



FASB Accounting Update

with Renee Rampulla

PRESENTED BY RENEE RAMPULLA, CPA CGMA
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1

1

Renee Rampulla, CPA CGMA



Renee is the managing member and founder of Rampulla Advisory Services, LLC. She has over 30 years of experience in accounting, auditing, and professional ethics. She is the author of several accounting and auditing publications and continuing professional education courses for the AICPA, various State Societies and numerous other organizations. She is a frequently requested and nationally recognized speaker and a five-time recipient of the AICPA's *Outstanding Instructor Award*, recipient of the 2016 New Jersey Society of CPAs *"Women of Note"* and in November 2023 received the *"Samuel A. Dyckman, Excellence in Education Award"* from the National Conference of CPA Practitioners. Renee has taught over 1,100 CPE courses.

Renee is a national standard setter serving on the AICPA's Auditing Standards Board and a past member of AICPA Council. She has served in many NYSSCPA and NJCPA leadership roles.

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2

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Notification Speaker is Camara Shy

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Learning Objectives

Upon completion of this course, you will be able to:

- Recognize recently issued accounting standards updates from the FASB.
- Identify topics on the FASB's technical agenda.

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5

5

Accounting Standards Updates Background

- The FASB Codification (FAS ASC) is the single authoritative source of nongovernmental accounting (US GAAP).
<https://fasb.org/>
- Accounting Standards Updates (ASUs) are issued by the Financial Accounting Standards Board (FASB) and are the only tool the FASB uses to amend the FAS ASC.
- ASUs themselves are not authoritative.

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6

6

Important FASB Links

Here is a link to all the ASUs issued by the FASB:

[Accounting Standards Updates Issued \(fasb.org\)](https://www.fasb.org/standards/updates)

Here is a link to the current projects on the FASB's agenda:

[Current Projects \(fasb.org\)](https://www.fasb.org/standards/projects)

Here is a link to the FASB Codification:

[FASB Accounting Standards Codification®](https://www.fasb.org/codification)

Guidance Effective in 2024 and Later

Leases

Topic 842

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9

9

ASU NO. 2023-01

ASU No. 2023-01, Leases (Topic 842) Common
Control Arrangements

Issued: March 2023

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10

10

ASU OBJECTIVE

- This ASU was issued in response to concerns in the application of FAS ASC Topic 842 to related party arrangements between entities under common control.
- The ASU specifically addresses 2 Issues.

11

EFFECTIVE DATES ISSUES 1 & 2

- For entities within the scope of Issues 1 or 2, this ASU is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years.
- Early adoption, both interim and annual, is permitted for financial statements that have not yet been made available for issuance.
- Interim early adoption is made as of the beginning of the fiscal year.

12

SCOPE – ISSUE 1

Terms and Conditions to Be Considered

Practical Expedient available to entities providing they are not any of the following:

- Public business entities
- Not-for-profit conduit bond obligors
- Employee benefit plans that file or furnish financial statements with or to the U.S. Securities and Exchange Commission.

OVERVIEW – ISSUE 1

Terms and Conditions to Be Considered

This practical expedient is available for private companies and not-for-profit entities (that are not conduit bond obligors). If elected, entities within the scope may use the written terms and conditions of a common control arrangement to determine:

- If a lease exist, and
- The classification of that lease.

OVERVIEW – ISSUE 1

Terms and Conditions to Be Considered (continued)

- The application of this practical expedient is applied on an arrangement-by-arrangement basis. If elected, an entity would not have to determine whether the written terms and conditions are legally enforceable.
- Keep in mind, if terms and conditions are not written an entity would be required to apply Topic 842 based on the legally enforceable terms in the common control arrangement (note some jurisdictions may not recognize oral contract as having legally enforceable provisions).
- Electing and applying the practical expedient is prohibited for arrangements with no written terms and conditions (this would include circumstances when an entity did not document the existing unwritten terms and conditions in writing upon transition to the practical expedient).

TRANSITION ISSUE 1

Terms and Conditions to Be Considered

- Entities within the scope that have elected to adopt the practical expedient are required to follow the same transition requirements applied in their adoption of FAS ASC Topic 842.
- All other entities are required to apply the practical expedient in this ASU either:
- For arrangements that commence or are modified on or after the date that the entity first applied the practical expedient will apply the guidance in Issue 1 prospectively.

TRANSITION ISSUE 1

Terms and Conditions to Be Considered (Continued)

- For arrangements that existed at the date of the adoption of the practical expedient will apply the guidance in Issue 1 retrospectively to the beginning of the period in which the entity first applied FAS ASC Topic 842.

