

Quarterly Perspectives: FASB 2Q 2024

This paper provides an overview of FASB standard-setting activity in the second quarter of 2024, along with updates on outstanding exposure drafts and ongoing projects. FASB is heading feedback on more timely standard setting and is expected to issue seven exposure drafts in the third quarter.

Highlights

FASB standard setting slowed this quarter to only the issuance of a final concept statement on measurement, which was approved but not issued at the time of publication. FASB plans to kick off an agenda consultation in the second half of 2024, which will solicit feedback on future standard setting. The third quarter's activity will pick up with a final Accounting Standards Update (ASU) on induced conversion, and seven drafts on interim reporting, hedge accounting improvements, government grants, derivative scope refinement, environmental credits, software costs, and a fast-tracked proposal related to share-based consideration payable to a customer. FASB is expected to issue a final standard on expense disaggregation before year-end.

The Emerging Issues Task Force (EITF) added a project to its agenda on identifying the accounting acquirer in a business combination.

ASU effective dates are summarized for public business entities (PBEs) in [Appendix A](#) and for all other entities in [Appendix B](#). [Appendix C](#) has additional information on each ASU (sorted chronologically by effective date), as well as links to related articles.

New Concept Statement

The Conceptual Framework is a body of interrelated objectives and fundamentals that provides FASB with a useful tool as it sets standards. A Statement of Financial Accounting Concepts is nonauthoritative and does not establish or change GAAP and does not override authoritative standards. If accounting for a transaction or event is not specified in authoritative GAAP, an entity first must consider accounting principles for similar transactions or events within authoritative GAAP and then consider nonauthoritative guidance from other sources (including Concepts Statements).

Concept Statement – Chapter 6 Financial Reporting	
Measurement	<p>The new chapter provides concepts for FASB to consider when choosing a measurement system for an asset or a liability recognized in general purpose financial statements. It describes:</p> <ul style="list-style-type: none"> a. Two relevant and representationally faithful measurement systems: the entry price system and the exit price system. b. Considerations when selecting a measurement system.

Outstanding Exposure Drafts

The following chart includes proposed updates where FASB has not issued a final pronouncement as of this publication's date. FASB will determine the effective dates of the proposed amendments—if issued as a final ASU—after it considers feedback on the amendments. Unless otherwise noted, comment periods are closed. Second-quarter updates are **bolded**.

Topic & Title	Description	Status
Outstanding Exposure Drafts		
<p>Debt—Debt with Conversion and Other Options (Subtopic 470-20)</p> <p><i>Induced Conversions of Convertible Debt Instruments</i></p> <p>Issued: December 19, 2023</p> <p>Resource: FASB Considers Additional Clarity for Induced Conversions</p>	<p>Clarifications include:</p> <p>a. Requirements for determining whether certain settlements of convertible debt should be accounted for as an induced conversion.</p> <p>b. When induced conversion guidance can be applied to a convertible debt instrument that is not currently convertible.</p> <p><i>The 12 responses generally supported the changes and contained certain areas for clarification/improvements.</i></p>	<p>A final ASU is expected in 3Q</p>
<p>Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40)</p> <p><i>Disaggregation of Income Statement Expenses</i></p> <p>Issued: July 31, 2023</p> <p>Resource: New Expense Details Coming for Public Companies?</p>	<p>PBEs would be required to provide additional detailed information—on an annual and interim basis—about the types of expenses (including inventory and manufacturing, employee compensation, depreciation, and amortization) included within commonly presented expense line items: cost of sales; selling, general, and administrative; and research and development.</p> <p><i>FASB agreed on expense captions subject to disaggregation, required expense categories, selling expenses, and integration of existing disclosures without mapping requirements.</i></p> <p><i>In March 2024, FASB refined the definitions of employee and employee compensation. Entities would be allowed to make their own determinations if advertising expenses should be included with selling expenses.</i></p> <p>On May 8, 2024, FASB discussed JVs, cost-sharing arrangements, industry specific research, scope, and inventory expense disaggregation.</p>	<p>A final ASU is expected in 4Q</p>
<p>Financial Instruments—Credit Losses (Topic 326)</p> <p><i>Purchased Financial Assets</i></p> <p>Issued: June 27, 2023</p> <p>Resource: Changes Coming for Acquired Financial Assets Accounting?</p>	<p>The project will consider expanding the scope of the purchased credit deteriorated (PCD) accounting model to all loans acquired in a business combination.</p> <p><i>Thirty-four comment letters were received, and feedback was mixed, similar to the original CECL deliberations.</i></p> <p><i>FASB met on February 28, 2024 and decided to pursue a gross-up approach to all purchased financial assets.</i></p>	<p>Ongoing deliberations</p>

