating lease
- Recognize how certain existing leases are accounted for on the implementation date of ASU 2016-02, and
- Recall the potential impact that the new lease standard might have on a lessee's EBITDA and debt-equity ratios.

III. ASSIGNMENT AND SUBJECT

1. Review the materials from Chapter 3
2. Study the Review Questions and Suggested Solutions throughout Chapter 3
3. Answer the Review Questions and compare your answers to the Suggested Solutions

After reading the Chapter 3 course material, you will be able to:

- Recognize the model that ASU 2016-13 uses to deal with credit losses
- Identify how credit losses should be recorded under new ASU 2016-13, and
- Identify some of the disclosures required by ASU 2016-13.

IV. ASSIGNMENT AND SUBJECT

1. Review the materials from Chapter 4
2. Study the Review Questions and Suggested Solutions throughout Chapter 4
3. Answer the Review Questions and compare your answers to the Suggested Solutions

After reading the Chapter 4 course material, you will be able to:

- Identify a characteristic of a multi-employer plan
- Recall the color coding of funded status of a multi-employer plan
- Recognize the impact of changes in life expectancy on pension benefit obligations.
- Recognize an argument for not amortizing goodwill
- Identify an impact of the Wayfair decision on company sales taxes, and
- Identify an example of a customer-related asset.

V. ASSIGNMENT AND SUBJECT

1. Review the materials from Chapter 5
2. Study the Review Questions and Suggested Solutions throughout Chapter 5
3. Answer the Review Questions and compare your answers to the Suggested Solutions

After reading the Chapter 5 course material, you will be able to:

- Recognize the types of agreements that qualify as contracts under the revenue standard
- Recall a condition that must be met to identify a separate performance obligation
- Identify at least one method that is used to record revenue in Step 5 of the revenue standard

- Recognize when a good is considered transferred to a customer under ASC 606
- Recognize how to account for the transfer of a product with a right to return
- Recall the general rule that determines whether an entity should record revenue gross or net
- Recall how certain contract costs are accounted for under the revenue standard, and
- Recognize certain disclosures required by the revenue standard for nonpublic entities.

VI. ASSIGNMENT AND SUBJECT

1. Review the materials from Chapter 6
2. Study the Review Questions and Suggested Solutions throughout Chapter 6
3. Answer the Review Questions and compare your answers to the Suggested Solutions

After reading the Chapter 6 course material, you will be able to:

- Identify the category of securities for which ASU 2016-01 retains the three categories under existing GAAP
- Recall one of the changes made by ASU 2016-01 to existing GAAP for financial instruments.
- Recall how available-for-sale debt securities are measured on an entity's balance sheet
- Recognize how an entity should account for a temporary impairment
- Recall how an entity should present an unrealized gain or loss on an equity security under ASU 2016-01
- Identify how a mutual fund that invests in debt and equity securities should classify the investment, and
- Recall a change made to the exemption for fair value disclosures with respect to trade receivables and payables.

2021 FASB REVIEW

TABLE OF CONTENTS

Chapter	Title
1	Accounting and Financial Reporting for COVID-19, the CARES Act and PPP Loans (4)
2	Implementing The New Lease Standard- 2021 ASU 2016-02: Leases (Topic 842) and Other Amendments
3	Financial Instruments 2021: Implementing ASU 2016-13
4	Current Developments: Accounting and Financial Reporting-2021
5	Implementing the New Revenue Standard- ASC 606: 2021 Guidance for Private Companies
6	ASU 2016-01: Financial Instruments- Overall (Subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities
	Glossary
	Index

Table of Contents

CHAPTER 1 Accounting and Financial Reporting for COVID-19, the CARES Act and PPP Loans 2021 Edition	14
I. Accounting Issues Related to COVID-19.....	16
II. Disclosure of Risks and Uncertainties.....	16
REVIEW QUESTIONS	23
SUGGESTED SOLUTIONS.....	24
III. Asset Impairments - Long-Lived Assets	25
A. Overview of Asset Impairment Rules	25
B. Goodwill Impairment Issues.....	26
REVIEW QUESTIONS	33
SUGGESTED SOLUTIONS.....	34
IV. Inventory Costs and Valuation Issues.....	35
A. GAAP Review of Inventories.....	35
V. Trade Receivables and the Allowance for Doubtful Accounts	38
VI. Business Interruption Insurance Recovery and Presentation.....	38
VII. Going Concern and COVID-19	41
A. GAAP Requirements- Going Concern	42
B. Auditing and Review Engagement Requirements- Going Concern.....	43
VIII. Loan Modifications and Covenants	49
REVIEW QUESTIONS	50
SUGGESTED SOLUTIONS.....	52
IX. Income Tax Issues- CARES Act	54
A. Tax Rate for Deferred Income Taxes under the CARES Act	54
B. Deferred Tax Assets from NOLs- the CARES Act.....	54
C. New 50% Limitation on Interest Deduction- the CARES Act.....	59
REVIEW QUESTIONS	62
SUGGESTED SOLUTIONS.....	63
X. Accounting for PPP Loans under the CARES Act.....	64
A. Introduction	64
B. Basic Rules for PPP Loans- SBA.....	64
C. How Should PPP Loans be Accounted for Under GAAP?	65
D. Accounting for a PPP Loan as Debt.....	66
E. Forgiveness of PPP Loan.....	72
F. Tax Effects of PPP Loans.....	80