Keep in mind that the practical expedient does not apply to common control arrangements that are no longer in place as of the date the entity adopted the practical expedient.

Regardless of transition type, it is permissible to document any existing unwritten terms and conditions of a common control arrangement before the date on which the entity's first interim (if applicable) or annual financial statements are available to be issued.

SCOPE – ISSUE 2

Accounting for Leasehold Improvements

Applicable to all lessees (public business entities, private companies, not-for-profit entities, and employee benefit plans) that have a lease, which includes leasehold improvements, under common control between entities.

OVERVIEW ISSUE 2

Accounting for Leasehold Improvements

The ASU requires that leasehold improvements associated with common control leases (from the perspective of the lessee) be:

- Amortized over the useful life of the leasehold improvements to the common control group (regardless of the lease term) if the lessee controls the use of the underlying asset (the leased asset) through a lease.
- Keep in mind that if the lessor obtained the right to control the use of the underlying asset through a lease with another entity not within the same common control group, the amortization period could not exceed the amortization period of the common control group.

OVERVIEW ISSUE 2

Accounting for Leasehold Improvements (continued)

- If the lessee no longer controls the use of the leasehold improvement, they will need to be accounted for as a transfer between entities under common control with an adjustment to equity (or net assets for not-for-profit entities).
- Leasehold improvements are subject to the impairment guidance in FAS ASC Topic 360, Property, Plant, and Equipment.

TRANSITION ISSUE 2

Accounting for Leasehold Improvements

Entities within the scope of Issue 2 that concurrently adopt FAS ASC Topic 842 may use the same transition requirements or may use one of the following prospective approaches (these approaches would avoid retrospectively accounting for leasehold improvements):

- Apply Issue 2 prospectively to all new leasehold improvements recognized on or after the effective date of this ASU.

TRANSITION ISSUE 2

Accounting for Leasehold Improvements (Continued)

- Apply Issue 2 prospectively to all new and existing leasehold improvements recognized on or after the date that the entity first applies the guidance in this ASU. Any remaining unamortized leasehold improvement balance would be amortized over their remaining useful life at that date to the common control group.
- Apply Issue 2 retrospectively to the beginning of the period in which the entity first adopted FAS ASC Topic 842, for any leasehold improvements that otherwise would not have been amortized or impaired and recognized a cumulative-effect adjustment to opening balance of retained earnings (or net assets of a not-for-profit entity) at the beginning of the earliest period presented in accordance with FAS ASC Topic 842.

Related Party Lease Disclosures

Keep in mind that lessors and lessees are still required to apply the disclosure requirements in FAS ASC 850, *Related Party Disclosures*.

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23

23

ASU NO. 2022-03

ASU No. 2022-03, Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions

Issued: June 2023

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24

24

SCOPE

Applicable to all entities that have investments in equity securities that are subject to a contractual sale restriction and measured at fair value.

25

OVERVIEW

- This ASU was issued to reduce the diversity in practice arising from the fair value measurement of an equity security subject to contractual restrictions that prohibit its sale. This diversity may have originated from examples in Topic 820 addressing the measurement of these types of equity securities, thereby causing some stakeholders to discount the value of these equity securities.
- The ASU clarifies that an entity is NOT permitted to consider a contractual sale restriction when determining the fair value of an equity security. That is because the contractual restriction is not considered a part of the unit of account of the equity security.
- The ASU includes new disclosures requirements for equity securities measured at fair value subject to contractual sale restrictions and updated the related illustrative example in the FAS ASC.

26

DISCLOSURES

The following new disclosures are required:

- The fair value of the equity securities subject to contractual sale restrictions reflected in the balance sheet.
- The nature and remaining duration of the equity securities subject to contractual sale restriction(s).
- The circumstances that could cause a lapse in the contractual sale restriction(s) of the equity securities.

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27

27

EFFECTIVE DATES

- For public business entities, effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years.
- For all other entities, effective for fiscal years beginning after December 15, 2024, and interim periods within those fiscal years.
- Early adoption for both interim and annual financial statements is permitted providing the financial statements have not yet been issued or made available for issuance.

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28

28

TRANSITION

- Applied prospectively with any adoption adjustment recognized in earnings and disclosed in the notes to the financial statements on the date of adoption.
- Transition is different for investment companies within the scope of FAS Topic 946, Financial Services—Investment Companies. These investment companies would continue to apply historical accounting to these contractually restricted equity investments until the restriction expires.

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29

29

ASU No. 2022-01

ASU No. No. 2022-01, Derivatives and Hedging (Topic 815): Fair Value Hedging—Portfolio Layer Method

Issued: March 2022

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30

30

SCOPE

Applicable to all entities that elect to apply the portfolio layer method of hedge accounting in accordance with FAS Topic 815.