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Topic & Title	Description	Status
Outstanding Exposure Drafts		
<p>Interim Reporting (Topic 270) <i>Narrow Scope Improvements</i> Issued: November 1, 2021 Resource: FASB Rethinks Interim Reporting – Second Proposal Coming</p>	<p>The proposal incorporates into GAAP SEC Regulation S-X guidance that requires disclosure at interim periods when a significant event or transaction has occurred since the prior year-end that has a material effect on an entity.</p> <p><i>FASB met on April 10, 2024 and reviewed additional outreach resulting in drafting changes and additional clarifications.</i></p>	<p>A revised exposure draft with a 90-day comment period is planned for 3Q 2024</p>
<p>Derivatives and Hedging (Topic 815) <i>Hedge Accounting Improvements</i> Issued: November 12, 2019</p>	<p><i>FASB acknowledged this proposal fell short of the board’s intended goals and will consider a new approach to allow hedging for spot transactions, by developing a principle leveraging the normal purchase/sale derivative scope exception.</i></p> <p><i>On April 10, 2024, FASB affirmed the proposed amendments expanding the population of hedged risks permitted to be aggregated in a group of individual forecasted transactions in a cash flow hedge and the requirement that the similar risk assessment be performed at hedge inception and on an ongoing basis. FASB also approved updates to the guidance used to assess whether a group of individual forecasted transactions in a cash flow hedge has a similar risk exposure.</i></p> <p><i>At the June 4, 2024 meeting, FASB voted to issue a revised exposure draft with a 60-day comment period.</i></p>	<p><i>A revised exposure draft is planned for 3Q 2024</i></p>

Ongoing Projects

In addition to proposed ASUs, FASB’s technical plan includes the following active projects not discussed in the earlier sections and excludes technical corrections or codification improvements and taxonomy updates. Recent updates are **bolded**.

