



FEI Annual Accounting and Tax Update

—
February 13, 2024



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**Highlights – 2023 AICPA &
CIMA Conference on
Current SEC and PCAOB
Developments**

Top takeaways

We are grounded in a calling to serve in the **public interest** and a commitment to **lifelong learning**. And it is our collective responsibility to promote the **value of the profession** to professionals entering the workforce.

Risk assessment drives good reporting

In today's complex and evolving environment, diligent risk assessment enables both companies and auditors to understand how risks and uncertainties impact the financial reporting process. It powers complete, transparent and understandable disclosures.

GenAI is here and it's pervasive

GenAI promises amazing improvements in financial reporting speed, quality and insights. But it comes with new demands on corporate governance, internal control and auditing techniques to ensure it is used responsibly.

Concerns about the cash flow statement

The SEC delivered the message that not all registrants have the same rigorous processes and controls around preparation of the cash flow statement as other statements – and reinforced that classification errors in the statement should be evaluated with the same thoroughness as other errors.

New segment reporting ASU raises questions

Weighing in on the FASB's new segment reporting standard, SEC staff cautioned that additional measures of profit or loss disclosed in the financial statements may be non-GAAP measures to which SEC regulations apply.

Audit Committees play a crucial role

There are many challenges at the global, national and local levels that put companies' financial reporting, compliance, risk and internal control environments to the test.

These challenges include global economic uncertainty, regional conflicts with far-reaching effects, new major regulatory mandates, and the emergence of GenAI.

The best way for audit committees to tackle these challenges is to ask lots of questions.



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FASB update and other headlines

Economic uncertainty



Understanding economic disruption



Impact of economic disruption on financial reporting



Proactive financial reporting practices



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New FASB accounting standards

ASU 2023-06

Codification amendments – SEC disclosure update/simplification initiative

- Incorporates into the FASB Codification several disclosure and presentation requirements in SEC Regulations S-X and S-K that overlap with US GAAP
- New disclosures for private and not-for-profit entities



NOT effective until the SEC removes the corresponding content from Reg S-X or Reg S-K.

ASU 2023-07

Segment reporting

- Enhances segment reporting by expanding the breadth and frequency of segment disclosures required for public entities
- Allows registrants to disclose multiple measures of segment profit or loss
- Clarifies single reportable segment entities must apply Topic 820 (segment reporting) in its entirety



Effective for public entities only in annual periods beginning in 2024, and interim periods beginning in 2025.



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New FASB accounting standards

ASU 2023-08

Accounting for/disclosure of crypto assets

- New Subtopic 350-60
- Requires entities to measure in-scope crypto assets at fair value – fair value changes recorded in current period earnings
- New presentation and disclosure requirements for those assets



Effective for all entities in 2025

ASU 2023-09

Improvements – Income tax disclosure

- Intends to enhance income tax disclosure to address investor requests for more information about the tax risks and opportunities present in an entity's worldwide operations
- Two primary enhancements will require further disaggregation for existing disclosures for the effective tax rate reconciliation and income taxes paid



Effective for public business entities in 2025, and all other entities in 2026 (annual periods only)



ASUs effective in 2023 (public entities)

- **ASU 2022-04, Supplier finance programs***, requires a company (the buyer of goods or services) to disclose information about supplier finance programs. A supplier finance program is a type of supply chain financing in which a buyer enters into an arrangement with a finance provider or an intermediary to settle its obligations with suppliers.
- **ASU 2022-02, Troubled debt restructuring and vintage disclosures***, eliminates troubled debt restructuring recognition and measurement guidance for creditors and require new disclosures. The ASU also requires public business entities to disclose current-period gross writeoffs by year of origination (i.e. the vintage year) for the related financing receivables and net investments in leases.
- **ASU 2022-01, Fair value hedging – Portfolio layer method**, establishes the portfolio-layer method, which expands an entity's ability to achieve fair value hedge accounting for hedges of financial assets in a closed portfolio.

* Also effective for private entities in 2023.