31

OVERVIEW

This ASU was issued to address questions relating to the issuance of ASU No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*.

In response to those questions, the FASB:

- Renamed the last-of-layer method to the portfolio layer method and expanded the current last-of-layer method to permit multiple hedged layers of a single closed portfolio.
- Expanded the scope to include non-prepayable financial assets in the application of the portfolio layer method.

32

OVERVIEW

- Specified the types eligible hedging instruments
- Addressed the accounting for and disclosure of designated hedge basis adjustments applicable to the portfolio layer method (a single hedged layer or multiple hedged layers) by providing additional guidance.
- The ASU allows financial instruments entered into for hedging purposes to off-set gains and losses on those hedges against the gains and losses of the hedged assets. Before the amendments in this ASU, some financial instruments that were intended to be hedges had to recognize unrealized gains and losses through earnings as they occurred, instead of offsetting them against the hedged asset.
- Provided specific guidance addressing how an entity should consider hedge basis adjustments when determining credit losses for the assets included in a closed portfolio.

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33

33

EFFECTIVE DATES

- Effective for public business entities for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years.
- Effective for all other entities for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years.
- Early adoption permitted for any entity that has already adopted ASU No. 2017-12 in the corresponding period (including interim with basis adjustments reflected in the beginning fiscal year of adoption.)

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34

34

TRANSITION

An entity may:

- On a prospective basis designate multiple hedged layers of a single closed portfolio.
- Reclassify debt securities classified in the held-to-maturity category upon adoption to the available-for-sale category providing the portfolio layer method hedging is applied to one or more closed portfolios that include those debt securities. This reclassification must be made within 30 days after adoption and included in one or more closed portfolio a designated portfolio layer method hedge within the 30-day period.

ASU 2023-08

ASU No. 2023-08, Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets

Issued: December 2023

ASU 2023-08

Scope

The ASU is applicable to all entities holding crypto assets that meet specific criteria as described in Topic 350. To meet the specific criteria:

- The crypto asset holder would NOT have enforceable rights to, or claims on, other assets, underlying goods, or services.
- Would reside or are created on a distributed ledger based on blockchain technology (or technology like blockchain technology).
- Is secured through cryptography and are fungible.
- Cannot be issued or created by a reporting entity or their related parties.

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37

37

ASU 2023-08

Measurement:

- The ASU does not provide guidance for the initial measurement of how to recognize acquisition costs such as transaction fees and commissions.
- Subsequent measurement of these crypto assets will be made at fair value in accordance with Topic 820, with changes recognized in net income each reporting period.

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38

38

ASU 2023-08

Presentation

- Holdings in crypto assets that meet the definition of intangible assets will be presented separately from other intangible assets that use different subsequent measurements (i.e., impairment vs. fair value).
- The FASB did not provide guidance regarding the classification of crypto assets in a classified balance sheet.
- The FASB did not provide guidance regarding the presentation of gains and losses from crypto assets, other than the requirement to separate crypto asset gains and losses from the effects of other intangible assets that are amortized and/or impaired.
- The ASU does provide specific presentation of cash receipts from crypto assets in the statement of cash flows.

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39

39

ASU 2023-08

For each significant crypto asset holding the following annual and interim disclosures are required (including those entities subject to industry specific guidance):

- The name, cost basis, fair value, and number of units, and
- The aggregate fair values and cost basis of those crypto asset holdings that are not deemed individually significant.
- For contractual sale restriction of crypto assets, their fair value, the nature of the restriction, restriction duration, and the circumstances that could cause the restriction(s) to lapse.

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40

40

ASU 2023-08

Annual Disclosure Requirements (not required for interim reporting):

- An aggregated roll forward of the crypto asset holdings activity in the reporting period. This would include additions, dispositions, gains, and losses.
- If there are disposition in the reporting period, disclosure of the difference between the cost basis and the disposal price along with a description of the activities that caused the disposition is required.
- For reporting entities that do not separately present gains and losses separately in the income statement (or statement of activity), a disclosure of the line item containing those recognized gains and losses from the crypto asset holdings.
- Disclosure of method used in determining the cost basis of the crypto asset.

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41

41

ASU 2023-08

Effective Date

- Effective all entities for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years.
- Interim and annual early adoption is permitted, providing the financial statements have not yet been issued, or made available for issuance.
- Interim adoption must be as of the beginning of the fiscal year, including that interim period.

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42

42

ASU 2023-08

Transition

In the period of adoption, a cumulative-effect adjustment will be made to the opening balance of retained earnings (or other appropriate equity component or net assets).

