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April 2024

Keeping you informed

Q1 accounting and financial reporting developments

Contents

Message from Sydney Garmong

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Dear readers,

After a relatively quiet January and February, March brought several developments. The most anticipated and notable was the Securities and Exchange Commission (SEC) final rule on climate, which was passed on March 6 by a vote of 3 to 2. We have further digested the rule and offer a deeper dive in our 40 pages of analysis, "Wonder No More: The SEC's Final Climate-Related Disclosure Rules." Also, you can watch the recording of our April 9 webinar, "The New SEC Climate Rules: What You Need to Know."

March 6 was a busy day as the Public Company Accounting Oversight Board (PCAOB) also held a six-hour public roundtable to discuss its proposed changes to standards on a company's noncompliance with laws and regulations. On April 9, the board issued two proposals – one on public reporting of standardized firm and engagement metrics and one on the PCAOB framework for collecting information from audit firms.

In news from Norwalk, Connecticut, the Financial Accounting Standards Board named its new technical director on March 20 and announced members of its reconstituted Emerging Issues Task Force (EITF) on April 3. Congratulations to Jack Day, the new technical director, and the members of the new EITF.

On a lighter note, March brought the NCAA tournaments and other festivities such as St. Patrick's Day. For those of you participating, we hope your brackets performed well and you enjoyed all things green. April 8 brought the eclipse. Whether you were in the path or not, you likely are aware it occurred on Monday. And now, we are onto whether April showers will bring May flowers.

First quarter highlights

During the first quarter of the 2024 calendar year, the Financial Accounting Standards Board (FASB) issued two new Accounting Standards Updates (ASUs): one on profits interest awards and one to remove references to concept statements.

The Securities and Exchange Commission (SEC) remarked on environmental, social, and governance (ESG) disclosures and enforcement and released a statement on commitment to professional skepticism and audit quality. The SEC adopted final rules on climate-related disclosures, order execution information disclosure, definition of dealer, and special purpose acquisition company (SPAC) transactions. The SEC amended Form PF requirements and SEC employee ethical conduct standards and proposed to increase the dollar threshold used in the qualifying venture capital funds definition. The SEC also denied a petition to amend the no admit/no deny policy.

The Public Company Accounting Oversight Board (PCAOB) held a roundtable discussion on the proposed amendments to the auditing standard on noncompliance with laws and regulations (NOCLAR) and proposed a rule addressing false or misleading statements concerning PCAOB registration and oversight. The SEC reported on insights into the deficiencies identified in the interim inspection program over broker-dealers. The PCAOB also announced the 2024 advisory group members.

In addition to these highlights from the quarter, we have included recent developments from the Governmental Accounting Standards Board (GASB).

Checklists for the effective dates of FASB ASUs and GASB statements are provided in the appendix.

From the FASB

Final standards

Amendments to remove references to the concept statements

On March 29, 2024, the FASB issued ASU 2024-02, "Codification Improvements – Amendments to Remove References to the Concepts Statements," to remove references to concept statements, a nonauthoritative source of literature, in the guidance. The amendments are intended to simplify the codification and distinguish between authoritative and nonauthoritative literature.

Effective dates

For public business entities, the amendments are effective for fiscal years beginning after Dec. 15, 2024. For all other entities, the amendments are effective for fiscal years beginning after Dec. 15, 2025. Early adoption is permitted. The amendments should be applied either retrospectively to the beginning of the earliest comparative period presented or prospectively to all new transactions recognized after the effective date.

Scope application of profits interest awards

On March 21, 2024, the FASB issued ASU 2024-01, "Compensation – Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards," to provide an illustrative example comprised of four fact patterns intended to assist entities in evaluating whether a profits interest award should be accounted for as a share-based payment arrangement under Topic 718.

Effective dates

For public business entities, the amendments are effective for fiscal years beginning after Dec. 15, 2024, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after Dec. 15, 2025, including interim periods within those fiscal years. Early adoption is permitted. The amendments should be applied either retrospectively to all prior periods presented in the financial statements or prospectively to awards granted or modified after the effective date.

