



FASB Update

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FASB Technical Agenda



Recognition & Measurement



Presentation & Disclosure



Framework



Research



Recognition and Measurement

- Projects involving whether, and at what amount, to include items on the face of the financial statements.
- Broad recognition and measurement projects involve fundamental changes.
- Standard setting



Ongoing Projects under Recognition & Measurement

- Accounting for and Disclosure of Crypto Assets
- Accounting for and Disclosure of Software Costs
- Accounting for Environmental Credit Programs
- Codification Improvements (Next Phase)
- Codification Improvements – Amendments to Remove References to the Concepts Statements
- Financial Instruments – Credit Losses (Topic 326) – Purchased Financial Assets
- Induced Conversions of Convertible Debt Instruments (EITF Issue No. 23-A)
- Scope Application of Profits Interest Awards: Compensation – Stock Compensation (Topic 718)
- Topic 815 – Hedging Accounting Improvement



Estimated Completion Dates

- Second Half of 2023
 - Codification Improvements – Amendments to Remove References to the Concepts Statements
- Fourth Quarter of 2023
 - Accounting for and Disclosure of Crypto Assets
 - Scope Application of Profits Interest Awards: Compensation – Stock Compensation (Topic 718)
- First Quarter of 2024
 - Financial Instruments – Credit Losses (Topic 326) – Purchased Financial Assets
- Remainder of the projects are ongoing



Codification Improvements

- Formerly called Technical Corrections and Improvements
- Under this project, there have been eight Accounting Standards Updates issued
- Under the current proposal, the new Accounting Standards Update would remove references to the FASB Concepts Statements



Accounting for and Disclosure of Crypto Assets – Criteria

- Meet the definition of *intangible asset* as defined in the Codification Master Glossary
- Do not provide the asset holder with enforceable rights to, or claims on, underlying goods, services, or other assets
- Are created or reside on a distributed ledger based on blockchain technology
- Are secured through cryptography
- Are fungible
- Are not created or issued by the reporting entity or its related parties



Accounting for and Disclosure of Crypto Assets – Main Provisions

- Measure at fair value which changes being recognized through net income for each reporting period
- Recognize transaction costs to acquire a crypto asset as an expense as incurred unless industry-specific guidance requires capitalization
- Presentation
 - Crypto assets measured at fair value separately from other intangible assets
 - Changes in the fair value measurement separately from changes in the carrying amounts of other intangible assets
- Annual Disclosures
 - Rollforward of activity in the reporting period for crypto asset holdings
 - For dispositions, the difference between the sale price and the cost basis and a description of the activities of that resulted in the dispositions
 - Method for determining the cost basis of crypto assets



Accounting for and Disclosure of Crypto Assets – Differences from Current GAAP

- Currently
 - Accounted for as indefinite-lived intangible assets
 - Tested for impairment at least annually
 - Prohibited from subsequent increases in carrying value or reversal of impairment loss
- Proposed
 - Accounted for at fair value and changes are recognized in the current period in net income
 - Enhanced disclosures which would provide investors with the ability to analyze and assess the exposure and risk of individual crypto asset holdings
 - Aligned accounting and eliminate the requirement for testing for impairment



Scope Application of Profits Interest Awards: Compensation – Stock Compensation (Topic 718)

- Adds an illustrative example to demonstrate how an entity would apply the scope guidance outlined in paragraph 718-10-15-3
- Help determine whether profits interest and similar awards should be accounted for in accordance with Topic 718
- This proposed illustrative example is intended to
 - Reduce complexity in determining if a profits interest award is subject to the guidance in Topic 718
 - Reduce existing diversity in practice



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

- Arisen from a post-implementation review since the issuance of Accounting Standards Update No. 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*
- One area is the accounting for acquired financial assets through
 - Business Combinations
 - Asset Acquisitions
 - Consolidation of Variable Interest Entities