ASU No. 2021-08



ASU No. 2021-08, Accounting for Contract Assets and Contract Liabilities from Contracts with Customers.



Issued: October 2021

Scope

- Applicable to all entities that enter into a business combination within the scope of Subtopic 805-10, *Business Combinations* when they acquire contract assets and/or contract liabilities accounted for in accordance with FAS ASC Topic 606, Revenue From Contracts with Customers.
- The provisions in this ASU also apply to contracts that are not within the scope of FAS ASC 606, such as a contract liability from the sale of a nonfinancial asset within the scope of FAS ASC 610-20.

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45

45



Overview

This ASU was issued to address the diversity in practice regarding the recognition and measurement of contract assets/liabilities acquired in a business combinations.

The guidance in this ASU requires that the acquirer apply the guidance in FAS ASC 606, Revenue from Contracts with Customers, instead of fair value when recognizing and measuring contract assets and contract liabilities (i.e., deferred income – performance obligations yet to be satisfied) related to customer contracts assumed in a business combination.

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46

46

Overview

The ASU does not change the accounting for other assets or liabilities arising from revenue contracts with customers in a business combination, such as customer-related intangible assets and contract-based intangible assets.

ASU No. 2021-08

The ASU requires the acquirer to measure contract assets and contract liabilities as if they had originated the contract (instead of the acquiree). Generally, if the acquiree had properly applied FAS ASC 606, no adjustments will need to be made. If the acquiree had not properly applied the application of FAS ASC 606, an adjustment(s) may be necessary. Under these circumstances, consider the following:

- The terms of the acquired contract(s).
- The identification of each performance obligation in the contract.
- How the total transaction price was allocated to each performance obligation based on the relative stand-alone selling price at inception (or contract modification date, if applicable).

Practical Expedients

- Certain practical expedients are available for acquirers that permit the measurement of contract assets and contract liabilities using the amounts reported by the acquired entity.
- This election would need to be consistently applied to all contracts acquired in the same business combination on an acquisition-by acquisition basis.

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49

49

Disclosures

Disclosure of the practical expedients elected are required.

A qualitative assessment of the effect of each practical expedient, if reasonably possible should also be disclosed.

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50

50

Effective Dates

Effective for public business entities for fiscal years beginning after December 15, 2022, and for interim periods within those fiscal years.

Effective for all other entities for fiscal years beginning after December 15, 2023, and for interim periods within those fiscal years.

Early adoption is permitted, including in an interim period.

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51

51

Transition

Applied on a prospective basis to business combinations that occur on or after the adoption date.

For entities that early adopt in an interim period the ASU would apply to all business combinations that have occurred since the beginning of the fiscal year.

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52

52

ASU NO. 2023-05

ASU No. 2023-05: *Business Combinations-Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement*

Issued: August 2023

53

Scope

- Applicable to newly formed *joint ventures* or *corporate joint ventures* (both terms are defined in the Master Glossary of the FASB Codification).
- Optional applicability to existing joint ventures, applied retrospectively.

54

Key Points

As of the formation date, Joint ventures (JVs) are required:

- To recognize a new basis of accounting for the contributed net assets.
- To measure the contributed identified net assets at fair value, in accordance with FAS ASC 805-20 (business combination guidance – with certain exceptions), irrespective of whether an investor in the JV contributed a business. The net assets' fair value is equal to 100% of the JV's equity right after the formation.
- The difference between the fair value of the JV's equity and the net assets will result in the recording of goodwill, and if the difference is negative an adjustment will be made recorded in the equity of the JV.
- Provide disclosures regarding the formation transaction, the nature of the JV and its financial effects.

Effective Dates / Transition

- Effective for all joint ventures with a formation date on or after January 1, 2025, prospectively.
- Joint Ventures formed before January 1, 2025, may apply the guidance retrospectively, providing they have sufficient information.
- Early adoption is permitted on an interim or annual period if the financial statements have not been issued or made available for issuance, and transition is either prospective or retrospective.

Stock Compensation

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57

57

ASU 2024-01 Stock Compensation

*ASU 2024-01, Compensation—Stock
Compensation (Topic 718): Scope Application of
Profits Interest and Similar Awards*

Issued: March 2024

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58

58

ASU 2024-01

Stock Compensation

Scope

Applicable to all entities that account for profits interest awards as:

- Compensation to employees, or
- Nonemployees in return for goods or services.

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59

59

ASU 2024-01

Stock Compensation

Overview

- The guidance in this ASU clarifies when profit interest awards would fall within or outside the scope of Topic 718. Stakeholders requested clarification and examples to eliminate the existing diversity in practice.
- The term “profit interest” is not defined in GAAP.
- Profit interest differs from capital interests by investors (i.e., equity investments, rights to existing assets such as in a LLC).
- Profit interests are given by certain entities to nonemployees or employees to link their compensation to the entity’s performance, thereby giving them an opportunity to participate in equity appreciation and/or future profits.