Recognition & Measurement Projects	
<p>Accounting for Environmental Credit Programs</p> <p><i>Exposure draft is planned for 3Q 2024</i></p> <p>Added to Agenda May 2022</p>	<p>This project will address the recognition, measurement, presentation, and disclosure requirements for participants in compliance and voluntary programs that result in the creation of environmental credits and for the nongovernmental creators of environmental credits.</p> <p><i>At prior meetings, FASB agreed on scope and accounting for noncompliance environmental credits and environmental credits acquired in a business combination.</i></p> <p><i>FASB met on June 12, 2024 and approved drafting of an exposure draft that will have a 90-day comment period.</i></p>
<p>Accounting for and Disclosure of Software Costs</p> <p><i>Exposure draft is planned for 3Q 2024</i></p> <p>Added to Agenda June 2022</p>	<p>The project's goal is to modernize the accounting for software costs and enhance the transparency about an entity's software costs. <i>On March 20, 2024, FASB met to review additional research and project direction. Instead of pursuing a single model, FASB will instead make targeted changes to Accounting Standards Codification (ASC) 350 to address agile development and new disclosures.</i></p> <p><i>FASB met on June 18, 2024 and approved drafting of an exposure draft that will have a 90-day comment period.</i></p>
<p>Government Grants</p> <p><i>Exposure draft is planned for 3Q 2024</i></p> <p>Added to Agenda November 2023</p>	<p>The project will develop accounting guidance for recognizing and reporting government grants.</p> <p><i>On June 4, 2024, FASB approved issuance of an exposure draft with a 90-day comment period. A business entity would disclose the fair value of grants of tangible nonmonetary assets in the period in which the grant is recognized. For grants related to assets that are accounted for using a cost-accumulation approach, a business entity would not be required to disclose the line items on the balance sheet and income statement that are affected by the grant, and the amounts applicable to each financial statement line item in the current reporting period. Guidance includes the recognition and measurement of grant-related liabilities in a business combination.</i></p>
<p>Derivatives Scope Refinements</p> <p><i>Exposure Draft Expected in 3Q</i></p> <p>Added to Agenda December 2023</p>	<p>FASB added this project to refine the scope of Topic 815 through the expansion of derivative scope exceptions considering the interaction between Topic 815 and Topic 606, <i>Revenue from Contracts with Customers</i>, related to certain revenue arrangements involving noncash consideration.</p> <p><i>On April 10, 2023, FASB approved issuance of an exposure draft that would replace the current predominant assessment with a fair value assessment that would only be required at contract assessment. Other updates include:</i></p> <ol style="list-style-type: none"> <i>1. The grantee of a share-based payment in a contract with a customer should apply the guidance in ASC 606 in noncash consideration.</i> <i>2. Add illustrative guidance on recognizing a share-based payment from a customer in a revenue contract.</i>

Recognition & Measurement Projects

	<p>3. Clarify the guidance in ASC 815 and 321 does not apply to a share-based payment from a customer in a revenue contract that is within the scope of ASC 606 unless and until the share-based payment is recognized under ASC 606.</p>
<p>Determining the Accounting Acquirer Initial deliberations (EITF) Added to Agenda April 2024</p>	<p>The project will consider amendment to the guidance on the determination of the accounting acquirer in ASC 805-10-25-5 when the legal acquiree is a variable interest entity (VIE). An EITF meeting is scheduled for June 14, 2024 to discuss three possible alternatives.</p>
<p>Share-Based Consideration Payable to a Customer <i>Exposure Draft Expected in 3Q</i> Initial deliberations Added to Agenda June 2024</p>	<p>The project will clarify the guidance in ASC 606, <i>Revenue from Contracts with Customers</i>, and ASC 718, <i>Compensation—Stock Compensation</i>, on share-based payments that are granted by an entity as consideration payable to its customer.</p> <p><i>FASB will propose to update the definition of the term performance condition for share-based consideration payable to a customer to explicitly incorporate conditions that relate to achieving a specified performance target that is defined by reference to the grantee’s purchases of goods or services from the grantor. For share-based consideration payable to a customer with a service condition, an entity would be required to estimate the number of forfeitures expected to occur.</i></p> <p><i>FASB met on June 12, 2024 and approved drafting of an exposure draft that will have a 45-day comment period.</i></p>

Presentation & Disclosure Projects

<p>Cash Flow Statement Targeted Improvements Initial deliberations Added to agenda November 2023</p>	<p>The project’s goal is to reorganize and disaggregate the statement of cash flows for financial institutions to improve the decision usefulness of that statement and develop a disclosure about an entity’s cash interest received.</p>
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Research Projects

- **Accounting for and Disclosure of Intangibles** – The research will consider potential ways to improve the accounting for and disclosure of intangibles, including internally developed intangibles and research and development. On June 22, 2022, FASB reviewed research performed to date. Board members provided suggestions on and observations about the focus and prioritization for continued research efforts.