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

- Expand the population of financial assets subject to the gross-up approach in Topic 326 that is currently applied to purchased financial assets with credit deterioration
- Acquirer would no longer be required to determine if an acquired financial asset is a PCD or non-PCD
- Have no affect on the measurement, presentation or disclosure requirements



Early Stage Project Objectives under Recognition & Measurement

- Accounting for and Disclosure of Software Costs
 - Modernize the accounting for software costs
 - Enhance the transparency about an entity's software costs
- Accounting for Environmental Credit Programs
 - Improve the recognition, measurement, presentation and disclosure requirements for participants in compliance and voluntary programs that result in the creation of environmental credits
- Induced Conversions of Convertible Debt Instruments (EITF Issue No. 23-A)
 - Improve the relevance of the existing induced conversion guidance in Subtopic 470-20, Debt – Debt with Conversion and Other Options
- Topic 815 – Hedge Accounting Improvements
 - Improve the hedge accounting guidance in Topic 815 based on issues raised by stakeholders



Presentation & Disclosure

- Presentation projects involve items on the face of the financial statements
- Disclosure projects involve information include in the notes to the financial statements
- Standard setting



Ongoing Projects under Presentation & Disclosure

- Disaggregation – Income Statement Expenses
- Disclosure Improvements in Response to the SEC’s Release on Disclosure Update and Simplification
- Improvement to Income Tax Disclosures
- Interim Reporting – Narrow-Scope Improvements
- Segment Reporting



Disaggregation – Income Statement Expenses

- Applicable to public companies
- Disaggregate the following expenses:
 - Inventory and Manufacturing Expenses
 - Employee Compensation
 - Depreciation
 - Intangible Asset Amortization
 - Depreciation, Depletion and Amortization recognized as part of oil- and gas-producing activities
- Include certain required amounts to be disclosed with the other disaggregation requirements
- Disclose a qualitative description of amounts remaining in relevant expense captions or in inventory and manufacturing expense that are not separately disaggregated qualitatively
- Disclose the total amount of selling expenses and, on an annual basis, an entity’s definition of selling expenses



Improvements to Income Tax Disclosures

- Applicable to public business entities
- Disclose specific categories in the rate reconciliation
- Provide additional information for reconciling items that meet a quantitative threshold
- Disclose additional information on income taxes paid



Improvements to Income Tax Disclosures – Rate Reconciliation

- Tabular Reconciliation using both percentages and reporting currency amounts
- Categories to disclose:
 - State and local income tax, net of federal income tax effect
 - Foreign tax effects
 - Enactment of new tax laws
 - Effects of cross-border tax laws
 - Tax credits
 - Valuation allowances
 - Nontaxable or nondeductible items
 - Changes in unrecognized tax benefits



Improvements to Income Tax Disclosures – Income Taxes Paid

- Disclose year-to-date amount of income taxes paid (net of refunds received) disaggregated by federal, state and foreign taxes
- Disclose amount of income taxes paid by individual jurisdiction in which the income taxes paid is equal to or greater than 5 percent of total income taxes paid



Segment Reporting – Main Provisions

- Require that public entities disclose significant segment expenses regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss
- Require that public entities disclose an amount for other segment items by reportable segment and a description of its composition
- Require that public entities provide all annual disclosures about reportable segment's profit or loss and assets in interim periods
- Clarify if the chief operating decision maker uses more than one measure of a segment's profit or loss
- Require a public entity that has a single reportable segment provide all the disclosures required



Framework

- Projects involving the Conceptual Framework
- Tool which the board uses in setting standards
- One single project ongoing – Conceptual Framework: Measurement
 - Objective is to develop an improved conceptual framework that provides a sound foundation for developing future accounting standards



Research

- Projects that may be considered for the technical agenda at a future date
- Current projects under research
 - Accounting for and Disclosure of Intangibles
 - Accounting for Commodities
 - Accounting for Governmental Grants
 - Consolidation for Business Entities
 - Definition of a Derivative
 - Financial Key Performance Indicators for Business Entities
 - Statement of Cash Flows





THANK YOU

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