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60

60

ASU 2024-01

Stock Compensation

Overview (continued)

- While the determination of whether a profit interest is within or outside the scope of Topic 718 may be complex and based on specific facts and circumstances, the ASU provides several illustrative examples to assist preparers in determining whether profit interest and similar awards should be accounted for in accordance with Topic 718.

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61

61

ASU 2024-01

Stock Compensation

Effective Date

- Public Business Entities: Effective for annual periods beginning after December 15, 2024, and interim periods within those annual periods.
- All other entities: Effective for annual periods beginning after December 15, 2025, and interim periods within those annual periods.
- Early adoption is permitted for both interim and annual financial statements providing the financial statements have not yet been issued or made available for issuance. Interim adoption would take place at the beginning of the annual period, which would include that interim period.

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62

62

ASU 2024-01

Stock Compensation

Transition

The guidance in this ASU is applied:

- Prospectively to profits interest and similar awards granted or modified on or after the date of adoption. If applied prospectively, the nature of and reason for the change in accounting principle is required to be disclosed, or.
- Retrospectively to all prior periods presented in the financial statements. Specific disclosure requirements are needed in the period of adoption, if adopting the guidance retrospectively.

ASU NO. 2022-04

ASU No. 2022-04, Liabilities—Supplier Finance Programs
(Subtopic 405-50): Disclosure of Supplier Finance Program
Obligations

Issued: September 2022

SCOPE

- Applicable to all entities that use supplier finance programs for the purchase of goods and services.
- These entities may be referred to as buyer parties.

OVERVIEW

- Prior to the issuance of this ASU, no explicit GAAP disclosure requirements existed involving supplier finance programs. This caused a lack of transparency to users of the entity's financial statements.
- The ASU uses the term, "supplier finance programs", but entities with these programs may refer to them using a different name(s), such as reverse factoring, payables finance, or structured payables arrangements.
- These typed of programs allow the supplier payment in advance of a buyer's invoice due date, via a third-party finance provider. This structure differs from the supplier arranging factoring of their receivables or other financing arrangements.
- Keep in mind that the advanced payment paid by a third-party finance provider, or some other interim party, is based on a valid buyer's invoice.

OVERVIEW

- The ASU does not change the recognition and measurement of these programs, but instead provides sufficient disclosure information about these programs so users can better understand their potential magnitude, the nature of the program, changes from period to period and activity during the period.
- These disclosures are both quantitative and qualitative.

Disclosure Requirements

The ASU requires the following disclosures for each annual reporting period:

- The key terms of the supplier finance program. This might include:
 - A description of the payment terms, including the timing of those payments,
 - Assets pledged as security, or other forms of guarantees provided.

Disclosure Requirements

- Required disclosures for valid confirmed obligations:
 - The outstanding unpaid confirmed amount as of the end of the annual period.
 - A description of where on the balance sheet those obligations are presented.
 - A roll forward of those confirmed obligations amounts to the intermediary during the annual period, including the amounts of obligations subsequently paid. Meaning a beginning balance, total amount advanced by the intermediary, total amount repaid by the intermediary, and the ending balance due to the intermediary.
- An interim reporting period disclosure regarding the confirmed amounts of obligations outstanding as of the end of the interim period.

EFFECTIVE DATES

- For those within the scope, the ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years (excluding the disclosure of the roll forward information),
- Roll forward information is effective for fiscal years beginning after December 15, 2023.
- Early adoption is permitted.

TRANSITION

- In the year of adoption, the balance sheet presentation of the program obligations and key terms information should be disclosed in each interim and annual period.
- Applied retrospectively for each period in which a balance sheet is presented (excluding the roll forward information, which should be applied prospectively).

ASU 2023-07 Segment Reporting

ASU No. 2023-07, *Segment Reporting (Topic 280)*

- Issued: November 2023

ASU 2023-07 Segment Reporting

Scope

- Applicable to all public entities required to report segment information.
- This includes all public entities that have a single reportable segment. They are required to apply all segment disclosures in this ASU and existing Topic 280.

Background

- Segment information can assist financial statement users (stakeholders) better understand a public entity's overall performance, different business activities, and possible future cash flows.
- Stakeholders generally supported the management approach to segment reporting but were interested in additional segment information regarding enhanced (detailed) expense disclosures.

