

A black and white photograph of two hands shaking in a firm grip, symbolizing agreement or partnership. The hands are wearing dark suit sleeves with white cuffs.

2020 Accounting & Auditing Update

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November 11, 2020

Speaker



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FASB Update

November 11, 2020



Speaker



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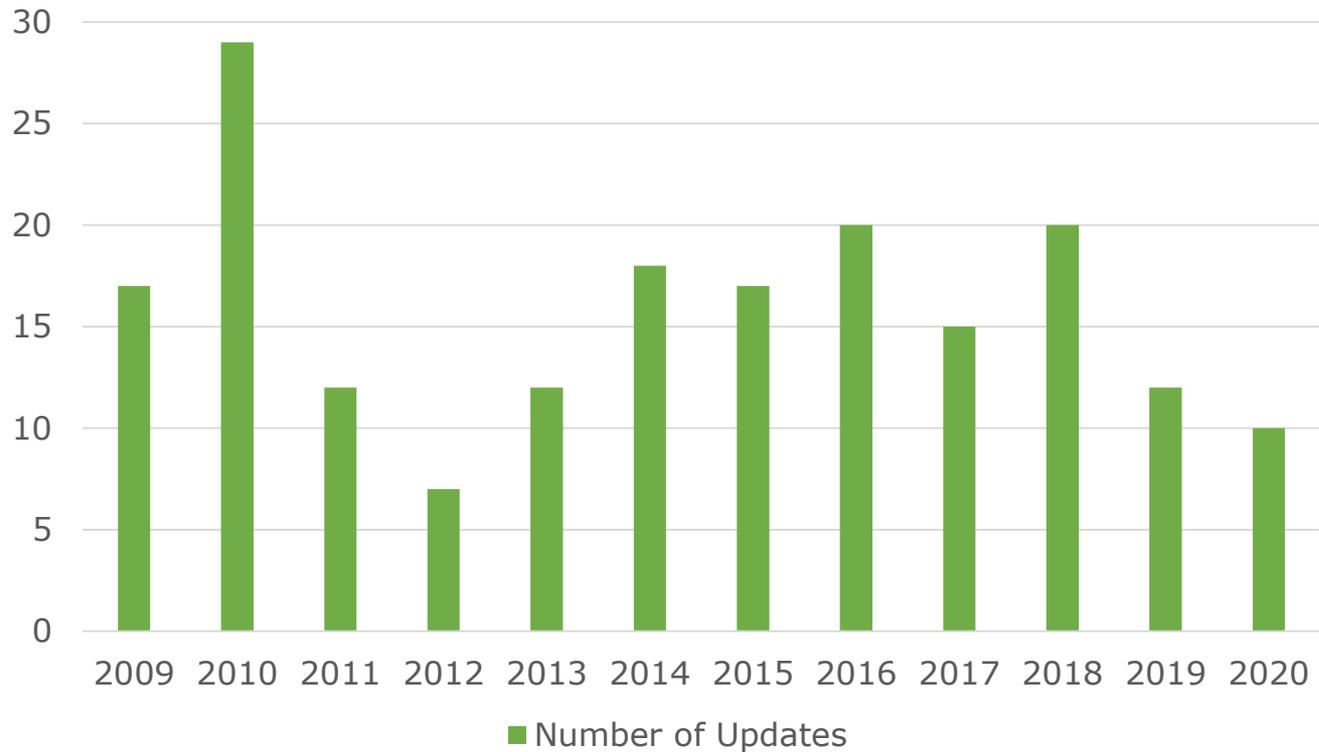
Learning Objectives

Upon completion of this program, participants will be able to:

- Understand the current environment and pace of change brought on by the FASB
- Recognize impact of FASB guidance effective in 2020 & beyond
- Discuss recent developments and other priorities of the Emerging Issues Task Force (EITF) and Private Company Council (PCC)

Pace of Change

Issuance of Accounting Standard Updates



FASB appoints new chair – Richard R. Jones



ASUs Effective in 2020 and Beyond

ASU	Title
2014-09	Revenue from Contracts with Customers
2016-02	Leases (Topic 842)
2016-13	Credit Losses on Financial Instruments (CECL)
2017-04	Simplifying Goodwill Impairment
2017-12	Targeted Improvements to Accounting for Hedging Activities
2018-15	Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract
2018-16	Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes
2018-17	Targeted Improvements to Related Party Guidance for Variable Interest Entities
2018-18	Clarifying the Interaction between Topic 808 and 606
2018-19	Improvements to Financial Instruments – Credit Losses
2019-08	Codification Improvements-Share-Based Consideration Payable to a Customer

ASUs Effective in 2020 and Beyond

ASU	Title
2019-11	Codification Improvements to Topic 326, Financial Instruments—Credit Losses
2019-12	Simplifying the Accounting for Income Taxes
2020-01	Clarifying the Interaction between Topics 321, 323 and 825
2020-03	Codification Improvements to Financial Instruments
2020-04	Reference Rate Reform
2020-06	Accounting for convertible instruments and contracts in an entity's own equity
2020-07	Presentation and disclosures by NFP entities for contributed nonfinancial assets

ASU 2014-09, Revenue from Contracts with Customers

- Original ASU issued in May 2014 (ASU 2014-09)
- Subsequently amended numerous times
- A single, principle-based revenue standard for U.S. GAAP and IFRS that replaces almost all existing U.S. GAAP and IFRS guidance
- The new revenue standard aims to improve accounting for contracts with customers by:
 - Providing a more robust framework for addressing revenue issues as they arise
 - Increasing comparability across industries and capital markets
 - Requiring better disclosure
- Applies to all industries, with certain specific transactions excluded: leases, insurance contracts, financial instruments, guarantees, certain nonmonetary exchanges

Effective Dates (early adoption permitted):

Public Business Entities	All Other Entities
FYs beginning after 12/15/17 (and interim periods within)	FYs beginning after 12/15/19 (interim periods within FYs beginning after 12/15/19)

ASU 2016-02, Leases

- The lessee will recognize a right-of-use asset and lease liability on the balance sheet for all leases
- Dual approach for P&L recognition:
 - Finance – interest and amortization
 - Operating – straight-line
- Comprehensive framework covers:
 - Scope and identifying a lease
 - Lease classification and payments
 - Short-term lease exception
 - Lessee and lessor accounting and presentation
 - Disclosures

Effective Dates (early adoption permitted):

Public Business Entities

FYs beginning after 12/15/18
(and interim periods within)

All Other Entities

FYs beginning after 12/15/21
(interim periods within FYs beginning after 12/15/22)

ASU 2016-13, Credit Losses on Financial Instruments

New current expected credit loss (CECL) model:

- Financial assets measured at amortized cost basis at the net amount expected to be collected when the asset is initially recognized
- Credit losses recorded as an allowance, estimated at each reporting period
- Evaluation on a collective basis for similar risk characteristics
- Report credit losses on AFS debt securities through an allowance for credit losses account
- New disclosures added

Effective Dates (early adoption permitted after 12/15/18):

SEC Filers	All Other Entities
FYs beginning after 12/15/19 (and interim periods within)	FYs beginning after 12/15/22 (and interim periods within)

- Transition – Generally, cumulative-effect adjustment to retained earnings.
 - Prospective adoption for PCI (PCD) assets and debt securities with OTTI.

ASU 2017-04, Simplifying Goodwill Impairment

- Eliminates Step 2 from the goodwill (GW) impairment test
- New one step test comparing the fair value of a reporting unit (RU) with its carrying amount
- Recognize impairment charge for amount by which carrying amount exceeds RU's fair value (up to amount of GW attributed to that RU)
- Retains optional qualitative impairment test ("Step 0")
- Eliminates requirement to perform Step 0 for RU with zero or negative carrying amount, but requires additional disclosure
- Does not eliminate private company alternative in ASU 2014-02

Effective Dates:

SEC Filers	Public Business Entities (not SEC Filers)	All Other Entities
FYs beginning after 12/15/19	FYs beginning after 12/15/20	FYs beginning after 12/15/21

- Early adoption permitted for interim for annual GW impairment tests performed after 1/1/17

ASU 2017-12, Targeted Improvements to Accounting for Hedging Activities

Simplifies and expands the eligible hedging strategies for financial and nonfinancial risks and also simplifies its application with targeted improvements in key practice areas through:

- Expansion of the list of items eligible to be hedged
- Amendment of the methods used to measure the effectiveness of hedging relationships
- Prescribing how hedging results are presented and disclosed
- Partial relief on the timing of certain aspects of hedge documentation
- Eliminating the requirement to recognize hedge ineffectiveness separately in earnings in the current period

Effective Dates (early adoption permitted):

Public Business Entities	All Other Entities
FYs beginning after 12/15/18 (and interim periods within)	FYs beginning after 12/15/20 (interim periods within FYs beginning after 12/15/21)

ASU 2018-15, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract

Requires a customer in a hosting arrangement (service contract) to apply the guidance on internal-use software to determine which implementation costs to recognize as an asset and which costs to expense.

Key amendments:

- Customer must determine whether an implementation activity relates to the preliminary project stage, the application development stage, or the post-implementation stage.
- Costs for implementation activities in the application development stage will be capitalized depending on the nature of the costs, while costs incurred during the preliminary project and post-implementation stages will be expensed immediately.
- Additional guidance on how to assess capitalized costs for impairment and appropriate presentation of capitalized costs and related amortization.

Effective Dates (early adoption is permitted):

Public Business Entities	All Other Entities
FYs beginning after 12/15/20	FYs beginning after 12/15/21

ASU 2018-16, Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes

Permits the use of the Overnight Index Swap (OIS) Rate based on Secured Overnight Financing Rate (SOFR) as U.S. benchmark interest rates for purposes of hedge accounting.

The Master Glossary defines the new term **Secured Overnight Financing Rate (SOFR) Overnight Index Swap Rate** as:

“The fixed rate on a U.S. dollar, constant-notional interest rate swap that has its variable-rate leg referenced to the Secured Overnight Financing Rate (SOFR) (an overnight rate) with no additional spread over SOFR on that variable-rate leg. That fixed rate is the derived rate that would result in the swap having a zero fair value at inception because the present value of fixed cash flows, based on that rate, equates to the present value of the variable cash flows.”

Effective Dates: Required to be adopted concurrently with the amendments in 2017 - 12 (Targeted Improvements to Accounting for Hedging Activities)

ASU 2018-17, Targeted Improvements to Related Party Guidance for Variable Interest Entities

Improves application of consolidation guidance for targeted areas.

Key amendments:

- Private company alternative – private companies may elect not to apply VIE guidance to legal entities under common control (including common control leasing arrangements) if both the parent and the legal entity being evaluated for consolidation are not public business entities.
- Clarifies that indirect interests held through related parties in common control arrangements should be considered on a proportional basis for determining whether fees paid to decision makers and service providers are variable interests, consistent with how indirect interests held through related parties under common control are considered for determining whether a reporting entity must consolidate a VIE.

Effective Dates (early adoption is permitted):

Public Business Entities	All Other Entities
FYs beginning after 12/15/19 (and interim periods within)	FYs beginning after 12/15/20 (and interim periods within FYs after 12/15/21)

ASU 2018-18, Clarifying the Interaction between Topic 808 and 606

Targeted improvements to current GAAP for collaborative arrangements.