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- **Accounting for Commodities** – This research project will explore accounting for and disclosure of commodities.
- **Consolidation for Business Entities** – This research project will explore whether a single consolidation model could be developed for business entities. This research project does not include reconsideration of the consolidation guidance in Topic 958, *Not-for-Profit Entities*.
- **Definition of a Derivative** – This project will consider refinements to the scope of Topic 815, *Derivatives and Hedging*, including certain aspects of the definition of a derivative and derivative scope exceptions, and the application to certain arrangements (such as research and development funding arrangements and financial instruments with environmental, social, and governance-linked features).
- **Financial Key Performance Indicators for Business Entities** – This research project will explore standardizing the definitions of financial key performance indicators, following the progress of the Disaggregation Income Statement Expenses project, and considering interactions with the regulatory framework.
- **Statement of Cash Flows** – The project will make targeted improvements to provide investors with additional decision-useful information. Initial areas of focus will include disclosure on cash interest received and reorganizing the statement of cash flows for financial institutions with a required subtotal within the operating sections for net interest income-related adjustments.

Conclusion

The assurance team at Forvis Mazars delivers extensive experience and skilled professionals to assist with your objectives. Our proactive approach includes candid and open communication to help address your financial reporting needs. At the end of the day, we know how important it is for you to be able to trust the numbers; our commitment to independence and objectivity helps provide the security and confidence you desire. Whether you are publicly traded or privately held, Forvis Mazars can help provide an independent and objective view into your financial reporting. We leverage some of the latest technologies and process automation tools to provide companies assurance on their financial statements to help meet stakeholders' needs.

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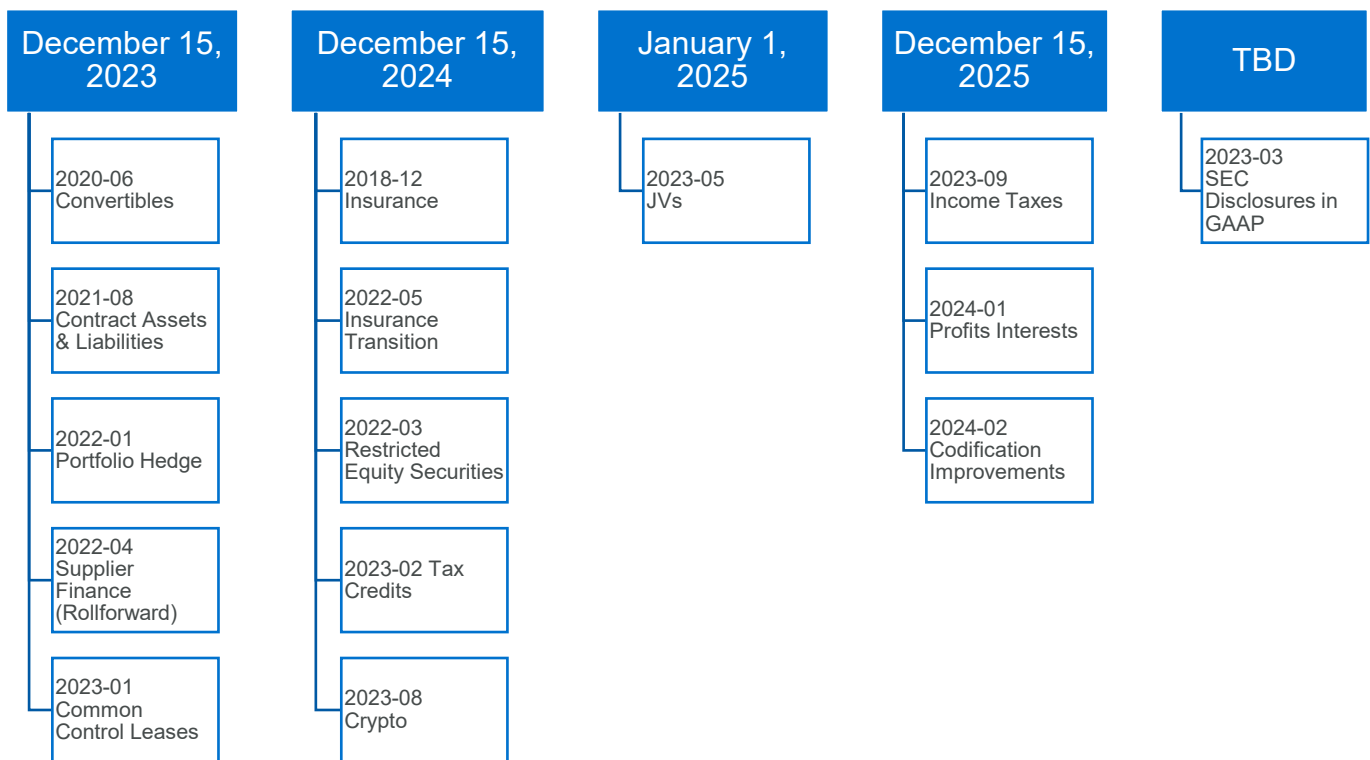
Appendix A – Effective Dates for PBEs & Public Entities

