



Quarterly Perspectives: Financial Reporting & Beyond / Q3 2023

October 19, 2023

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Meet the Presenters From the FORVIS A&A Professional Standards Group



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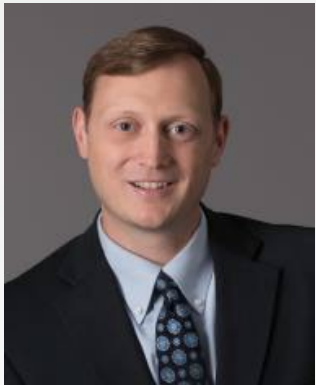
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Looking Back

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What Has Caught Our Eye

- Economic environment – Interest rates, slowing inflation
 - Accounting impacts – Goodwill, impairment considerations, going concern, budgets & projections
- AICPA’s “new” standards ... not just an impact on your auditors!
 - SAS 143, “Auditing Accounting Estimates and Related Disclosures”
 - SAS 144, “Amendments to AU-C Sections 501, 540, and 620 Related to the Use of Specialists and the Use of Pricing Information Obtained From External Information Sources”
- Comment period closed on the PCAOB’s proposal on the auditor’s consideration of a company’s noncompliance with laws & regulations (“NOCLAR”)

Here & Now

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CECL for Non-FI – Scoping

In Scope

- Trade Receivables
- Loan Receivables
- Held-to-Maturity Securities
- Reinsurance Recoverables
- Patient Receivables
- Receivables that result from revenue transactions
- Reinsurance receivables (Topic 944)
- Net investments in leases by lessor (Topic 842)
- Off-balance-sheet credit exposures not accounted for as insurance
- Purchased credit deteriorated assets recorded at amortized cost

Out of Scope

- Financial assets measured at fair value through net income
- Available-for-sale debt securities (addressed in ASC 326-30)
- Equity Method Investments
- Loans made to participants by defined contribution employee benefit plans
- Policy loan receivables of an insurance entity
- Promises to give of a nonprofit entity
- Loans & receivables between entities under common control
- Operating Lease Receivables

CECL for Non-Banks

Key Topics

Acceptable
estimation methods

Reasonable &
supportable forecast

Zero losses

Expected losses
over contractual life

Day 1 impact with
entry to opening
retained earnings in
the period of
adoption

Increased disclosure
requirements

FASB Resources

Select Example Illustrations in ASC 326-20-55-17

- Loss-rate approach
- Trade receivables using an aging schedule
- Expected nonpayment is zero

FASB Staff Q&A Topic 326, No. 1

- Weighted Average Remaining Maturity (WARM) Method

Accounting Estimates

Identify all of your accounting estimates

What is your methodology for development of those estimates?

Did or should you have used a specialist?

What inputs & assumptions are made in determining the estimate?

Your auditor should be asking about the data, methods, & assumptions used by management. Be ready for that!

Auditors are going to ask a lot of questions & may require more documentation than in the past!

New SEC Final Rule: “Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure”

Final rule issued July 26, 2023 (proposed in March 2022)

Background

- Diversity in practice on cybersecurity disclosures even after interpretive guidance issued in 2011 & 2018

Purpose

- To enhance & standardize disclosures regarding cybersecurity risk management, strategy, governance, & incidents

New SEC Final Rule: “Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure” (continued)

New Reg S-K Item 106 requires disclosures regarding

- Processes to assess, identify, manage material cybersecurity risks
- Management’s role in assessing & managing material cybersecurity risks
- Board’s oversight of cybersecurity risks
- Required for fiscal years ending on or after December 15, 2023

New Item 1.05 to Form 8-K requires

- Disclose material cybersecurity events & related impact
- To be filed within four business days after determination that an event will have or is reasonably likely to have a material impact
- Required after December 18, 2023 (for Smaller Reporting Company required after June 15, 2024)

Conversations You Should Be Having

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Conversations You Should Be Having

- Documentation, documentation, documentation
 - New standards – controls & accounting
 - “New” documentation for accounting estimates
- FASB’s proposed standard *Scope Application of Profits Interest Awards: Compensation—Stock Compensation (Topic 718)*
 - Will there be a change in accounting for you?
- Trends in FASB standards – disaggregation
 - Exposure draft: Disaggregation – Income Statement Expenses
 - Impending final standard – Improvements to Income Tax Disclosures
 - Impending final standard – Segment Reporting

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- [Details on SEC's New Cybersecurity Disclosures](#)
- [New Expense Details Coming for Public Companies?](#)
- [Quarterly Perspectives: SEC 3Q 2023](#)
- [Chief Audit Executive Perspectives: Lessons Learned From the 2023 Bank Failures](#)
- [Updates on FASB's Software Cost Proposal](#)

Thank you!

Please join us again on Thursday,
January 11, 2024 at 11 a.m. ET for
the 2023 Q4 Quarterly
Perspectives webinar!

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