Key amendments:

- Clarifies that certain transactions between collaborative arrangement participants should be accounted for as revenue under Topic 606 (Revenue Recognition).
- Adds 'unit-of-account' guidance in Topic 808 (Collaborative Arrangements) to align with the revenue recognition guidance in Topic 606
- Requires that in a transaction with a collaborative arrangement participant that is not directly related to sales to third parties, presenting the transaction together with revenue recognized under Topic 606 is precluded if the collaborative arrangement participant is not a customer

Effective Dates (early adoption is permitted, but not earlier than adoption of Topic 606):

Public Business Entities	All Other Entities
FYs beginning after 12/15/19 (and interim periods within)	FYs beginning after 12/15/20 (and interim periods within FYs after 12/15/21)

ASU 2018-19, Improvements to Financial Instruments – Credit Losses

Amendments to Update 2016-13 (Measurement of Credit Losses on Financial Instruments), meant to align the implementation dates for nonpublic entities' financial statements and to clarify the scope of the guidance.

Key Amendments:

- Mitigate transition complexity by requiring amendments of Update 2016-13 be effective for nonpublic entities for FYs beginning after 12/15/21 (and interim periods within).
- Clarifying that operating lease receivables are not within the scope of the Credit Losses Subtopic. Instead, should be accounted for in accordance with Topic 842, Leases.

Effective Dates (same as for 2016-13):

SEC Filers	Public Business Entities (not SEC Filers)	All Other Entities
FYs beginning after 12/15/19 (and interim periods within)	FYs beginning after 12/15/20 (and interim periods within)	FYs beginning after 12/15/21 (and interim periods within) – As amended

ASU 2019-08, Codification Improvements-Share-Based Consideration Payable to a Customer

- ASU 2018-07, Improvements to Nonemployee Share-Based Payment Accounting requires that share-based payment awards granted to a customer in conjunction with selling goods or services be accounted for under ASC 606
- Lack of guidance on measuring share-based payment awards granted to a customer could result in diversity, because entities may apply:
 - ASC 606 noncash consideration guidance (measure at contract inception), or
 - ASC 718 guidance (measure at grant date)
- ASU 2019-08 requires measurement and classification of share-based payment awards granted to a customer by applying ASC 718

Effective Dates	Public Business Entities	Other Entities
	FYs beginning after 12/15/2019	FYs beginning after 12/15/2019 ¹

¹ And interim periods beginning after 12/15/2020, unless entity adopted ASU 2018-07, in which case it would be for interim periods beginning after 12/15/2019.

ASU 2019-11, Codification Improvements to Topic 326, Financial Instruments—Credit Losses

- Clarifies certain aspects of CECL:

Expected recoveries for purchased financial assets with credit deterioration (PCD)	<p>Expected recoveries are to be included in the allowance for credit losses for these financial assets. However, the expected recoveries should not exceed the total amortized cost basis that is expected to be, or already has been, written off.</p> <p>If a valuation method other than discounted cash flow is used to determine the expected credit losses, the calculation of expected recoveries should not accelerate the recognition of any noncredit discount.</p>
Troubled debt restructurings (TDR) transition	<p>Provides accounting policy election to adjust the effective interest rate for existing TDR based on the prepayment assumptions applicable on the adoption date of ASC 326 instead of the prepayment assumptions applicable immediately prior to the restructuring event.</p>
Disclosures for accrued interest receivables	<p>Extends the practical expedient to all additional relevant disclosures involving amortized cost basis.</p>

ASU 2019-11, Codification Improvements to Topic 326 (continued)

- Clarifies certain aspects of CECL:

Financial assets backed by collateral maintenance provisions

An entity should consider the borrower's ability to continue to replenish the collateral associated with the financial assets.

When applying this practical expedient, expected credit losses should be estimated when the amortized cost basis of the financial asset exceeds the fair value of its associated collateral. The allowance would be limited to the difference between the fair value of the collateral and the amortized cost of the associated asset (that is, the unsecured portion of the amortized cost basis).

- Effective dates:
 - For entities that have not adopted ASC 326, the transition requirements and effective dates for ASU 2019-11 are the same as those applicable for ASC 326, as amended by ASU 2019-10.
 - For entities that have adopted ASC 326, the amendments are effective in fiscal years beginning after December 15, 2019, including interim periods therein. Early adoption is permitted but no earlier than an entity's adoption date of ASC 326.

ASU 2019-12, Simplifying the Accounting for Income Taxes

- Overall objective to clarify and reduce complexity in ASC 740
- Eliminates the following exceptions from ASC 740:

Exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items (for example, discontinued operations or other comprehensive income).

This simplifies intraperiod allocation and allows for computation of tax effect of pre-tax income or loss from continuing operations (CO) without consideration of the tax effects of other items that are not included in CO.

Exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment.

Exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary (therefore, an entity would have the ability to assert indefinite reinvestment for the entire basis difference of a subsidiary).

Pre-Simplification accounting required an entity to continue to reflect a deferred tax liability for the outside basis difference in a foreign equity method investment, even where the investee becomes a subsidiary.

Exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year.

ASU 2020-01, Clarifying the Interaction between Topics 321, 323 and 815

Clarifies the following issues:

- Measurement alternative for investments in equity instruments that do not have readily determinable fair value
 - Observable orderly transactions that result in the investor applying (or discontinuing) the equity method of accounting under Topic 323 are considered for purposes of the measurement alternative in Topic 321
- Certain Forward contracts and purchased options on securities that would be accounted for under the equity method in Topic 323
 - For purposes of the scope of Subtopic 815-10, Certain Contracts on Debt and Equity Securities, entities should not consider whether, upon the settlement of the forward contract or exercise of the purchased option, the underlying securities would be accounted for under the equity method in Topic 323 or the fair value option in Topic 825

Effective Dates	Public Business Entities	Other Entities
	FYs beginning after 12/15/2020	FYs beginning after 12/15/2021

ASU 2020-03, Codification Improvements to Financial Instruments

- Clarifies the following issues:

Contractual term for measuring expected credit losses	When measuring expected credit losses on a net investment in a lease, the lease term determined in accordance with ASC 842 should be used as the contractual term
Interaction between ASC 326 and ASC 860-20	An allowance for credit losses should be recorded when an entity regains control of financial assets sold.
Fair value option disclosures in ASC 825-10	Disclosure requirements apply to all entities
Disclosure for depository and lending institutions	The disclosure requirements regarding debt securities in ASC 320 apply to depository and lending institutions in the scope of ASC 942

Effective Dates

The amendments have various effective dates and transition requirements, some depending on whether an entity has previously adopted ASU 2016-13

ASU 2020-04, Reference Rate Reform

Background

- Potential effect on the ability to retain hedge accounting.
- Potential challenges in applying GAAP related to modifications of financial instruments.
- FASB provided optional practical expedients and exceptions for a limited period of time to ease the burden in accounting for the reference rate reform.
- **The guidance applies only to** transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform.

Effective Dates

The amendments are effective for all entities as of March 12, 2020 through December 31, 2022. The amendments have various transition requirements.

ASU 2020-04, Reference Rate Reform (Cont.)

Optional expedients for contract modifications

Contracts in the scope of Topic 310, <i>Receivables</i> and Topic 470, <i>Debt</i>	Accounting for the modification by prospectively adjusting the effective interest rate.
Lease modifications in the scope of Topics 840, 842	Accounting as a continuation of the existing contract – no reassessment of lease classification and discount rate, and no remeasurement of the lease payments.
Contracts in the scope of other topics or industry subtopics	Entities are permitted to consider modifications as an event that does not require contract remeasurement or reassessment of previous accounting determination.
Embedded derivatives	Entities are not required to reassess whether embedded derivatives are considered clearly and closely related to the host contract.

- Elected expedients for contract modifications must be applied consistently to all eligible contracts or transactions.

ASU 2020-04, Reference Rate Reform (Cont.)

Hedge accounting

Critical terms	Qualifying changes in the critical terms of an existing hedging relationship due to the reform will not result in dedesignation of the hedging relationship
Excluded components	Entities may change the systematic and rational method used to recognize in earnings the components excluded from hedge effectiveness assessment
Shortcut method	Entities may continue to apply this method for the remainder of the hedging relationship for fair value and cash flow hedges
Fair value hedges	Entities may change the designated benchmark interest rate documented at hedge inception to a different eligible benchmark interest rate, which will be applied consistently across similar fair value hedging relationships
Cash flow hedges	<p>Entities may continue hedge accounting following a change in the hedged interest rate risk if the hedge is highly effective</p> <p>Entities may disregard potential changes in the designated hedged interest rate risk when it assesses whether the hedged forecasted transaction is probable</p> <p>Entities may change the designated method used to assess hedge effectiveness in order to disregard certain mismatches between the designated hedging instrument and the hedged item</p>

- Except for the expedient to change the designated benchmark interest rate in a fair value hedge, all optional expedients for hedge accounting may be elected on an individual hedging relationship basis.

ASU 2020-04, Reference Rate Reform (Cont.)

HTM securities

- Entities are permitted to make a one-time election to sell or transfer (or both) debt securities classified as held to maturity to available for sale or trading.
- Debt securities are eligible for this election if they:
 - Were classified as held to maturity before January 1, 2020, **and**
 - Reference a rate that is expected to be discontinued because of the reference rate reform
- Entities are not required to transfer all of the remaining debt securities classified as held to maturity.

ASU 2020-06, Accounting for convertible instruments and contracts in an entity's own equity

- Simplify current guidance:
 - Reduce the number of accounting models for convertible instruments
 - Revises the derivative scope exception
- Improve consistency of EPS calculations
- Expand disclosure requirements

ASU 2020-06 – Key changes: Convertible instruments

- Eliminate the cash conversion and beneficial conversion feature models
- If conversion option is not bifurcated as a derivative or issued at a substantial premium
 - Convertible debt will be presented as a single liability measured at its amortized cost
 - Convertible preferred stock will be presented as a single equity instrument measured at its historical cost
- Interest rates for these convertible debt instruments will now be more reflective of the stated coupon rate.

ASU 2020-06 – Key changes: Derivative scope exception

- Remove three conditions for equity classification
 - The ability to deliver registered shares upon settlement
 - No collateral requirement
 - Certain counterparty rights
- Clarify penalty payments paid for failing to timely file do not preclude equity classification
- Other Changes
 - Instruments that are not indexed to the issuer's stock under 815-40-15-8A must be remeasured at fair value through earnings each reporting period
 - Clarify that the reassessment guidance on subsequent measurement applies to both freestanding financial instruments and embedded features.

ASU 2020-06 – Key changes: Earnings-per-share

Update EPS guidance to align with amendments to convertible debt and the derivative scope exception, as follows:

- Require the use of the if-converted method for convertible instruments (versus treasury stock method); should not change practice in most cases
- Require share settlement presumption for calculating diluted EPS when an instrument may be settled in cash or shares (i.e., remove current guidance allowing a rebuttable presumption)
- Expand the scope of the recognition and measurement guidance of down-round features in EPS guidance to include an equity-classified convertible preferred stock that includes a down round feature.
- Require average market price to calculate diluted EPS denominator when the exercise price or number of shares to be issued varies based on share price.
- Clarify that the weighted-average share count from each quarter should be used when calculating the year-to-date weighted-average share count.