For fiscal years/annual periods beginning after:

December 15, 2023	December 15, 2024	January 1, 2025	TBD
2020-06 Convertibles (SRCs)	2018-12 Insurance (SRC)	2023-05 JVs	2023-06 SEC Disclosures in GAAP
2022-03 Restricted Equity Securities	2022-05 Insurance Transition (SRC)		
2022-04 Supplier Finance (Rollforward)	2023-08 Crypto		
2023-01 Common Control Leases	2023-09 Income Taxes		
2023-02 Tax Credits	2024-01 Profits Interests		
2023-07 Segment Reporting	2024-02 Codification Improvements		

Appendix B – Effective Dates for Non-PBEs

For fiscal years/annual periods beginning after:



Appendix C – Upcoming ASUs

Effective for 2024 Calendar Year-Ends

Topic & Title	Description	Effective Dates	
		PBEs (Not SRCs)	Other Entities
<p>ASU 2020-06</p> <p>Debt (Topic 470) and Derivatives and Hedging (Topic 815)</p> <p><i>Accounting for Convertible Instruments and Contracts in an Entity's Own Equity</i></p> <p>Resource: Accounting for Convertible Instruments – Refresher for Private Companies</p>	<p>The ASU reduces the number of accounting models available for convertible debt securities, resulting in fewer embedded conversion features being separately recognized from the host contract. The ASU also amends guidance for the derivatives scope exception for contracts in an entity's own equity. It removes three conditions required to qualify for the settlement guidance related to settlement in unregistered shares, collateral requirements, and shareholder rights.</p>	<p>Already effective</p>	<p>Annual and interim reporting periods beginning after December 15, 2023</p>
<p>ASU 2021-08</p> <p>Business Combinations (Topic 805)</p> <p><i>Accounting for Contract Assets and Contract Liabilities from Contracts with Customers</i></p> <p>Resource: Refresher on Contract Assets & Liabilities in a Business Combination</p>	<p>The ASU requires an acquirer to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606.</p>	<p>Already effective</p>	<p>Interim and annual fiscal years beginning after December 15, 2023</p>