G.	Disclosures Required- PPP Loan Treated as Debt	82
H.	Accounting for an Economic Injury Disaster Loan (EIDL).....	90
I.	Other GAAP Approaches for PPP Loans.....	91
J.	Reporting Issues- PPP Loans.....	92
	REVIEW QUESTIONS	96
	SUGGESTED SOLUTIONS.....	98
CHAPTER 2 Implementing the New Lease Standard- 2021 ASU 2016-02 Leases (Topic 842) and Other Amendments		100
I.	Background.....	102
II.	Basic Concepts of ASU 2016-02.....	104
A.	General Rules	104
	REVIEW QUESTIONS	107
	SUGGESTED SOLUTIONS.....	108
III.	Scope and Scope Exceptions	109
IV.	Identifying a Lease	109
	REVIEW QUESTIONS	119
	SUGGESTED SOLUTIONS.....	120
V.	Lessee Rules	122
A.	Lease Classification - Lessee.....	122
B.	Initial Measurement of Lease - Lessee.....	129
C.	Lease Modifications - Lessee	133
D.	Lease Payments - Lessee	134
E.	Lease Term and Purchase Options - Lessee	140
F.	Subsequent Reassessment of Lease Elements - Lessee.....	144
G.	Short-Term Leases - Lessee	147
H.	Subsequent Measurement and Accounting for Leases - Lessee.....	149
I.	Other Recognition and Measurement Issues - Lessees	155
J.	Financial Statement Presentation Matters - Lessee	158
K.	Disclosures by Lessees	160
	REVIEW QUESTIONS	174
	SUGGESTED SOLUTIONS.....	175
VI.	Lessor Rules.....	177
A.	Lease Classification.....	177
B.	Amendments made to Lessor Rules since ASU 2016-02.....	182
C.	Accounting for Sales-Type Lease- Lessor	185
D.	Accounting for a Direct Financing Lease.....	191

E.	Accounting for Operating Leases- Lessor	195
F.	Disclosure - Lessor Leases	198
	REVIEW QUESTIONS	201
	SUGGESTED SOLUTIONS.....	202
VII.	Transition and Effective Date Information.....	203
A.	General - Existing Leases.....	203
B.	Transition.....	203
VIII.	Impact of Changes to Lease Accounting.....	205
	REVIEW QUESTIONS	208
	SUGGESTED SOLUTIONS.....	209
CHAPTER 3	ASU 2016-13 Financial Instruments – Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments-2021.....	210
I.	Objective.....	212
II.	Background.....	212
A.	Existing GAAP.....	212
B.	New ASC 326, Financial Instruments- Credit Losses.....	214
C.	Recent FASB ASUs Targeted at ASC 326’s Credit Losses.....	215
III.	Scope of ASC 326	216
A.	Overall Scope	216
IV.	ASU 2016-13 Amendments.....	217
A.	General Amendments	217
B.	Financial Statement Presentation of Allowance Balance and Activity	218
C.	New Expected Credit Loss Model.....	218
D.	Subsequent Measurement -Reporting Changes in Expected Credit Losses	219
E.	Writeoffs and Recoveries of Financial Assets.....	220
F.	Financial Assets Secured by Collateral	220
G.	Available-For-Sale Debt Securities- Impairment.....	221
H.	Related-Party Loans	222
I.	Disclosures	222
J.	Purchased Financial Assets With Credit Deterioration NEW per ASC 326-10.....	224
K.	Implementation.....	224
L.	Examples from ASU 2016-13	225
	REVIEW QUESTIONS	229
	SUGGESTED SOLUTIONS.....	230
CHAPTER 4	Current Developments - Accounting and Financial Reporting - 2021.....	232
I.	Latest Developments on the Accounting Front	234