ASU 2020-06 – Disclosures

Expand the disclosure requirements for convertible debt instruments to compensate for the reduction in accounting models:

- Add a disclosure objective
- Add information about events or conditions that occur during the reporting period that significantly affect the conversion conditions
- Add information on which party controls the conversion rights
- Align disclosure requirements for contingently convertible instruments with other convertible instruments
- Require that existing fair value disclosures in ASC 825, *Financial Instruments*, be provided at the individual instrument level rather than in the aggregate

ASU 2020-06 - Transition

Effective Dates	SEC filers (excluding SRC)	Other Entities
	FYs and interim periods beginning after 12/15/2021	FYs and interim periods beginning after 12/15/2023

- Full retrospective or modified retrospective transition
- Early adoption permitted, but no earlier than fiscal years beginning after December 15, 2020.
- Early adoption only at the beginning of annual fiscal year (Q1 only)

ASU 2020-07, Presentation and disclosures by NFP entities for contributed nonfinancial assets

- Contributed nonfinancial assets will be presented as a separate line item in the statement of activities
- NFPs shall disclose disaggregated amounts of contributed nonfinancial assets recognized by category and provide the following for each category:
 - Qualitative information about whether the contributed nonfinancial assets were either monetized or used during the reporting period
 - The NFP's policy (if any) about monetizing rather than using contributed nonfinancial assets
 - A description of any donor-imposed restrictions associated with the contributed nonfinancial assets
 - A description of the valuation techniques and inputs used to arrive at a fair value measure
 - The principal market (or the most advantageous market) used to arrive at a fair value measure If a donor-imposed restriction exists.

ASU 2020-07 - Transition

- FYs beginning after June 15, 2021
- Interim periods within annual periods beginning after June 15, 2022
- Amendments should be applied on a retrospective basis
- Early adoption permitted

Other ASUs Effective in 2020 & Beyond

ASU	Title
2016-01	Recognition and Measurement of Financial Assets and Financial Liabilities
2016-04	Recognition of Breakage for Certain Prepaid Stored-Value Products
2016-08	Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net)
2016-10	Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing
2016-12	Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients
2016-15	Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments
2016-20	Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers
2017-05	Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets
2017-07	Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost
2017-08	Premium Amortization on Purchased Callable Debt Securities

Other ASUs Effective in 2020 & Beyond

ASU	Title
2017-11	Financial Instruments - Down Rounds
2018-01	Leases: Land Easement Practical Expedient for Transition to Topic 842
2018-07	Improvements to Nonemployee Share-Based Payment Accounting
2018-08	Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made
2018-10	Codification Improvements to Topic 842, Leases
2018-11	Leases: Targeted Improvements
2018-12	Financial Services—Insurance: Targeted Improvements to the Accounting for Long-Duration Contracts
2018-13	Changes to Disclosure Requirements for Fair Value Measurements
2018-14	Changes to Disclosure Requirements for Defined Benefit Plans
2018-20	Leases: Narrow-Scope Improvements for Lessors
2019-01	Leases: Codification Improvements
2019-02	Improvements to Accounting for Costs of Films and License Agreements for Program Materials

Other ASUs Effective in 2020 & Beyond

ASU	Title
2019-04	Financial Instruments Codification Improvements
2019-09	Financial Services—Insurance (Topic 944)
2019-10	2019-10, Credit Losses, Derivatives and Hedging, and Leases: Effective Dates
2020-02	Financial Instruments—Credit Losses (Topic 326) and Leases (Topic 842)—Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 119 and Update to SEC Section on Effective Date Related to Accounting Standards Update No. 2016-02, Leases (Topic 842)
2020-05	Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities
2020-08	Codification Improvements to Subtopic 310-20, Receivables—Nonrefundable Fees and Other Costs
2020-09	Debt (Topic 470): Amendments to SEC Paragraphs Pursuant to SEC Release No. 33-10762
2020-10	Codification Improvements
2020-11	Financial Services—Insurance (Topic 944): Effective Date and Early Application



EITF and PCC UPDATE

Emerging Issues Task Force (EITF)

September 2020 meeting

The EITF met on September 3 to discuss Issue 19-C* and reached a consensus for exposure:

- This issue applies to modifications of all freestanding equity-classified forwards and options that remain equity classified after modification and are not within the scope of Topic 718, Compensation—Stock Compensation, or accounted for as derivatives under Topic 815, Derivatives and Hedging.
- An entity should treat a modification of the terms or conditions of a freestanding equity-classified derivative instrument as an exchange of the original instrument for a new instrument.

** Warrant Modifications: Issuers' Accounting for Modifications of Equity Classified Freestanding Call Options That Are Not within the Scope of Topic 718, Compensation—Stock Compensation, or Topic 815, Derivatives and Hedging*

Emerging Issues Task Force (EITF)

September 2020 meeting (Contd.)

- An entity should recognize the effect of a modification of a freestanding equity-classified derivative instrument based on the substance of the transaction as follows:
 - Financing transaction to raise equity – As an issuance cost
 - Financing transaction to raise or modify debt – As an expense
 - Transaction to compensate for goods or services – As a compensation cost
 - Other modifications – As a dividend
- An entity should measure the effect of a modification of a freestanding equity-classified derivative instrument as the excess, if any, of the fair value of the modified instrument over the fair value of the original instrument immediately before its terms are modified.
- FASB ratified the EITF consensus in its September meeting.

Private Company Council (PCC)

September 2020 meeting

The PCC met on September 22 to discuss the following:

- Challenges in applying goodwill impairment guidance and accounting for PPP loans (educational materials needed)
- Practice issues arising from the current business environments:
 - Borrower's accounting for PPP loans, debt modifications and TDR
 - Interim impairment testing of nonfinancial assets
 - Inventory impairment in times of longer turnover
- Overview of FASB proposed practical expedient for franchisors.
- FASB project for targeted improvements to the leases standard.
- Profits interests and their relationship with partnership accounting
- Disclosure framework - income taxes.
- Next meeting is scheduled for **December 3, 2020**

Questions?



The top portion of the slide features a grayscale photograph of the United States flag waving in the foreground on the left, with the dome of the United States Capitol building visible in the background on the right. Below the photograph is a solid green horizontal bar.

COVID-19: GAAP Accounting Considerations in 2020

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November 11, 2020

Presenters



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Agenda Overview

- Recent PPP news
- PPP loan accounting
- Employer payroll tax deferral
- Asset impairments
- Going concern assessment and disclosure
- Exit or disposal activities
- Debt restructuring and covenants
- Lease concessions
- Additional considerations



Recent PPP News

- Paycheck Protection Program Loan Necessity Questionnaire for loans greater than \$2 million in the aggregate
- SBA announces guidance for PPP borrowers and M&A transactions
- PPP loans less than \$50,000 can utilize simplified forgiveness application
- PPP updates on owner compensation, tenant costs, related party rents



Accounting for PPP Loans as Debt

- Day 1 - Recorded as debt on balance sheet
 - P&I payments are deferred until the earlier of:
 - Forgiveness has been determined by SBA
 - 10 months after the end of the covered period
 - Monthly interest should be accrued from day 1
- Capitalize and amortize related debt issuance costs
 - Accounting and legal fees
 - Documentation prep costs
 - External, incremental costs to advisors

Accounting for PPP Loans as Debt

- Qualified expenses accounting
 - Includes payroll costs, rent, utilities and mortgage debt interest
 - Related party rent caveat – limited to related debt interest
 - Recorded as expense (NOT a reduction of the loan)
 - Presentation and disclosure remains the same
- Forgiveness accounting
 - Apply for forgiveness with banker
 - Provide banker requested documentation
 - Extinguishment only after being legally released
 - Occurs once the SBA has approved forgiveness (bank has 60 days to submit decision and SBA thereafter has 90 days to approve forgiveness)
 - Removal from balance sheet
 - CARES Act considers it canceled indebtedness
 - “SBA audit” risk and exposure is accounted for separately from forgiveness (i.e. record reserve once probable and estimable under ASC 450, *Contingencies*)

Accounting for PPP Loans as Debt

Forgiveness accounting in practice

- Measured based on net carrying value related to forgiveness
 - Loan balance
 - Accrued interest (if eligible)
 - Deferred finance costs
- Journal entry to record forgiveness
 - Dr. PPP Loan
 - Dr. Accrued interest
 - Cr. Deferred finance costs
 - Cr. Gain on forgiveness

Accounting for PPP Loans as Debt



- Income statement presentation of forgiveness
 - Separate line item
 - Waiting on forthcoming guidance
- EIDL emergency grant
 - \$10,000 reduces your forgiveness amount
 - Becomes part of the loan under PPP

Accounting for EIDL if PPP Loan Exists

Example of accounting for EIDL emergency grant when PPP loan received

- Assume the following:
 - \$10,000 Emergency Grant received and recognized as income
 - \$250,000 PPP loan received
 - PPP loan was used 60% for payroll and 40% for non payroll making it all eligible for forgiveness
- Upon requesting forgiveness from the bank:
 - \$250,000 of supporting documentation provided and approved
 - \$10,000 Emergency Grant is subtracted from forgiveness amount
 - Results in \$240,000 loan forgiveness
 - Results in net PPP loan of \$10,000 @ 1% with a X year term
- Journal entry to record forgiveness with Emergency Grant reduction:
 - Dr. PPP Loan \$240,000
 - Cr. Gain on forgiveness \$240,000
- P&L impact would still recognize \$250,000 of “income”
- Net tax impact would be zero for EIDL grant (income offset by expenses)

Accounting for PPP Loans as a Gov't Grant

- Authoritative Guidance
 - ASC 105 – allows application of nonauthoritative guidance by analogy when guidance not specified
 - AICPA TQA 3200.18 – allows election to treat as a grant if it is probable that it will meet both:
 - Eligibility criteria for a PPP loan
 - Loan forgiveness criteria for all or substantially all of PPP loan
- Continual assessment of whether criteria is met
- How to account for it:
 - Day 1 – recorded as deferred income liability (not debt)
 - Ongoing – relieved on a systematic basis over covered period for which expenses were incurred for intended purpose
 - Income statement presentation options
 - Presented separately
 - Offset against related expense
 - If less than 100% forgiveness expected, treated as change in estimate

Big Picture: Debt vs. Grant

Which method should you choose?

Accounting Impact	Debt	Grant
Balance sheet presentation	Recorded as debt	Recorded as deferred income liability
P&L presentation of forgiveness	Gain on Cancellation of Debt	Option of separate line item or offset to related expense
Recognition of forgiveness timing	Extinguishment only after being legally released	Recognized as related expenses occur – no delay
Pros	<ul style="list-style-type: none"> -Simpler accounting -Less judgment -Most commonly used 	Conceptual alignment of forgiveness and expenditures
Cons	<ul style="list-style-type: none"> -Leverage ratio impact -Forgiveness may occur next year -Tax provision impact 	Comparability issues if netting with expenses

PPP Loan Accounting – Best Practices

- Know what your bank expects for documentation
 - Connect the dots
- Take the time to understand the safe harbors around FTEs and wage reduction penalties
- Use payroll records when possible to substantiate loan proceeds used
 - Makes the application process easier
 - Less documentation to pull together
- Leverage third party payroll PPP reports for FTE calculations
 - Owners may need to be manually pulled out
- Related party rents limited to the related mortgage interest
- Are you using the right application form?

