Alert
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Center for Plain English Accounting

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ASU 2021-01
FASB Clarifies Scope Of Recent Reference Rate Reform Guidance

On January 07, 2021, the FASB issued Accounting Standards Update (ASU) 2021-01, *Reference Rate Reform (Topic 848): Scope*. The amendments in ASU 2021-01 clarify that certain optional expedients and exceptions in FASB ASC 848, *Reference Rate Reform*, for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition.

Specifically, certain provisions in FASB ASC 848, if elected by an entity, apply to derivative instruments that use an interest rate for margining, discounting, or contract price alignment that is modified as a result of reference rate reform. Amendments in this ASU to the expedients and exceptions in FASB ASC 848 capture the incremental consequences of the scope clarification and tailor the existing guidance to derivative instruments affected by the discounting transition. ASU 2021-01 provides a table that summarizes the amendments to the Codification included in the ASU. The amendments in ASU 2021-01 apply to all entities that elect to apply the optional guidance in FASB ASC 848.

Effective Date and Transition

The amendments in ASU 2021-01 are effective immediately for all entities. An entity may elect to apply the amendments in ASU 2021-01 on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the issuance of a final ASU, up to the date that financial statements are available to be issued.

If an entity elects to apply any of the amendments in ASU 2021-01 for an eligible hedging relationship, any adjustments as a result of those elections must be reflected as of the date the entity applies the election.

The amendments in ASU 2021-01 do not apply to contract modifications made after December 31, 2022, new hedging relationships entered into after December 31, 2022, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that apply certain optional expedients in which the accounting effects are recorded through the end of the hedging relationship (including periods after December 31, 2022).

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