ASUs effective in 2023 (public entities)

- **ASU 2021-08, Accounting for contract assets and contract liabilities from contracts with customers**, requires an acquirer in a business combination to recognize and measure contract assets and contract liabilities (deferred revenue) from acquired revenue contracts using the recognition and measurement guidance in Topic 606 (revenue recognition). Under the ‘Topic 606 approach’, the acquirer applies the revenue model as if it had originated the contracts. This is a departure from the current requirement to measure contract assets and contract liabilities at fair value.
- **ASU 2018-12, Long-duration insurance contracts**, changes how companies recognize, measure, present and disclose long-duration contracts issued by an insurance entity, and intends to improve, simplify and enhance the financial reporting requirements for long-duration contracts. ASU 2018-12 is effective in 2023 only for SEC filers that are not eligible to be an SRC.

Topic 326 (credit losses) and **ASU 2017-04** (goodwill impairment simplifications) also became effective in 2023 for all companies that are not SEC filers, including smaller reporting companies.



FASB Agenda and Recent Proposals



FASB Technical Agenda

Technical Agenda Overview

Revised December 7, 2023

RECOGNITION & MEASUREMENT PROJECTS	Next Milestone	Expected Date
Accounting for and Disclosure of Crypto Assets	Final ASU	4Q 2023
Accounting for and Disclosure of Software Costs	Board deliberations	Ongoing
Accounting for Environmental Credit Programs	Board deliberations	Ongoing
Accounting for Government Grants	Board deliberations	Ongoing
Codification Improvements (next phase)	Board deliberations	Ongoing
Codification Improvements—Amendments to Remove References to the Concepts Statements	Final ASU	1Q 2024
Financial Instruments—Credit Losses (Topic 326)—Purchased Financial Assets	Final ASU	1Q 2024
Induced Conversions of Convertible Debt Instruments (EITF Issue No. 23-A)	Exposure Draft	4Q 2023
Scope Application of Profits Interest Awards: Compensation—Stock Compensation (Topic 718)	Final ASU	1Q 2024
Topic 815—Derivatives Scope Refinements	Board deliberations	Ongoing
Topic 815—Hedge Accounting Improvements	Board deliberations	Ongoing

PRESENTATION & DISCLOSURE PROJECTS	Next Milestone	Expected Date
Disaggregation—Income Statement Expenses	Roundtable	12/13/2023
Improvements to Income Tax Disclosures	Final ASU	4Q 2023
Interim Reporting—Narrow-Scope Improvements	Exposure Draft	2Q 2024
Statement of Cash Flows Targeted Improvements	Board deliberations	Ongoing

FRAMEWORK PROJECTS	Next Milestone	Expected Date
Conceptual Framework: Measurement	Exposure Draft	4Q 2023



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FASB Technical Agenda

RESEARCH PROJECTS
Accounting for and Disclosure of Intangibles
Accounting for Commodities
Consolidation for Business Entities
Financial Key Performance Indicators for Business Entities
Statement of Cash Flows

POST-IMPLEMENTATION PROJECTS
Credit Losses
Leases
Revenue Recognition



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Disaggregated Income Statement Expenses Proposal

Disaggregation – Income statement expenses

FASB project background and boundaries

Objective

- **Improve the decision usefulness** of business entities' income statements through the disaggregation of any relevant expense line items.

History

- Added to FASB's technical agenda in 2017.
- Renamed and scope revised in 2022.

Scope

- **Public business entities.**
- **Annual and interim** financial statements.

Project status

- Exposure draft released July 31, 2023.
- **Comments due on October 30, 2023.**

What the project does NOT do

- Change the structure of the income statement.
- Introduce new sub-totals.
- Define functions.
- Change or remove existing disclosure requirements.
- Provide a full disaggregation of all income statement line items.

Summary of the proposed ASU

Proposed quantitative disclosures

Disaggregate every relevant expense caption

Further disaggregate inventory and manufacturing expense, if applicable

State the total amount of selling expenses

Proposed qualitative disclosures

Describe the nature of amounts not separately disaggregated in:

- each relevant expense caption
 - inventory and manufacturing expense
-

Provide the entity's definition of (annual only):

- other manufacturing expenses
- selling expenses



Questions & Answers





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