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73

73

ASU 2023-07 Topic 280 - Key Points

This ASU **does not** change the following existing guidance in Topic 280:

- How a public entity identifies or aggregates their operating segments.
- The quantitative thresholds the public entity with use to determine reportable segments.
- The requirement to disclose specific information about reportable segments (i.e., segment profit or loss).
- The requirement to disclose specific segment items and amounts under certain circumstances (i.e., depreciation, depletion, amortization).

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74

74

ASU 2023-07

Topic 280 - Key Points

The “Significant Expense Principle”

(How a public entity determines “identified segment expense categories”)

- Identify segment level expense information. This is the type of information generally given to the chief operating decision maker (CODM).
- Evaluate the segment level expense information. This is the information included in each reported measure of the public entity’s segment’s profit or loss.
- Disclose the significant expenses that are significant to the identified segment expense categories.

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75

75

ASU 2023-07

Enhanced Disclosure Requirements

CODM Disclosures

- General information regarding the title and position of the CODM.
- CODM can be an individual, group, or committee.
- How information about the reported measures of segment profit and loss are used by the CODM to allocate resources and assess segment performance.

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76

76

ASU 2023-07 Enhanced Disclosure Requirements

Significant Segment Expenses

- When included in each reported measure of segment profit or loss, when regularly provided to the CODM, disclose on both an annual and interim basis.
- Other segment items by reportable segment – Disclose amounts of other segment items by reportable segment, including a description of the composition of other segment items category (note this is the difference segment revenue less expenses). Disclose on both an annual and interim basis.
- Interest expense - If deemed to be a significant segment expense a public entity will need to separately disclose interest expense.

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77

77

ASU 2023-07 Enhanced Disclosure Requirements

Reportable Segments

- Annually disclose all reportable segment's profit or loss and assets. This is an existing interim period disclosure in accordance with Topic 280, which did not change due to the issuance of this ASU. The ASU now requires annual disclosure in addition to the existing interim disclosure.
- If there is more than one measure of a segment's profit or loss used in assessing segment performance by the CODM, disclosure how resources are allocated. Keep in mind that the measurement would need to be consistent with measurement principles. Reporting on additional measures is not precluded.

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78

78

ASU 2023-07

Enhanced Disclosure Requirements

To assist in the implementation of these enhanced disclosures, consider referring to the Implementation and illustration guidance located in the ASU (280-10-55-7 to 55).

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79

79

ASU 2023-07

Segment Reporting

Effective Date

- Effective for fiscal years beginning after December 15, 2023, and interim periods beginning after December 15, 2024.
- Early adoption is permitted.

Transition

- Applied retrospectively to all prior periods presented in the financial statements.
- In the period of adoption, a public entity will identify the significant segment expense categories. Prior period amounts disclosed will be based on that identification at adoption.

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80

80

ASU 2023-09 Income Taxes (Topic 740)

ASU No. 2023-09, *Income Taxes (Topic 740) Improvements to Income Tax Disclosures*

Issued: December 2023

Scope

- Applicable to all entities subject to Topic 740, Income Taxes.
- Note - Certain disclosures are only required by public business entities.

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81

81

ASU 2023-09 Income Taxes (Topic 740)

Objective

- The purpose of this ASU is to provide enhanced transparency to stakeholders regarding rate reconciliation and income taxes paid.
- By enhancing these disclosures, stakeholders may better assess income tax risks and opportunities. These assessed risks and opportunities might include changes in jurisdictional tax legislation, impacts affecting cash flow projection, capital allocation, etc.

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82

82

ASU 2023-09

Enhanced Disclosures Required by ALL Entities

Enhanced Disclosures Required by ALL Entities

Income Taxes Paid

Annually disclose the amount of income tax paid net of any refunds received:

- Disaggregated by type, i.e., federal, state, and foreign taxes.
- Disaggregated by individual jurisdictions when the net amount paid (income tax paid less any refunds received) is equal to or greater than 5 percent of total net amount paid.

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83

83

ASU 2023-09

Enhanced Disclosures Required by ALL Entities

Enhanced Disclosures Required by ALL Entities

Other Disaggregated Disclosures

The amendments in this Update require that all entities disclose the following information:

- Disaggregate between domestic and foreign - Income (or loss) from continuing operations before income tax expense (or benefit).
- Disaggregate by type, federal, state, and foreign, Income tax expense (or benefit) from continuing operations.