PPP Loan Accounting – Future Reporting Implications

- Debt covenants – discuss with your bank expectations around EBITDA/similar calculations and whether forgiveness income should be included or excluded
- Income tax provision will be unusual YOY for C corps electing debt instrument accounting with forgiveness in subsequent year, for example:
 - 2020: expenditures under PPP loan proceeds are non-deductible (higher effective tax rate for financial reporting)
 - 2021: forgiveness income is excluded from taxable income (lower effective tax rate for financial reporting)
 - Above are considered permanent items (affect income tax expense) as opposed to temporary items (recorded through the balance sheet)

Employer Payroll Tax Deferral



- Election to defer payroll tax payments through 2020 (regardless of PPP loan forgiveness)
- Cash flow assistance, not a reduction of expense
- Results in higher accrued expenses until paid on 12/31/21 and 12/31/22

Asset Impairments

- Numerous “impairment” models under GAAP depending on the nature and type of account subject to assessment
- Most models incorporate a triggering event mechanism or otherwise require consideration of indicators of impairment arising during a period
- Hierarchy and sequence of impairment assessments is important
 1. Other accounts (A/R, inventory, investments, etc.)
 2. Indefinite lived intangible assets
 3. Long-lived assets held and used
 4. Goodwill

Inventory



- Lower of cost or net realizable value (NRV); seasonal inventories, perishable products, and those with shorter shelf lives
- Firm purchase commitments
- Excess capacity and implications to capitalized overhead, labor and similar costs

Financing Receivables and Contract Assets (before CECL)

- Recognition for probable losses incurred based on past events and conditions existing at the date of the financial statements
- Accounts receivable collectability
 - Specific vs. general (e.g. aging) reserves
 - Consideration of subsequent events

Investments (before adoption of new credit loss/CECL model)

- Other than temporary impairment (OTTI)
 - Available for sale (AFS) or held to maturity (HTM) debt securities
 - Equity method investments
- Equity securities using measurement alternative (cost less impairment adjusted for observable prices)



Long-Lived Assets, Goodwill and Intangible Assets

- Negative triggers (indicators of impairment) likely exist, even within models based on annual assessments
- Long-lived assets assessed for recoverability first prior to fair value measurement (undiscounted cash flows relative to carrying value)
- Goodwill and indefinite lived intangible assets have no recoverability step
- Unit of account (primary asset, reporting unit, etc.)
- Non-recurring fair value disclosures

Evaluation for Impairment

- When developing your projections, consider all of the following:
 - Historical P&L projections
 - Current year P&L pre and post-COVID
 - Identify non-recurring re-opening/PPE costs in a separate GL account to easily “add back”
 - 2020 trends – sales went down, then back up
 - How did sales recover throughout the pandemic?
 - Future P&L projections
 - Calculate multiple scenarios – worst case, best case, middle of the road based on 2020 trends and expected recovery
- Key questions to ask:
 - Was this business underperforming prior to COVID and at risk?
 - For a well performing business that experienced a dip in sales, was this directly related to COVID?
 - Although sales may have dipped, did EBITDA dip?
 - How did PPP loan proceeds impact EBITDA?

Going Concern

- Required of management and auditors
- Preparation of financial statements on a going concern basis until liquidation becomes imminent (at that time, apply liquidation basis accounting)
- One year look-forward period on its ability to meet its obligations
 - One year from date of financial statement issuance (not one-year from year-end date)
- Substantial doubt – conditions and events, in the aggregate, indicate that it is *probable* that the entity will be unable to meet its obligations within the one-year look forward period
- Consideration of management plans to mitigate going concern issues
 - Capital infusion
 - Debt restructuring
 - Securing new debt
 - Financial projections
 - Member pledge to support operations

Going Concern

- Two sets of disclosure requirements depending on whether substantial doubt is alleviated by management plans.
- Disclose the following irrespective of whether substantial doubt is alleviated by management plans:
 - Principal conditions/events that raise substantial doubt
 - Management's evaluation of the significance in relation to ability to meet its obligations
 - Management plans that are intended to mitigate (or have alleviated) the conditions/events that raised substantial doubt
- If substantial doubt is not alleviated by management plans:
 - Must include statement in notes that "substantial doubt" exists
 - Emphasis of matter paragraph in audit report required

Exit or Disposal Activities

- Relates to restructuring initiatives, business closures and similar reorganizations
- Long-lived assets held for sale – suspend depreciation and mark to lower of carrying or fair value if certain conditions are met
- One-time employee termination benefits
 - Recognize when communicated under most instances
 - Amount recognized depends on whether future services are required
- Contract terminations (including leases) – consideration of sub-lease rentals
 - For lease obligations, recognize on date of business closure

Debt Restructurings and Covenants

- Three ways to account for debt restructurings:
 - Modification – substantially similar terms
 - Extinguishment – substantially different terms
 - Troubled debt restructurings (TDRs) – experiencing financial difficulty and concession granted
- Short-term loan modifications (e.g., deferral of payments) made to help borrowers that are current on existing loans and experiencing issues as a result of COVID-19, generally would not be considered TDRs
- Different accounting for unamortized deferred finance costs, fees paid to creditors and costs with third-parties
- Covenants
 - Violations subsequent to period end and before financial statements are issued are recognized subsequent events
 - Implications to balance sheet presentation (current liability) and going concern assumptions

Lease Concessions

- In response to COVID, the FASB allowed companies not to treat lease concessions provided by in CARES Act as lease modifications.
- Important to note in regards to lease concession:
 - It has to be a direct result of COVID
 - It should not result in a substantial increase in the right of lessor or obligations of the lessee

Lease Concessions Accounting Methods

- Two acceptable methods follow for lease concession accounting
- Example: Assume the following:
 - Company A received a lease concession for six month deferral
 - Pre-COVID straight-line debit monthly rent and debit deferred rent, with credit to cash.
- Method 1
 - Account for the concession as if no changes to the contract were made:
 - Dr. Straight-line rent expense
 - Dr./Cr. Deferred rent
 - Cr. Accounts payable
 - No change to the P&L, rent expense is recognized, and AP increases until payments commence
 - Lower bottom-line in year of impact - debt covenants compliance considerations

Lease Concessions Accounting Methods

- Method 2
 - Account for the deferred payment as variable lease payments
 - No entry is recorded
 - Rent is expensed when paid
 - Better bottom-line for the year of the impact and additional rent will be recognized in the years when paid
 - The Company will have to adjust the deferred rent schedule for lack of rent
- Disclosure considerations:
 - Lessors/ Lessees should provide disclosures about material concessions granted/received

Additional Considerations

- Contingencies
 - Loss contingencies – recognize when probable and estimable
 - Gain contingencies – generally recognized when realized (cash, etc.)
 - Insurance recoveries – business interruption (gain contingency); property and casualty (accrue when probable up to amount of loss recognized)
- Revenue recognition – estimates of variable consideration
- Lessor accounting – collectability of future payments; forgiveness vs. modification
- Pension and postretirement plans – funded status, curtailment accounting for significant changes in census information
- Tax strategies and consideration of valuation allowances on deferred tax assets

Additional Resources

- [PPP Loans Over \\$2 Million Face Additional Information Requests](#) (NEW – November 2, 2020)
- [SBA Releases New PPP Forgiveness Form 3508S for Loans \\$50,000 or Less](#) (October 12, 2020)
- [SBA Announces Guidance for PPP Borrowers and M&A Transactions](#) (October 8, 2020)
- [COVID-19: Accounting for Lease Concessions](#) (September 8, 2020)
- [SBA PPP: Can a Restaurant File The EZ Forgiveness Application](#) (July 16, 2020)
- [Accounting For PPP Loans And Forgiveness](#) (April 17, 2020)
- [AICPA TQA 3200.18 – PPP Loan as a Grant](#)
- [Paycheck Protection Program Loans FAQs](#) (last updated October 7, 2020)



Questions



A black and white photograph of two hands shaking in a firm grip, symbolizing agreement or partnership. The hands are positioned in the upper center of the frame, with the left hand slightly above the right. The background is dark and out of focus.

Break

A vertical line of small white dots on the left side of the slide, extending from the top of the text area to the bottom.

We will resume at 3:30 PM

A black and white photograph of a businessman in a suit and tie, holding a magnifying glass over a folder of papers. The image is partially obscured by a green horizontal bar at the bottom.

Fraud Prevention in an Increasingly Virtual Environment

A vertical line of white dots on the left side of the slide.

November 11, 2020

Speakers



Rebekah Smith,
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*Director of Forensic &
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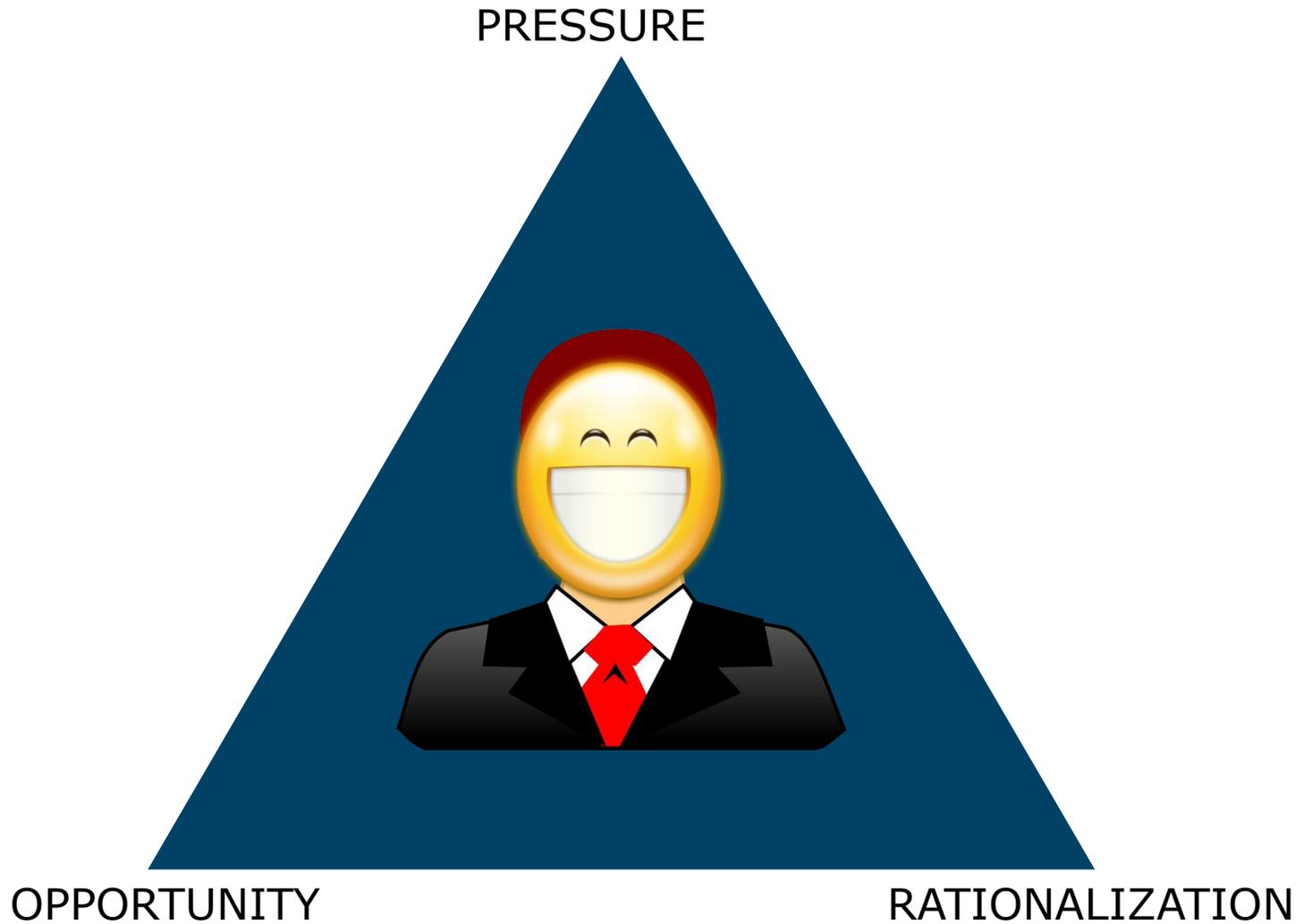
Mallory Ashbrook,
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Agenda