Proposals

The FASB issued no new proposals during the first quarter of 2024.

Other activity

Proposed Conceptual Framework: Measurement

On Dec. 21, 2023, the FASB issued a proposed statement of financial accounting concept, "Concepts Statement No. 8, Conceptual Framework for Financial Reporting – Chapter 6: Measurement," to provide a conceptual framework for the FASB to consider, relating to the measurement of items recognized in the financial statements. The framework describes the entry price and exit price systems and provides certain considerations when choosing between the relevant measurement systems. The proposal defines each of these price systems as follows:

a. Entry price: The price paid (the value of what was given up) to acquire an asset or received to assume a liability in an exchange transaction
b. Exit price: The price received (the value of what was received) to sell an asset or paid to transfer or settle a liability in an exchange transaction

The proposed statement of financial accounting concept indicates that choosing between these systems should be guided by the system that best meets the objective of general purposes financial reporting for the asset or liability being measured. The relevance of the underlying system depends on the asset or liability itself and how the asset or liability is used or settled.

Comments were due March 20, 2024.

From the SEC

Public statements and announcements

Remarks on ESG disclosures and enforcement

On Feb. 23, 2024, Division of Enforcement Director Gurbir Grewal spoke on the SEC's role in encouraging public trust in institutions and markets by administering consistent and meaningful enforcement actions and by promoting proactive compliance. Highlighting investor interest in ESG matters, Grewal emphasized that the SEC is "merit neutral" and applies the same principles to all information disclosures, charging companies that mislead investors or that downplay or fail to disclose information that is important to investors. Grewal cited recent examples of SEC charges, including charges against materially misleading and false ESG disclosures and misleading marketing claims for ESG-branded investment products.

Statement on commitment to professional skepticism and audit quality

On Feb. 5, 2024, SEC Chief Accountant Paul Munter issued a statement on the importance of professional skepticism and the key roles of auditors and audit committees in conducting high-quality audits. Citing rising PCAOB inspection deficiency rates, Munter urged auditors to be wary of potential pressures on management and other heightened fraud risks amid an evolving economic environment. He said that to help ensure high-quality audits, auditors should engage proactively with the audit committee, involve specialists when further expertise is necessary, train engagement teams to be aware of bias, and empower staff to exercise professional skepticism. He added that it is the auditor's responsibility to wield such skepticism in assessing management's judgment and in collecting and evaluating audit evidence.

Munter also spoke on the role of the audit committee, stating that the audit committee should consider a firm's inspection results and other quality metrics and measures when appointing an auditor. The audit committee should engage in regular dialogue with the auditor, asking questions about the partner's involvement and the team's requisite experience and knowledge. Munter noted that both auditors and audit committees should remember their responsibility to protect the interests of investors rather than prioritizing the interests of management.

Small-business capital formation report

On Dec. 14, 2023, the SEC's Office of the Advocate for Small Business Capital Formation released its annual report analyzing trends in capital formation and garnering perspectives and experiences within the small-business ecosystem. The report emphasizes the challenges faced by small businesses in raising capital and includes a summary of activities and policy recommendations from the office and the Small Business Capital Formation Advisory Committee.

Rules and guidance

Climate-related disclosures

On March 6, 2024, the SEC voted 3-2 to adopt its long-awaited final rules on climate-related disclosures. The final rules include qualitative and quantitative disclosure requirements within and outside of the financial statements. New requirements outside of the financial statements (Regulation S-K) include disclosures of:

- Material climate-related risks, including physical and transition risks, which are those that have had or are likely to have a material impact on the registrant's business, financial condition, or results of operations
- Details on a registrant's climate-related governance, and material climate-related mitigation activities, targets, and goals
- For large accelerated filers and accelerated filers, material Scope 1 and Scope 2 greenhouse gas emissions metrics, with an accompanying attestation requirement
- Information on a registrant's transition plans or scenario analysis, if any, to address climate-related risks

Requirements within the financial statements (Regulation S-X) include disclosures of:

- Expenditures incurred as a result of severe weather and other natural conditions, including expenses, capitalized costs, charges, and losses, as well as separate disclosure of any recoveries
- Disaggregated information on expenditures incurred related to carbon offsets or renewable energy credits, if their use is material to reaching a climate-related goal
- Qualitative information on the impact of severe weather or other natural conditions on estimates or assumptions, if material

For more information on the final rules, including details on the phased-in transition timeline, see the Crowe article "The Wait Is Over: SEC Issues Final Climate-Related Disclosure Rules."