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Topic & Title	Description	Effective Dates	
		PBEs	Other Entities
<p>ASU 2022-01</p> <p>Derivatives and Hedging (Topic 815)</p> <p><i>Fair Value Hedging—Portfolio Layer Method</i></p> <p>Resource: Updates on Hedge Accounting for Private Companies</p>	<p>The ASU expands the current single-layer model to allow multiple-layer hedges of a single closed portfolio of financial assets or one or more beneficial interests secured by a portfolio of financial instruments. This allows an entity to achieve hedge accounting for a great proportion of the interest rate risk for assets in a closed portfolio.</p>	<p>Already effective</p>	<p>Fiscal years beginning after December 15, 2023, including interim periods</p>
<p>ASU 2022-03</p> <p>Fair Value Measurement (Topic 820)</p> <p><i>Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions</i></p> <p>Resource: Prepared for New Fair Value Guidance for Restricted Equity Securities?</p>	<p>The ASU clarifies that a contractual restriction on the sale of an equity security is not considered part of the security’s unit of account and should not be considered in measuring fair value. Entities also are now prohibited from recognizing and measuring the contractual sales restriction as a separate unit of account, e.g., as a liability or contra-asset.</p>	<p>Annual and interim reporting periods beginning after December 15, 2023</p>	<p>Annual and interim reporting periods beginning after December 15, 2024</p>
<p>ASU 2022-04</p> <p>Liabilities—Supplier Finance Programs (Subtopic 405-50)</p> <p><i>Disclosure of Supplier Finance Program Obligations</i></p> <p>Resource: New Disclosures for Supply Finance Arrangements</p>	<p>The ASU requires the buyer in a supplier finance program to disclose qualitative and quantitative information about the program to allow an investor to understand the program’s nature, activity during the period, changes from period to period, and potential magnitude.</p>	<p>Rollforward</p> <p>Fiscal years ending after December 15, 2023</p>	

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Topic & Title	Description	Effective Dates	
		PBEs	Other Entities
ASU 2023-01 Leases (Topic 842) Common Control Arrangements Resource: FASB Finalizes Common Control Lease Relief	<p>The ASU addresses the following issues:</p> <p>A. Terms and conditions to be considered for arrangements between common control entities in determining lease existence, and if so, the classification and accounting.</p> <p>B. Accounting for leasehold improvements when the lease term in a common control lease is shorter than the economic life of the leasehold improvements.</p>	<p>Fiscal years beginning after December 15, 2023.</p> <p>Early adoption permitted for interim and annual financial statements that have not yet been made available for issuance</p>	
ASU 2023-02 Investments—Equity Method and Joint Ventures (Topic 323) Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method Resource: Proportional Amortization Option for More Tax Credit Programs & LIHTC Accounting Changes	<p>The ASU expands the proportional amortization method accounting election—under certain conditions—to other existing programs, such as the New Markets Tax Credit (NMTC), Historic Rehabilitation Tax Credit (HTC), and Renewable Energy Tax Credit (RETC). Additional disclosures also would be required. Certain existing specialized guidance for Low-Income Housing Tax Credit (LIHTC) investments has been removed to provide more comparable accounting for all tax programs.</p> <p>FASB acknowledged that some NMTCs may not be able to take advantage of this election.</p>	<p>Fiscal years beginning after December 15, 2023, including interim periods</p>	<p>Fiscal years beginning after December 15, 2024, including interim periods</p>
		Public Entities	
ASU 2023-07 Segment Reporting (Topic 280) Improvements to Reportable Segment Disclosures Resource: FASB Mandates New Segment Details for Public Companies in 2024	<p>For annual and interim reporting, significant segment expenses that are regularly provided to the chief operating decision maker (CODM) and included within each reported measure of segment profit/loss and an amount for other segment items by reportable segment with a description of its composition.</p> <p>Required interim reporting for currently required annual disclosures on a reportable segment.</p> <p>Guidance for multiple measures of a segment's profit/loss and single reporting segments.</p> <p>Title and position of the individual/committee identified as the CODM.</p>	<p>Fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted</p>	

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Effective for 2025 Calendar Year-Ends

Topic & Title	Description	Effective Dates	
		PBEs (Not SRCs)	Other Entities
ASU 2018-12 Financial Services—Insurance (Topic 944) <i>Targeted Improvements to the Accounting for Long-Duration Contracts</i> Resource: What You Need to Know: Long-Duration Insurance Contracts	The new guidance: <ul style="list-style-type: none"> Requires annual assumptions update for liability measurement Standardizes liability discount rate Improves measurement of market risk benefits Simplifies amortization of deferred acquisition costs on a more level basis Requires significant new disclosures 	Already effective	Fiscal years beginning after December 15, 2024 and interim periods beginning after December 15, 2025
ASU 2022-05 Financial Services—Insurance (Topic 944) <i>Transition for Sold Contracts</i> Resource: Relief on Long-Duration Insurance Transition	The ASU creates an accounting policy election on a transaction-by-transaction basis whereby an insurer could opt out of applying ASU 2018-12 to certain contracts or legal entities sold or disposed before the effective date. The relief would be limited to contracts or legal entities in which the insurer does not have continuing involvement.	Already effective	Fiscal years beginning after December 15, 2024 and interim periods beginning after December 15, 2025