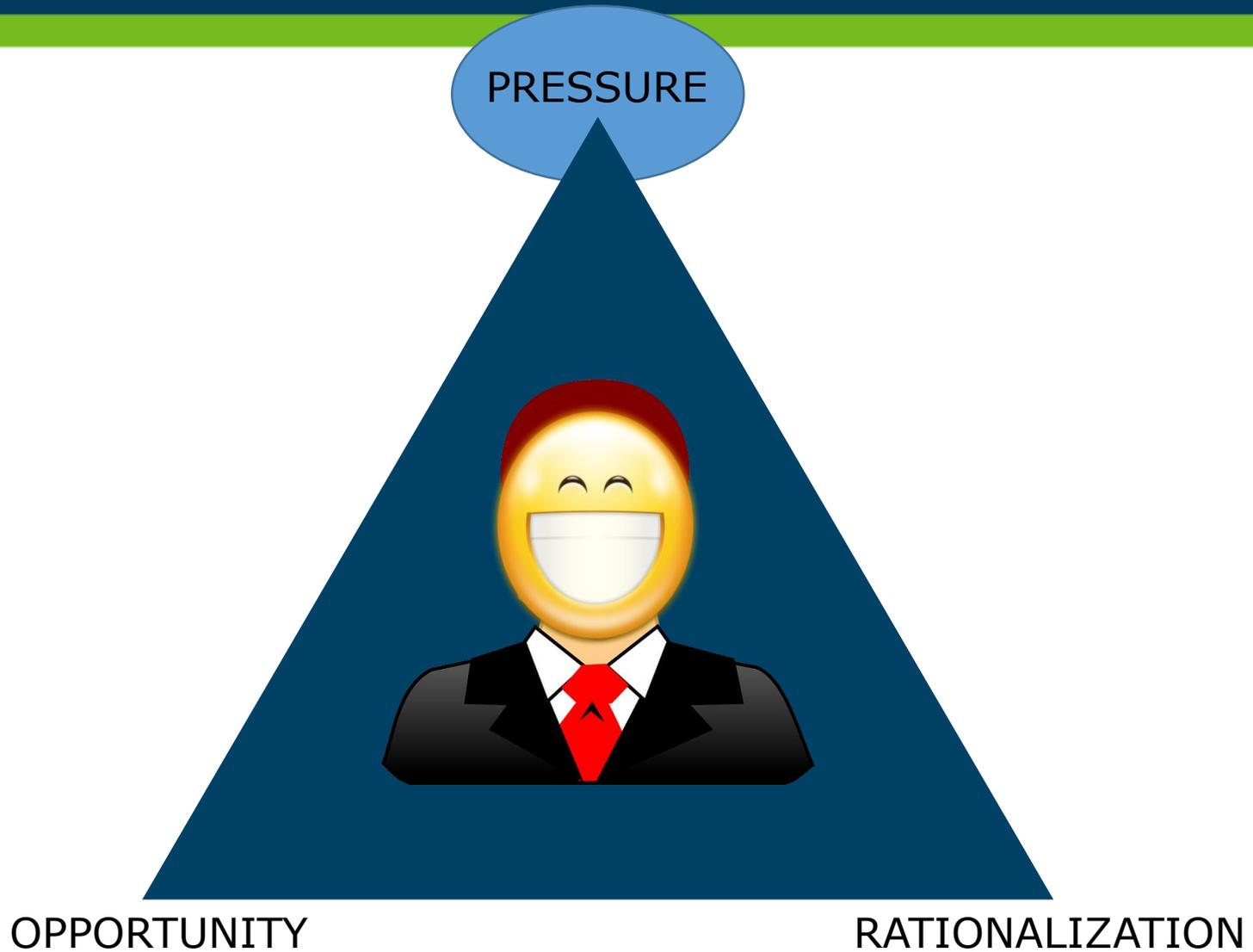
- Types of fraud risks that increase
- Preventative controls for early warning
- Mitigation techniques



Fraud Triangle



Fraud Triangle



Crisis Begets Crisis

- PwC's Global Crisis Survey 2019
- 1 in 5 companies have experienced a reputational crisis that cascaded into another crisis connected to fraud or ethical conduct or leadership transition
- Keep a focus on fraud risk management during crisis response to deal with this period of disruption

Pressure's to Be Aware Of

- Is your company in crisis and/or do the employees believe the company is in crisis?
 - Have there been layoffs?
 - Were salaries reduced?
- Family pressures
 - Did a family member lose their job?
 - Is a family member ill?

Fraud Triangle

PRESSURE



OPPORTUNITY

RATIONALIZATION



Is there Increased Opportunity

- Stay focused on internal controls and how they may need to be adjusted for the virtual world



Fraud Triangle

PRESSURE



OPPORTUNITY

RATION  ZATION

Rationalization

- Company will not survive anyways
- My family has an immediate need and I can pay it back once we are on the other side of this



What Can You Do?

Pressure

- Pay attention
- Deliberate effort to maintain connection with your employees and keep your ear to the ground

Rationalization

- Code of conduct
- Mindful of the “do it for the company attitude”
- Management’s tone

What Contributes to Increased Opportunities?



Skepticism

- Critical to fraud prevention
- External auditors exercise professional skepticism in conducting the audit
 - ✓ Gather/review evidence that calls into question the anticipated results
- Anti-Fraud Collaboration encourages honing skepticism skills for:
 - ✓ Audit committee members
 - ✓ Internal Auditors
 - ✓ Financial Team Members
- Management's job is to design, implement and assess internal controls
 - ✓ May need to re-examine if those controls work in a virtual environment

Management

- Reassess your company's risk profile in this new environment.
- Impact of working from home on the internal controls and fraud risk environment
- Take steps to make necessary changes or updates in the design and implementation of controls that respond to existing or new risks—and assess their effectiveness.
- Remind teams that skepticism
 - ✓ Key component of culture
 - ✓ All levels of management will question and challenge
 - ✓ Confirming corporate standards of ethics and accuracy have been met, particularly during these stressful times.

Boards and Audit Committees

- How is the company revising its risk management program to address changes and challenges for remote work including
- Management override of controls should be a focus
 - ✓ When Company is out of process, or needs something urgently as happens in a crisis or while virtual, management over ride is a common “solution”

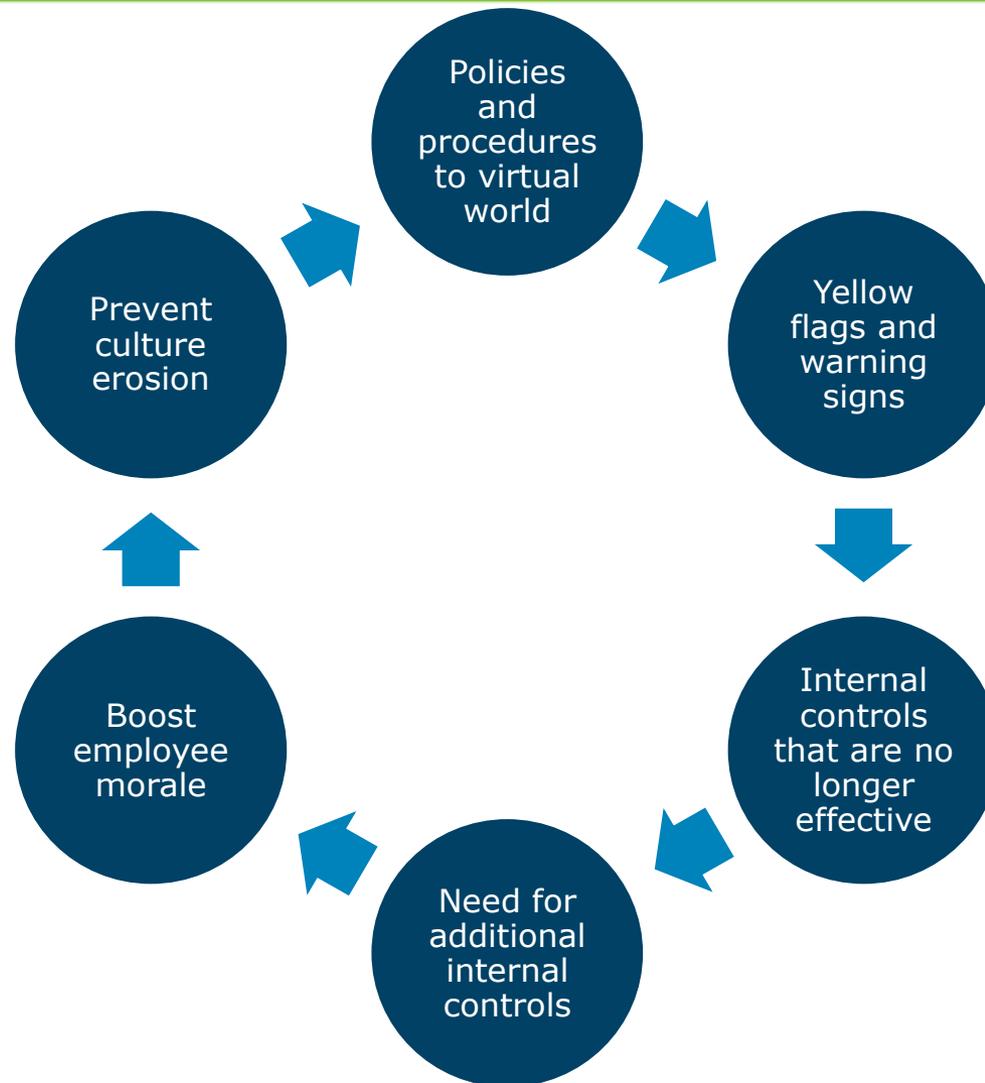
Internal Auditors

- Resource from The Institute of Internal Auditors
- <https://na.theiia.org/Pages/Updates.aspx>
 - Webinars, Benchmarking, Publications
- Review the engagement plan
- Make adjustments to support heightened risk of fraud