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84

84

ASU 2023-09 Enhanced Disclosures Only Required by Public Business Entities

Enhanced Disclosures Only Required by Public Business Entities

Rate Reconciliation - Disclose annually:

- Specific categories in the rate reconciliation in tabular format, using both reporting currency amounts and percentages, for example state and local incomes taxes net of federal income tax effect, foreign tax effects, tax credits, changes in the valuation allowance, etc. (Refer to 740-10-50-12A – C)
- Additional information regarding reconciling items when a quantitative threshold had been met (equal to or great than 5% of certain amounts).
- Qualitative description of the states and local jurisdictions when their effect makes up a majority of the state and local income tax category (over 50%).
- If not evident, provide an explanation of the individual reconciling items disclosed. This would include the nature, the effect, and the underlying causes of the reconciling items and the judgment used when categorizing these items.

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85

85

ASU 2023-09 Enhanced Disclosures Only Required by Other Entities

Enhanced Disclosures Only Required by Other Entities

(those other than Public Business Entities)

Rate Reconciliation

- Required qualitative disclosure regarding specific categories of reconciling items and individual jurisdictions when there is a significant difference between statutory and effective tax rates.

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86

86

ASU 2023-09 Income Taxes (Topic 740)

Elimination of Existing Disclosures

The ASU removed the following disclosure requirement for all entities:

- Unrecognized tax benefits balance in the next 12 months – removed the requirement to disclose the nature and estimate of the range of the reasonably possible change, or a statement that an estimate of a range is not possible.
- Comprehensive recognition of deferred taxes related to subsidiaries and corporate joint ventures – removed the requirement to disclose the cumulative amount of each type of temporary difference when a deferred tax liability is not recognized because of certain exceptions.

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87

87

ASU 2023-09 Income Taxes (Topic 740)

Effective Dates

- Public business entities: Effective for annual periods beginning after December 15, 2024.
- Other entities (not public business entities): Effective for annual periods beginning after December 15, 2025.
- Early adoption is permitted if the annual financial statements have not yet been issued or made available for issuance.

Transition

- Applied prospectively, with retrospective application is permitted

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88

88

ASU No. 2024-02

Concept Statements - Amendment

*ASU No. 2024-02: Codification Improvements—
Amendments to Remove References to the
Concepts Statements*

Issued: March 2024

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89

89

ASU No. 2024-02

Concept Statements - Amendment

Objective

- To simplify the Codification by removing all references to the Concepts Statements.
- The intention is to eliminate unnecessary diversity in practice that may occur by the inclusion of nonauthoritative literature (Concept Statement references) in the Codification.

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90

90

ASU No. 2024-02

Concept Statements - Amendment

Effective Dates

- Public Business Entities: Effective for fiscal years beginning after December 15, 2024.
- All other entities: Effective for fiscal years beginning after December 15, 2025.
- Early adoption permitted for all entities in any fiscal year or interim period providing the financial statements have not yet been issued or made available for issuance.
- Early Interim period adoption must be as of the beginning of the fiscal year, including that interim period.

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91

91

ASU No. 2024-02

Concept Statements - Amendment

Transition

- Prospective adoption permitted to all new transactions recognized on or after the date of adoption, or
- Retrospective adoption at the beginning of the earliest comparative period is permitted.
- In the year of adoption an adjustment (if any) would be made to the opening balance of retained earnings (or other equity component, or net assets) as of the beginning of the earliest comparative period presented.

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92

92

FASB Guidance on the Horizon

Select Items on the FASB's Technical Agenda

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93

93

RECOGNITION & MEASUREMENT PROJECTS Accounting for and Disclosure of Software Costs

Topic: Accounting for and Disclosure of Software Costs

Status: Exposure draft expected sometime in the 3rd quarter of 2024.

Summary:

- This project involves targeted improvements regarding research and development expenses involving unresolved high-risk development issues; removal of certain starting point capitalization requirements; and the consideration of unresolved development uncertainties.

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94

94

RECOGNITION & MEASUREMENT PROJECTS

Accounting for Environmental Credit Programs

Topic: Accounting for Environmental Credit Programs

Status: Exposure draft expected sometime in the 3rd quarter of 2024

Summary:

- This project involves requirements for voluntary programs that create environmental credits (ECP), such as renewable energy credits/certificates, carbon offset credits, etc.. Nongovernmental creators of environmental credits are also included in this project.
- Board discussions include the remeasurement of certain noncompliance environment credits .
- The Board discussed the accounting policy election to remeasure these credits using fair value, including those obtained from related parties. The Board also discussed how to account for these credits when acquired in a business combination.

