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ASU allows private companies to elect out of VIE guidance

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The Board issued ASU 2018-17, Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities, which allows private companies to elect not to apply the variable interest entity (VIE) guidance when assessing whether a legal entity should be consolidated if certain criteria are met:

- reporting entity and the legal entity are under common control
- reporting entity and the legal entity are not under common control of a public business entity
- legal entity is not a public business entity
- reporting entity does not directly or indirectly own a majority of the legal entity's voting interest

These amendments are effective for a private company for fiscal years beginning after Dec. 15, 2020, and interim periods within fiscal years beginning after Dec. 15, 2021. For entities other than private companies these amendments are effective for fiscal years and interim periods within those fiscal years beginning after Dec. 15, 2019.



The guidance in ASU 2018-17 also amends the guidance on how all reporting entities evaluate indirect interests held through related parties in common control arrangements when determining whether those indirect interests are variable interests.

Source:

Grant Thornton, On the Horizon November 8, 2018.

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