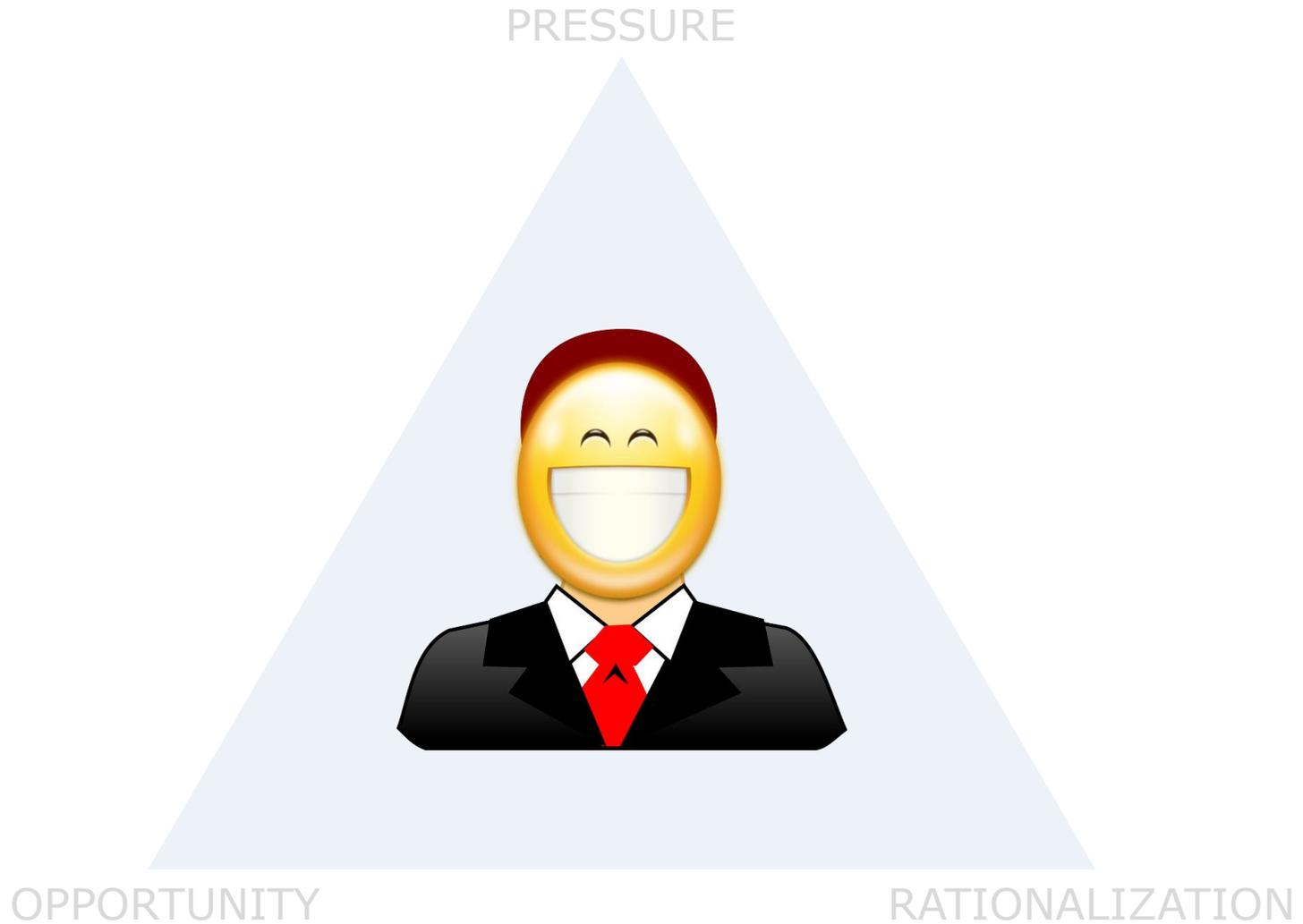
Corporate Culture

- Corporate culture plays a major role in determining fraud prevention
- Making the move to virtual in a crisis – need to assess:
 - ✓ What pressures does this create?
 - ✓ Are performance metrics and goals realistic?
 - ✓ What is our zero-tolerance policy?
 - ✓ Sensitive to early warnings signs regarding workplace conduct and compliance?

Fraud Prevention – Not an After Thought



Fraud Triangle





Utilizing Data Analytics & Forecasting in Financial Reporting

November 11, 2020

Speakers



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Agenda

01

Forecasting Overview

- Why?
- Budget vs. Forecast
- Implementing the process

02

Building your Forecast

- How?
- Stakeholders
- Resources Needed

03

Enhancing your Forecast

- Scenario building
- Sensitivity analysis
- Accuracy

04

Starting a BI Model

- Subject matter
- Data prep
- Data quality

05

Dashboard Modeling

- Tool selection
- Capturing data
- Modeling data
- Telling the story



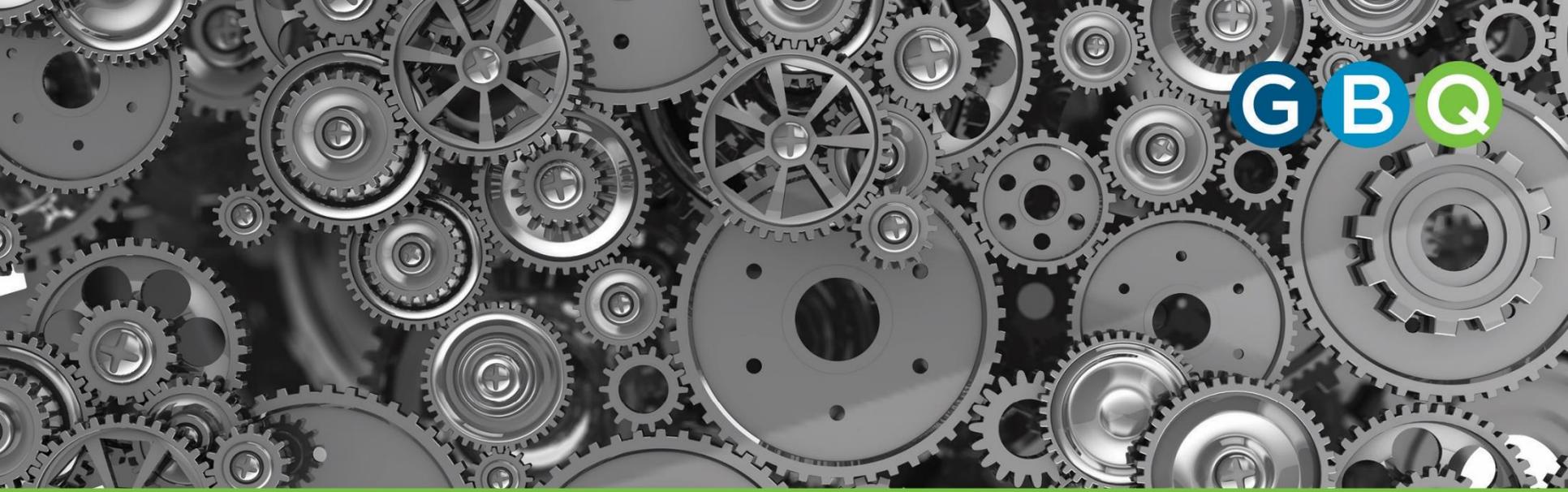
Forecasting Overview

Why Implement a Forecasting Process?

- Immediate Question, Need or Risk
 - Liquidity
 - Update of Present Estimate
- Regulatory / GAAP Requirement
 - Going Concern Assessment
 - Impairment Analysis
- Need for Enhanced Information
 - Operational Metrics
 - Measure the Success of New Initiatives

Budgeting vs. Forecasting

	Budget	Forecast
 Timing	Annual	<ul style="list-style-type: none">• As Needed• Weekly / Quarterly
 Projections	<ul style="list-style-type: none">• Financial• Static	<ul style="list-style-type: none">• Financial• Operational• Variable
 Results	Projected versus Actual Analysis	<ul style="list-style-type: none">• Determine Accuracy• Immediate Decision Making
 Strategy	Incorporates Business Objectives	Illustrates Current Situation and Environment



.....

Building Your Forecast

Developing a Financial Forecasting Process

01

Goals & Expectations

- Develop a listing of goals and required information needed
- What is the problem that is trying to be solved?
- Who are the users?

02

Identify Resources

- Data availability and reliability
- Develop roles and responsibilities (RACI)
- Preparation and facilitation

03

Timing Considerations

- Preparation frequency
- Forecast horizon
- Develop schedule

04

Users and Sponsors

- Executive buy in
- Think outside of finance and accounting

Design of Forecasting - Examples

Scenario Specific Forecasts

Examples:

- Capital Expenditures
- Liquidity
- Labor Costs
- Bottoms up approach

- *No right answer*

Top Down Approach

Examples:

- "Three Statement" financial model
- Projects AR / Inventory off of historical ratios
- Adjust as needed for investing and financing cash flows

- *Customize based on needs / goals*

Bottoms Up Approach

Examples:

- Start with source documents
- AR / AP ledgers – Project collections and disbursements
- Adjust as needed for investing and financing cash flows

- *Ensure process is efficient*



Enhancing Your Forecast

Identifying Business Drivers and Variables

Variable Examples

Revenue / Sales

Costs

Sales, General and Administration

Other Cash Inflows /Outflows

Economic

- Interest rates
- Tax rates
- Inflation
- Commodity pricing
- Systemic events (COVID)

- Sales and pricing changes
- Customer acquisition / retention
- Market expansion
- Customer concentration risk

- Supplier pricing changes
- Supply chain initiatives: bulk discounts, supplier consolidation and other discount opportunities
- Demand planning: Timing of material purchases

- Employee costs and efficiency
- Benefits
- Facility expenses

- Capital expenditures
- Debt service

Scenario Building

Implementing Scenarios into Forecast

Implement different scenarios that can be easily adjusted to deliver best and worst case scenarios

Can be tailored to address a specific risk or opportunity

Variable	Base	Best	Worst	Lockdown	Customer Acquisition
Revenue Growth	3%	5%	1%	-5%	4%
Gross Margin (Change)	0%	-2%	2%	3%	0%
AR as a % of Sales	40%	35%	45%	60%	40%
Wages as a % of COS	35%	33%	38%	45%	35%

The possibilities are endless – but avoid:



Sensitivity Analysis

Perform sensitivity analysis to contemplate the "what if" inherently built into a given scenario