RECOGNITION & MEASUREMENT PROJECTS

Accounting for Governmental Grants

Topic: Accounting for Governmental Grants

Status: Exposure draft expected sometime in the 3rd quarter of 2024

RECOGNITION & MEASUREMENT PROJECTS

Accounting for Governmental Grants

FASB decisions reached to date:

Scope: Applicable to all business entities that receive governmental grants, which would include transfers from a government to a business entity:

- Monetary assets
- Tangible nonmonetary assets
- Forgivable loans

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97

97

RECOGNITION & MEASUREMENT PROJECTS

Codification Improvements (next phase)

Topic: Codification Improvements (Next Phase)

Status: FASB Board deliberations - ongoing

The purpose of this project is to make minor clarifications and corrections to the guidance in the FASB Codification.

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98

98

RECOGNITION & MEASUREMENT PROJECTS

Determining the Acquirer in the Acquisition of a VIE

Topic: Determining the Acquirer in the Acquisition of a VIE

Status: Exposure draft expected sometime in the 4th quarter of 2024

Added to the FASB's Agenda on July 17th, 2024, to address whether the primary beneficiary would always be the accounting acquirer of a variable interest entity (VIE).

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99

99

RECOGNITION & MEASUREMENT PROJECTS

Financial Instruments (Topic 326)

Topic: Financial Instruments – Credit Losses (Topic 326) – Purchased Financial Assets

Status: FASB Board deliberations – ongoing

Summary to Date: All financial assets (with certain exceptions) when acquired through a business combination and/or asset acquisition, would be accounted for using the gross-up approach.

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100

100

RECOGNITION & MEASUREMENT PROJECTS

Topic: Induced Conversion of Convertible Debt Instruments (EIFT Issue No. 23-A)

Status: Final standard expected in 2024

Summary:

- Induced conversions assessment would pursue the pre-existing contract approach. Would only apply to conversions that include the issuance of all the consideration.
- Makes clarifications when evaluating cash or a combination of cash under the original conversion privileges.
- Applies to convertible debt instruments, even if not currently convertible.
- Permits prospective or retrospective transition after the adoption of ASU No. 2020-06

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101

101

RECOGNITION & MEASUREMENT PROJECTS

Topic: Share-Based Consideration Payable to a Customer

Status: Exposure draft issued. Final standard expected in 2024

Summary: The FASB added this topic to their technical agenda in mid-June 2024 to clarify the guidance in Topic 606, *Revenue from Contracts with Customers*, and Topic 718, *Compensation—Stock Compensation* involving share-based payments granted by an entity as consideration payable to its customer.

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102

102

RECOGNITION & MEASUREMENT PROJECTS

Topic: Topic 815 – Derivatives Scope Refinements

Status: Exposure draft issued. Final standard expected in 2024

Summary: Refines the predominate characteristics assessment. Only at contract inception would an entity be required to perform a predominate characteristics assessment.

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103

103

RECOGNITION & MEASUREMENT PROJECTS Topic 815

Topic: Topic 815 – Hedge Accounting Improvements

Status: Exposure Draft Issued. Final standard expected in 2024

Summary: Addresses improvements involving the following:

- A change in hedging risk in a cash flow hedge
- Cash flow hedges of nonfinancial forecasted transactions
- Use of the term “prepayable” in shortcut method
- Foreign-currency-denomination debt instrument as hedging instrument and hedged item

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104

104

PRESENTATION & DISCLOSURE PROJECTS

Disaggregation—Income Statement Expenses

Topic: Disaggregation—Income Statement Expenses

Status: Final Standard expected in the 4th quarter of 2024

Summary:

- This project addresses expense captions subject to disaggregation requirements, excluding certain liability-related expenses. There are certain required expense categories, such as selling expenses, but excludes inventory and manufacturing expenses.

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105

105

PRESENTATION & DISCLOSURE PROJECTS

Interim Reporting

Topic: Interim Reporting – Narrow-Scope Improvements

Status: Exposure Draft issued – final standard expected sometime in 2024

Summary: The following types of interim disclosures would be required:

- Disclosures involving going concern (Topic 270)
- Disclosures involving investments in debt securities
- Certain disclosures specific to not-for profit entities involving net assets and donor restrictions.

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106

106

PRESENTATION & DISCLOSURE PROJECTS

Statement of Cash Flows

Topic: Statement of Cash Flows – Targeted Improvement

Status: Board Deliberations - ongoing

Summary: Reorganizing and disaggregating the statement of cash flows for financial institutions and disclosures regarding cash interest received.

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107

107

RESEARCH PROJECTS

- ☐ Accounting for and Disclosure of Intangibles
- ☐ Accounting for Commodities
- ☐ Consolidation for Business Entities
- ☐ Definition of a Derivative
- ☐ Financial Key Performance Indicators for Business Entities
- ☐ Statement of Cash Flows

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108

108

POST-IMPLEMENTATION PROJECTS

- ☐ Credit Losses
- ☐ Leases
- ☐ Revenue Recognition

109

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110

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