Topic & Title	Description	Effective Dates	
		PBEs	Other Entities
ASU 2023-05 Business Combinations—Joint Venture Formations (Subtopic 805-60) <i>Recognition and Initial Measurement</i> Resource: New JV Accounting Rules – Fair Value Required	The ASU provides—for the first time—recognition and initial measurement for joint ventures (JVs). To reduce diversity in practice and provide decision-useful information to investors, a JV would be required to apply a new basis of accounting. At formation, a newly formed JV would initially generally measure its assets and liabilities at fair value.	For JV formations on or after January 1, 2025	

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Topic & Title	Description	Effective Dates	
		All Entities	
<p>ASU 2023-08 Intangibles-Goodwill and Other – Crypto Assets (Subtopic 350-60) <i>Accounting for and Disclosure of Crypto Assets</i> Resource: Details on FASB's New Crypto Guidance</p>	<p>Fair value accounting requires increased disclosures for entities holding certain crypto assets.</p>	<p>Fiscal years beginning after December 15, 2024, including interim periods within those fiscal years</p>	
		PBEs	Other Entities
<p>ASU 2023-09 Income Taxes (Topic 740) <i>Improvements to Income Tax Disclosures</i> Resource: FASB Finalizes New Income Tax Disclosures</p>	<p>New annual tabular income tax reconciliation for PBEs. All entities would be required to break out federal, state, and foreign taxes with a disaggregation for jurisdictions that exceed 5% of income taxes paid.</p>	<p>Annual periods beginning after December 15, 2024</p>	<p>Annual periods beginning after December 15, 2025</p>
<p>ASU 2024-01 Compensation—Stock Compensation (Topic 718) <i>Scope Application of Profits Interest and Similar Awards</i> Issued: March 21, 2024 Resource: FASB Clarifies Profits Interest Accounting</p>	<p>The ASU adds an illustrative example (with four fact patterns) on how an entity would apply ASC 718 scope guidance.</p>	<p>Annual and interim periods after December 15, 2024</p>	<p>Annual and interim periods beginning after December 15, 2025</p>
<p>ASU 2024-02 Codification Improvements <i>Amendments to Remove References to Concepts Statements</i> Issued: March 29, 2024</p>	<p>The ASU removes references to various Concepts Statements. In most instances, the references are extraneous and not required to understand or apply the guidance. In other instances, the references are a substitute for actual wording from a Concepts Statement. In most cases, the ASU is not intended to result in significant accounting changes for most entities.</p>	<p>Annual and interim periods after December 15, 2024</p>	<p>Annual and interim periods beginning after December 15, 2025</p>

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Effective Date – TBA

Topic & Title	Description	Effective Dates	
		SEC Filers	Other Entities
<p>ASU 2023-06</p> <p>Disclosures (Various Topics)</p> <p><i>Disclosure Improvements: Codification Amendments in Response to the SEC’s Disclosure Update and Simplification Initiative</i></p> <p>Resource: FASB Adds Certain SEC Disclosures to GAAP</p>	<p>Additions to GAAP that were previously included in SEC guidance include changes to interim reporting, earnings per share, debt, consolidation, derivative and repo disclosures, foreign exchange, real estate investment trusts, and oil and gas industry-specific disclosures.</p>	<p>For SEC filers, the effective date for each amendment will be the effective date when the SEC removes the related disclosure from Regulation S-X or Regulation S-K. For all other entities, the ASU is effective two years later.</p> <p>Forvis Mazars will continue to provide updates on timing.</p>	