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## Accounting Standards

Just 33.7% of public company executives say their organizations have begun to implement the Financial Accounting Standards Board's (FASB) cloud computing accounting standard.

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More than half of public company executives say their organizations are in the cloud now (53.9%) and an additional 25.5% say their organizations will move into it in the year ahead, according to a January 2020 Deloitte poll. Yet, just 33.7% of public company executives say their organizations have begun to implement the Financial Accounting Standards Board's (FASB) [cloud computing accounting standard](#) — mandatory for cloud-using U.S. public company financial reporting for fiscal years started on or after Dec. 15, 2019 based on current guidance.

“Before the FASB cloud accounting standard took effect, cloud service arrangement

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**Sean Torr, Deloitte Risk & Financial Advisory** managing director, Deloitte & Touche LLP added, “Because cloud computing decisions can sometimes be made fractionally across an organization, the new accounting standard is a good reason for IT and finance teams to meet and work more closely to get organized and take advantage of what the standard offers. Approaching cloud economics or cloud cost optimization without financial and IT leaders at the table may not only result in a sub-optimized economic view of a cloud deployment, but may also complicate an organization’s compliance efforts.”

More than half of public company executives (54.6%) say complying with new accounting standards was only somewhat efficient in the last 12 months, costing more time and money than initially budgeted. Another 9.3% of respondents report they had to spend significantly more resources to implement these standards, calling their efforts inefficient.

“As with any new accounting standard, early planning and teaming with all relevant business stakeholders are important factors in making implementation as efficient as possible,” continued Torr. “This is certainly a concern for public companies that are operating in the cloud and have not yet started implementation of FASB’s new cloud computing accounting standards. Moreover it’s also a concern for private entities as they work to implement this and other upcoming accounting standards in the next year or two.”

### **Private organizations have more time to implement, but farther to go**

For private organizations, the standard is currently set to take effect for cloud-using organizations during fiscal years starting on or after Dec. 15, 2020. As such, it may not be surprising that only 13.5% of privately held organization executives report that they’ve started FASB cloud computing accounting implementation work. Poll

results show cloud use by private entities is similar to that of publics with private

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Questions finance, accounting, IT and other leaders can ask to help discern how prepared their organizations are to comply with the FASB cloud computing accounting standard include:

- **On financial performance impacts**—What are the organization's key financial performance metrics and how will cloud implementation efforts impact them? Are there cloud implementation choices that can impact metrics differently? Does the organization have hybrid solutions that include both cloud services and on premise licenses?
- **On cross-functional internal management**—Do leaders across finance, accounting and IT have a firm understanding of the FASB cloud computing standard and how it can be most efficiently implemented? How will employees making cloud purchasing decisions be trained on the accounting requirements?
- **On cloud vendors and solutions**—Are the organization's cloud vendors providing sufficient information to determine how to account for cloud costs? Are cloud service provider vendors offering service options that have differing accounting implications?
- **On internal controls and policies**—Does the organization have existing accounting processes and controls in place to evaluate and properly record cloud implementation activities?

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