

## NEW RISK ALERT: (APH)

# Amphenol Reduces Retained Earnings by \$3.8 Million Due to New Accounting Standard

Latest 10-K reveals impact of adopting ASU 2016-13 on receivables and retained earnings.

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*This alert compares the language used in the company's latest filing with the period before. [Research](#) suggests changes in language, particularly in the risk factor section, is a powerful indicator of future performance. Companies that change filing language, according to research, underperform those that don't by 30-50 basis points per month for the following year.*

## New Accounting Standard Results in Receivables Reserve

Amphenol Corporation, a manufacturer of electrical, electronic, and fiber optic connectors, adopted ASU 2016-13 as of January 1, 2020, which requires companies to measure expected credit losses rather than incurred losses for certain financial instruments.

In its 2020 [10-K](#), Amphenol disclosed that the new standard:

*"...resulted in the Company recording a cumulative adjustment that reduced beginning retained earnings by \$3.8 (million), arising from the estimated credit losses associated with the Company's accounts receivable balance as of the date of adoption. The adoption of ASU 2016-13 did not have a material impact on the Company's financial position and its consolidated financial statements."*

This filing is the first investors will be able to use to compare future reserves as Amphenol says prior periods, at least in this annual, will remain in accordance with accounting standards prior to the new standard.