Data Table Example for a Estimated Stock Price

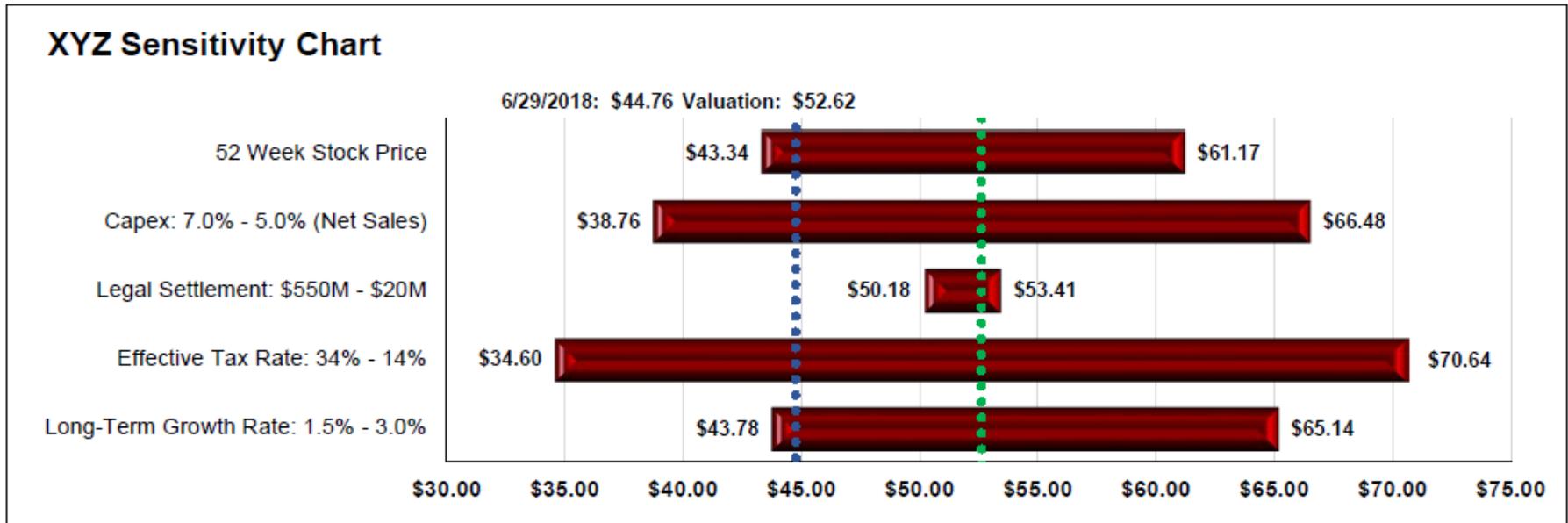
		Long-Term Growth Rate								
		1.50%	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%	3.50%
WACC	52.62									
	9.30%	31.77	33.12	34.57	36.12	37.79	39.58	41.52	43.61	45.89
	9.05%	34.47	35.95	37.54	39.24	41.07	43.05	45.19	47.51	50.05
	8.80%	37.36	38.98	40.72	42.59	44.61	46.80	49.18	51.77	54.60
	8.55%	40.46	42.23	44.15	46.21	48.45	50.88	53.53	56.42	59.61
	8.30%	43.78	45.74	47.85	50.14	52.62	55.33	58.29	61.54	65.14
	8.05%	47.36	49.52	51.86	54.40	57.16	60.19	63.52	67.19	71.27
	7.80%	51.23	53.62	56.22	59.05	62.14	65.54	69.30	73.47	78.12
	7.55%	55.43	58.08	60.97	64.14	67.61	71.45	75.72	80.47	85.82
	7.30%	59.98	62.94	66.18	69.73	73.66	78.01	82.88	88.34	94.53

- Shows ending value of a given metric based on the changes in two variables
- Can be used for anything: Ending cash balance, net income, return on invested capital, etc.
- Easily made in Microsoft Excel's Data Tab
- Other Examples:
 - Net Income given: 1) Sales growth rate; 2) Gross Margin
 - Ending Cash Balance given: 1) Sales growth rate; 2) AR as a percentage of overall sales
 - Ending Cash Balance given: 1) Sales growth rate; 2) Days Sales Outstanding

Sensitivity Analysis (continued)

Perform sensitivity analysis to contemplate the "what if" inherently built into a given scenario

Football Chart Example for a Estimated Stock Price



- Shows visual impact for independent changes in assumptions
- Can be used for anything: Ending cash balance, net income, return on invested capital, etc.

Measuring Forecast Accuracy

Measuring your forecasting accuracy is critical to ensuring that you are capturing and understanding your data correctly

- Obtain your actual information for the period forecasted
 - Ensure that all of your data and information is reliable
 - Determine an internal “materiality” of variance that is acceptable in your projections
- Adjust your future period’s forecast if needed based on information that you did not consider
- Understand reasoning for previous forecasts and repeat the process
- Continue to monitor changes



Starting a Business Intelligence Model

Getting Started

- Determine the ratios and KPIs that matter to you
- Financial results vs sales performance vs operations performance
- Leading vs lagging indicators
- Frequency of updates (daily/monthly/quarterly/yearly)
- Benchmarking sources



Financial Ratios and KPIs

- Gross profit %
- Contribution margin
- EBITDA
- Earnings per share
- Days in accounts receivable / AR turnover
- Days in inventory / Inventory turnover
- Working capital ratio
- Quick ratio
- Debt-equity ratio



Sales Performance

- Product or business line revenue
- Revenue from new/existing customers
- Customer acquisition cost
- Sales activity metrics
 - Calls, emails, meetings, proposals, referrals
- Sales pipeline metrics
 - Length of sales cycle
 - New/closed opportunities by month/team/individual
 - Value of pipeline
 - Win rate



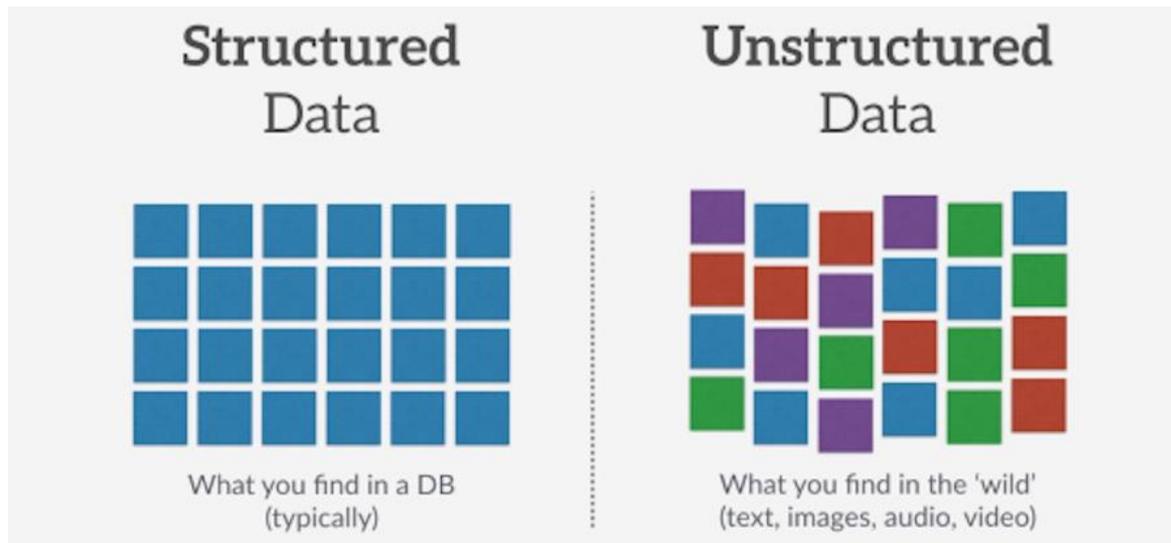
Structured vs Unstructured Data

Structured data

- Highly organized
- Often categorized as quantitative data
- Fits neatly into a database or spreadsheet
 - Examples: names, dates, addresses, account numbers

Unstructured data

- Cannot be processed/analyzed using conventional methods
- Often categorized as qualitative data
- Cannot be organized into a database or spreadsheet
 - Examples: video, audio, social media activity



Data Quality

- Understand how accessible and reliable your data is
 - Where is it stored?
 - Are there unique keys to link related data between sources?
 - Is there duplication or conflicts between data sources?
 - Are there common reliability or integrity issues with the data?

Typical data issues	Typical management challenges	Potential business implications
<ul style="list-style-type: none">• Poor data capture• Duplicate master data• Data inconsistencies• Obsolete data• Inaccurate source data• Inappropriate data capture	<ul style="list-style-type: none">• Inaccurate financial reporting• Inability to identify fraud• Inefficient business processes• Poor business insights• Sub-optimal business decisions	<ul style="list-style-type: none">• Loss of market share• Loss of customers• Litigation/regulatory fines• Financial instability• Financial restatements• Solvency issues• Incorrect tax determination

Preparing the Data for Analysis



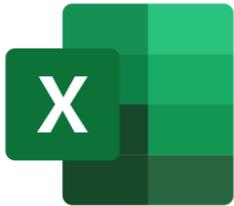
- Test files
- Quality Checks
 - Reconciliation
 - Counts
 - Control totals
- Cleaning up data



Dashboard Modeling

Analytics and Visualization Tools

- Most accept Excel and CSV formats.
- Utilize Excel-like formula structures
 - Power BI uses Power Query M and DAX (Data Analysis Expressions) languages
- Free and/or trial options are available – can be low cost for a DIYer



Power BI

alteryx



Looker

 **birst**
an Infor® company



+ a b | e a u[®]

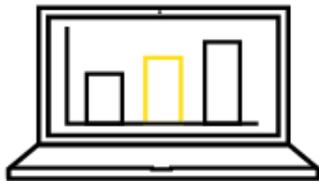
Microsoft Power BI

Hundreds of data sources



CONNECT

Power BI Desktop



PUBLISH

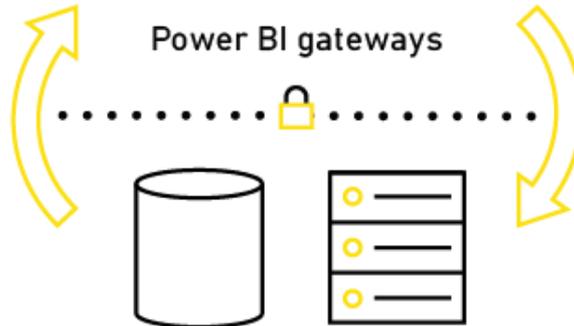
Power BI service



ACCESS



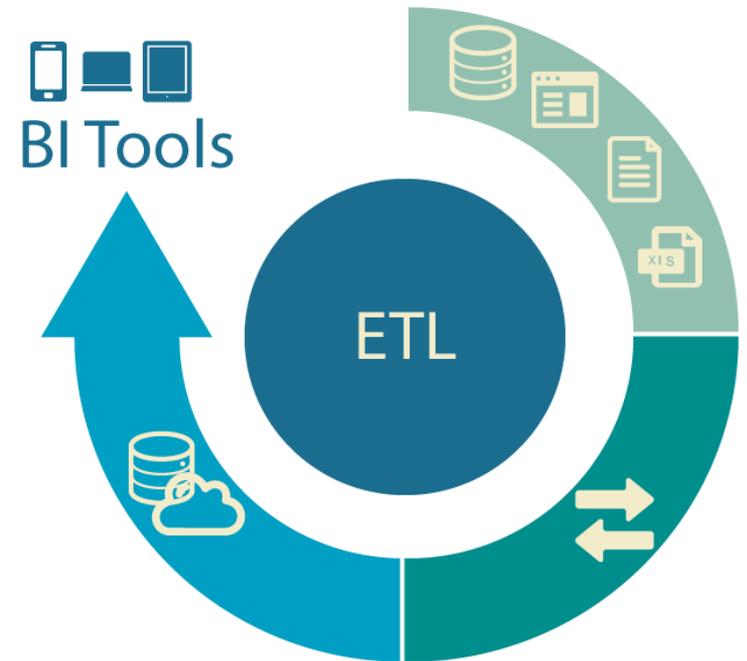
Power BI gateways



YOUR ORGANIZATION'S DATA

Capturing Your Data

- Capturing Data
 - General ledger systems
 - Excel, CSV, Text, PDF
 - Outside sources
- Joining data from different sources
 - Merging/Join data
 - Appending data



Modeling Your Data

- Fields that do not exist in your data
 - New Fields
 - New Calculations
 - Unique Data Keys
- Measures
 - Summarize and calculate within charts and reports
- Time intelligence
- Hierarchies

Custom Column

Add a column that is computed from the other columns.

