

# FORVIS

## **Quarterly Perspectives: Financial Reporting & Beyond / Q1 2023**

April 20, 2023

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



**Greg Faucette**

Partner

National Financial Reporting



**Doug Bennett**

Partner

National Professional Standards  
Group\*



**Liz Gantnier**

Partner

Regional Accounting & Auditing  
Director

# Special Guest



**Bobby Bean**

Managing Director

Financial Services Regulatory Advisory

# Looking Back

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# What Has Caught Our Eye

- SEC & PCAOB getting a little busier with their regulatory & rulemaking agendas
- Impairment considerations for securities took on a very different feel this past year-end whether under the ASC 320-10 model (other-than-temporary impairment) or the ASC 326 model (available-for-sale securities)
- A lot of lessons learned on the adoption of ASC 842 for leases

# Here & Now

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# Lessons Learned Adopting ASC 842

- Harder than people thought for sure
- Wish they had spent more time understanding the standard & that they used a ‘system’ (or a better system) to capture & calculate the data
- Misunderstanding or misapplication of the expedients & elections
  - Hindsight practical expedient “accidentally” elected at implementation
  - Discount rate
    - Wrong date &/or wrong term used
    - Forgot that most equipment & vehicle leases have the “rate implicit” in the lease
    - Incremental borrowing rate not aligned with term &/or change in rates during the year
    - Trouble distinguishing between elections at implementation versus elections post implementation
  - Combining lease versus nonlease components – if not elected then the fair value of each component must be determined & allocated (allocation occurs even if both pieces are at fair value)
  - Recognizing a remeasurement event such as investment in leasehold improvements



# Common Control Leases

(ASU 2023-01 issued late March & available for adoption immediately)

- Practical expedient to use written terms & do not have to evaluate enforceability
  - If unwritten, judgment will be required
  - Able to improve/create documentation now
- If entity wishes to structure an arrangement to avoid a right-of-use (ROU) asset & lease liability (LL) but retain the leasehold improvement (LHI) on the books (rather than having to write it off through a distribution)
  - Make sure you have a lease – without a lease, there can be no LHI
  - Establish a long enough term lease with payments that are entirely variable (no ROU or LL)
  - Month-to-month lease (cancelable by either party with 30 days notice – series of one-month leases) – no expiration period for the renewal
    - This is a short-term lease, *i.e.*, no ROU or LL; lease expense should be disclosed & LHI should be amortized over useful life as long as lease is still in existence
    - If either party terminates, LHI are recorded as a distribution

# Recent Bank Failures

- What we have learned from recent events
- How bank depositors have reacted at other banks
- What should you consider now as a depositor

# FASB Standard-Setting Activities

## Accounting Standards Updates issued

- ASU 2023-01 – Leases (Topic 842): Common Control Arrangements
- ASU 2023-02 – Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (a consensus of the EITF)

## Accounting Standards Updates proposed

- Income Taxes (Topic 704): Improvements to Income Tax Disclosures
  - ED released March 15, comments due May 30
- Intangibles – Goodwill and Other – Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets
  - ED released March 23, comments due June 6

# A Conversations You Should Be ~~Having~~ Hearing

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WEBINAR

- [Quarterly Perspectives: FASB 1Q 2023](#)
- [Quarterly Perspectives: SEC 1Q 2023](#)
- [1Q 2023 ESG Regulation & Financial Statement Updates](#)
- [FASB Finalizes Common Control Lease Relief](#)
- [New Income Tax Disclosures Proposed](#)
- [Proportional Amortization Option for More Tax Credit Programs & LIHTC Accounting Changes](#)

WEBINAR

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July 20, 2023

October 19, 2023

January 11, 2024

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