A.	Significant GAAP Changes in 2021 and Beyond.....	234
B.	Significant Unfunded Pension Plans	236
C.	FASB Move to Amortize Goodwill Again.....	247
D.	Risk of Unrecorded Sales Tax Liabilities- Wayfair Decision	249
	REVIEW QUESTIONS	251
	SUGGESTED SOLUTIONS.....	252
II.	Accounting Standards Updates (ASUs).....	253
A.	Selected Accounting Standards Updates (ASUs).....	253
	ASU 2019-12: Income Taxes (Topic 740)- Simplifying the Accounting for Income Taxes.....	254
	ASU 2019-06: Intangibles—Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958)	257
	ASU 2018-17: Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities	261
	REVIEW QUESTIONS	276
	SUGGESTED SOLUTIONS.....	278
	CHAPTER 5 Implementing the New Revenue Standard ASC 606 2021 Guidance for Private Companies	281
I.	Objective:.....	283
II.	Background	284
III.	Scope of Revenue Standard	284
IV.	Core Principle.....	285
V.	Five Steps to the ASC 606 Revenue Model	285
	Step 1: Identify the Contract (s) With a Customer	285
	REVIEW QUESTIONS	289
	SUGGESTED SOLUTIONS.....	290
	Step 2: Identify the Performance Obligations in the Contract	291
	Step 3: Determine the Transaction Price	293
	Step 4: Allocate the Transaction Price to the Performance Obligations in the Contract	299
	REVIEW QUESTIONS	302
	SUGGESTED SOLUTIONS.....	303
	Step 5: Recognize Revenue - Entity Satisfies a Performance Obligation	305
	REVIEW QUESTIONS	326
	SUGGESTED SOLUTIONS.....	327
VI.	Selected Issues in Applying the Five Steps of the Revenue Model	329
A.	Sale with a Right of Return	329
B.	Sale with a Refund Liability.....	330
C.	Principal versus Agent Considerations.....	330

D. Warranties	334
E. Bill-and-Hold Arrangements	335
F. Consignment Arrangements.....	336
REVIEW QUESTIONS	338
SUGGESTED SOLUTIONS.....	339
G. Presentation of Sales Taxes and Other Similar Taxes Collected from Customers.....	341
H. Shipping and Handling Activities- Step 2 Identifying Performance Obligations	342
VII. Contract Costs	344
VIII. Presentation- General Rules in ASC 606.....	349
REVIEW QUESTIONS	353
SUGGESTED SOLUTIONS.....	355
IX. Disclosures	357
A. General	357
B. Disclosures Required for Nonpublic Entities	357
X. Transition and Effective Date	363
A. General	363
REVIEW QUESTIONS	371
SUGGESTED SOLUTIONS.....	372
CHAPTER 6 Financial Instruments - 2021.....	373
Introduction	374
I. Objectives	376
II. Background.....	376
A. Previous GAAP rules for investments.....	377
B. Overview of ASU 2016-01 changes.....	377
III. Rules – Debt Securities.....	381
A. Changes Made to GAAP Codification	381
B. Changes Made to Debt Securities-ASC 320, as Amended.....	381
REVIEW QUESTIONS	389
SUGGESTED SOLUTIONS.....	390
IV. Rules – Equity Securities.....	392
A. Rules for Equity Securities- New ASC 321	392
REVIEW QUESTIONS	415
SUGGESTED SOLUTIONS.....	417
V. Changes in Disclosures.....	419
VI. Implementation of ASU 2016-01	423
REVIEW QUESTIONS	429

SUGGESTED SOLUTIONS.....	430
GLOSSARY	431
INDEX	438

ABOUT THE AUTHOR

STEVEN C. FUSTOLO, CPA

Mr. Fustolo is a partner with the Boston CPA firm of James J. Fox & Company. He is a frequent lecturer and author of numerous tax and accounting issues affecting closely held businesses. An AICPA author, Mr. Fustolo's articles have been featured in *The Practical Accountant* and other publications. He is the author of numerous books and publications including: *Practice Issues: Compilation and Review*, *Accounting and Auditing Reference Guide*, *Everything You Never Wanted to Know About GAAP*, *Enron: Fraud, Deception and the Aftermath*, *FASB Review for Industry*, *Current Developments: Accounting and Financial Reporting*, *Making Money with Special Engagements*, *Understanding the Variable Interest Entity Rules*, *FASB, SSARS and SAS Update and Review*, *Tax Basis Accrual Financial Statements*, *Accounting for the New Lease Standard*, and numerous other books and manuals that have been published by Practitioners Publishing Company (PPC) and Commerce Clearing House (CCH.) Mr. Fustolo's recent best-selling courses entitled *The Impact of the Tax Cuts and Jobs Act on GAAP and Financial Reporting*, *Implementing the New Revenue Standard (ASC 606)- Guidance for Private Companies*, and *Accounting and Financial Reporting for COVID-19 and the CARES Act*, have received accolades from the financial media. Mr. Fustolo is the recipient of several Outstanding Discussion Leader awards from many professional organizations including the New York and Florida Societies of CPAs. Mr. Fustolo's course entitled *FASB, SSARS and SAS Update and Review* continues to be regarded as one of the top live CPE programs in the country today with ratings that average 4.91 on a scale of 5.0. He speaks regularly for professional groups including being a guest lecturer at the AICPA Advanced Accounting and Auditing Technical Symposium. Mr. Fustolo is the recipient of the Elijah Watts Sells Award (AICPA) and Silver Medal (Massachusetts) for scores received on the CPA Examination.