New column name
Average Payments

Custom column formula ⓘ
= [Total Payments]/[Nbr of Payments]

Available columns
State
Nbr of Payments
Total Payments
<< Insert

[Learn about Power BI Desktop formulas](#)

✓ No syntax errors have been detected. OK Cancel

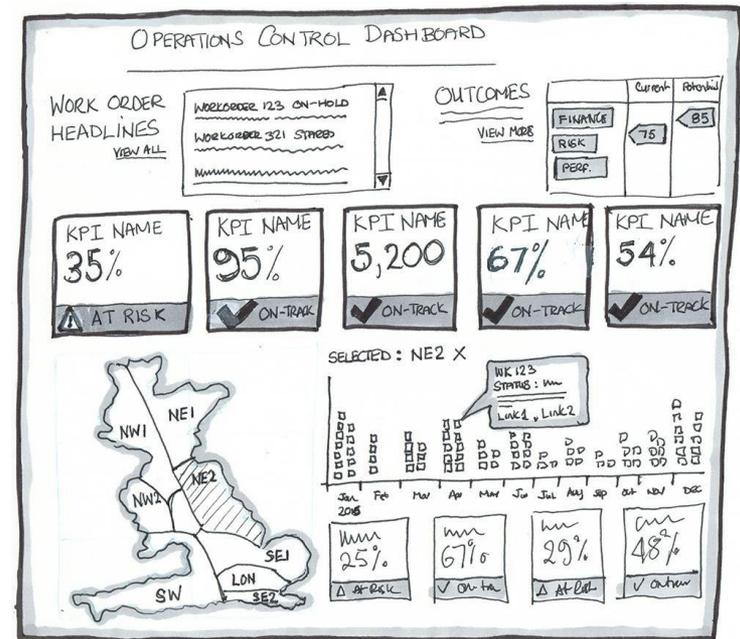
Net Sales = `SUM(Sales[SalesAmount]) - SUM(Sales[DiscountAmount]) - SUM(Sales[ReturnAmount])`

Building Your Reports/Dashboards

- Storyboarding the Report/Dashboard
 - Getting the right people involved, the audience
 - Determining meaningful data (metrics, time)
 - Storyboarding, Design (charts, colors, filters)
 - Frequency and Distribution

- Key Practices

- 5-Second Rule
- Logical Layout
- Less is More
- Choosing the Right Visualization



Creating Reports

Power BI My workspace > Lab 5 - Canada Lab 5 - Canada | Data updated 3/29/20

File View Reading view Mobile layout Ask a question Explore Text box Shapes Buttons Visual interactions Refresh Duplicate this page Save Pin a live page

Revenue and Units by Year and Segment

Segment: All Season, Convenience, Extreme, Moderation, Productivity, Regular, Select, Youth, Units

Year	Revenue (M)	Units (K)
1998	0.5	2.5
1999	0.7	3.5
2000	0.9	4.5
2001	1.0	5.0
2002	1.0	5.5
2003	1.0	5.8
2004	1.1	6.0
2005	1.1	6.2
2006	1.2	6.5
2007	1.1	6.0
2008	1.0	5.0
2009	0.8	4.0
2010	0.7	3.5
2011	0.7	3.8
2012	0.7	3.8
2013	0.7	3.8
2014	0.7	3.8
2015	0.7	3.8
2016	0.7	3.8

Filters

Filters on this visual: Revenue is (All), Segment is (All), Units is (All), Year is (All)

Filters on this page: Add data fields here

Filters on all pages: Add data fields here

Visualizations

Shared axis: Year

Column series: Segment

Column values: Revenue

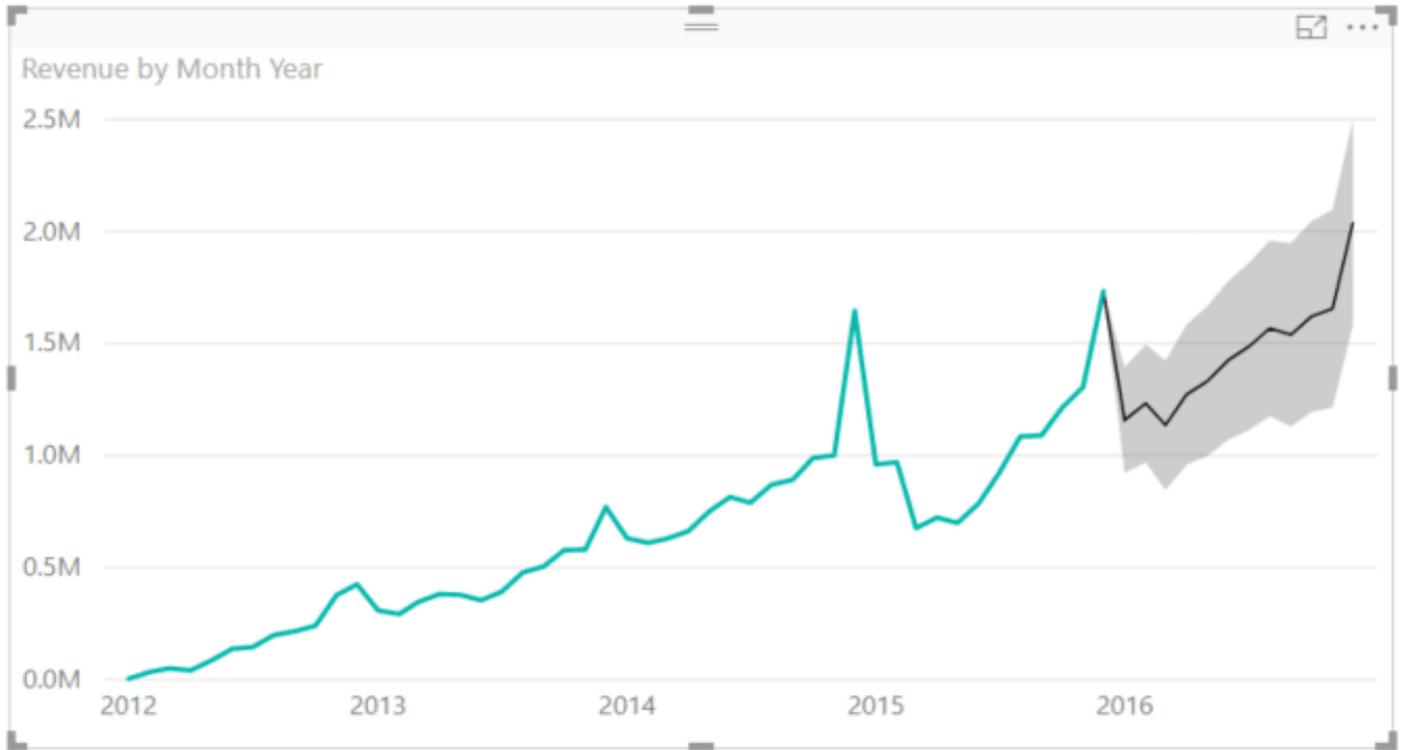
Line values: Units

Fields

CA Sales

- Category
- Country
- CountryZip
- Date
- Manufacturer
- Month
- Product
- ProductID
- Province
- Revenue
- Segment
- Units
- Year
- Zip

Forecasts



Visualizations

Fields

CA Sales

- Category
- Country
- Country/Zip
- Date
- Manufacturer
- Month
- Product
- ProductID
- Province
- Revenue
- Segment
- Units
- Year
- Zip

Forecast 1

Forecast length: 12 Month(s)

Ignore last: 0 Month(s)

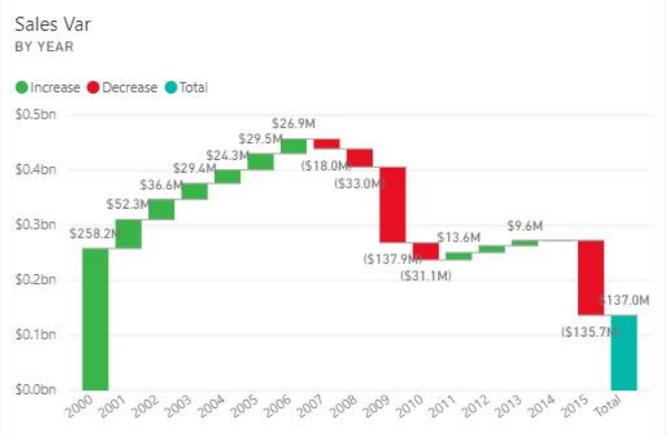
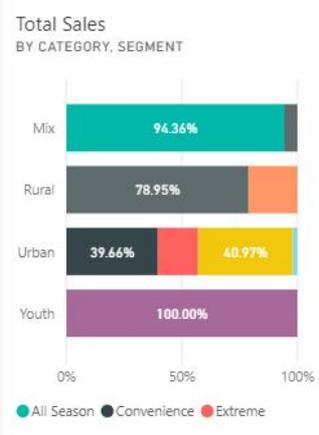
Confidence interval: 95%

Seasonality: 365 Point(s)

Apply

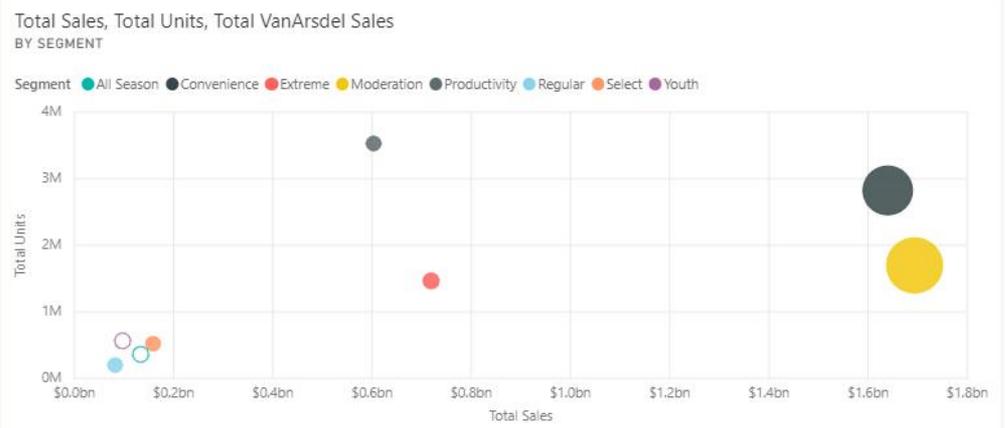
Dashboard

Ask a question about your data



YTD Sales
\$136.96M

YTD Total Units
240K



Distribution

- To Whom
 - Management, Group, Individual, Audience
- Purpose
 - Dashboard, Report, File
- Frequency
 - Hourly, Daily, Weekly, Monthly, Yearly
- Communications and Output
 - Excel, PDF, CSV
 - Analyze in Excel
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Subject

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12 00 PM (UTC-05:00) Eastern Time (US and

Start date 11/7/2020 End date M/d/yyyy

Also Include

Access to this dashboard

Link to dashboard in Power BI

Emails will be sent daily at 12:00 PM Eastern Standard Time starting 11/7/2020.

[Manage all subscriptions](#)

Save and close Cancel

Recap

01

Forecasting Overview

- Why?
- Budget vs. Forecast
- Implementing the process

02

Building your Forecast

- How?
- Stakeholders
- Resources Needed

03

Enhancing your Forecast

- Scenario building
- Sensitivity analysis
- Accuracy

04

Starting a BI Model

- Subject matter
- Data prep
- Data quality

05

Dashboard Modeling

- Tool selection
- Capturing data
- Modeling data
- Telling the story

THANK YOU!



- Contact any of our presenters if you have any questions on the topics discussed today.
- All registrants will receive a follow-up email tomorrow morning that will include the presentation recording, materials and CPE evaluation survey link.
- Please allow up to two weeks for CPE certificates to be issued due to the amount of attendees.