Order execution information disclosure

On March 6, 2024, the SEC adopted final rule amendments to Rule 605, updating the rule's disclosure requirements for executions of covered orders in national market system stocks. Among other changes, the final amendments:

- Update the scope of reporting entities to include broker-dealers that introduce or carry 100,000 or more customer accounts, and require broker-dealers to provide separate reports for any single-dealer platforms they operate
- Include certain orders submitted outside of regular trading hours, certain orders submitted with stop prices, and certain short sale orders in the definition of a "covered order"
- Modify order size, order type, and time-to-execution categories, and require average time to execution to be reported in increments of a millisecond or finer and calculated on a share-weighted basis
- Require reporting of additional statistical measures of execution quality
- Require all reporting entities to make a summary report publicly available

The amendments become effective 60 days after publication in the Federal Register. Entities will have 18 months thereafter to comply with its provisions.

SEC employee ethical conduct standards

On Feb. 22, 2024, the SEC and the Office of Government Ethics jointly adopted final amendments to the standards governing ethical conduct of SEC employees. The final amendments:

- Prohibit employees from investing in financial industry sector funds, which concentrate investments in entities regulated by the SEC
- Allow employees to permit financial institutions to automatically transmit information on their transactions and holdings directly to the SEC
- Provide an exemption to pre-clearance, reporting, and holding period requirements for diversified mutual funds that do not concentrate investments in any specific sector, business, industry, state, or foreign country
- Clarify that in addition to traditional initial public offerings (IPOs), employees are prohibited from purchasing securities directly listed on an exchange for seven calendar days after the listing effective date

The final rule was effective March 29, 2024.

Form PF requirements

On Feb. 8, 2024, the SEC and the Commodity Futures Trading Commission jointly adopted final amendments to private fund reporting Form PF. The amendments require enhanced reporting from certain SEC-registered investment advisers to private funds, including:

- Enhanced reporting for large hedge fund advisers on qualifying hedge funds with a net asset value of at least $500 million, including enhanced information on risk and exposure, investment performance by strategy, and financing and investor liquidity
- Enhanced reporting for advisers and their private funds, including enhanced information on assets under management and asset value, withdrawal and redemption rights, inflows and outflows, borrowings and types of creditors, beneficial ownership, and fund performance
- Separate reporting for "each component fund of a master-feeder arrangement and parallel fund structure" and aggregate reporting for trading vehicles used by reporting funds

In addition, the amendments remove the aggregate reporting requirement on hedge funds by large hedge fund advisers.

Entities have until March 12, 2025, to comply with the amended Form PF requirements.

Definition of "dealer"

On Feb. 6, 2024, the SEC adopted final rules on statutory definitions of a dealer or a government securities dealer – specifically, providing clarification on the qualifier of a person who does not buy or sell securities "as a part of a regular business," which exempts such persons from registering with the commission under the *Securities Exchange Act of 1934*. Addressing concerns about market participants that engage in significant liquidity-providing activities but were not previously required to register as dealers due to the exemption, the new rules specify that either of the following activities would entail buying or selling securities as part of a regular business:

- "Regularly expressing trading interest that is at or near the best available prices on both sides of the market for the same security, and that is communicated and represented in a way that makes it accessible to other market participants"
- "Earning revenue primarily from capturing bid-ask spreads, by buying at the bid and selling at the offer, or from capturing any incentives offered by trading venues to liquidity-supplying trading interest"

The final rules become effective April 29, 2024. Affected market participants will have one year from the effective date to comply with dealer registration requirements.

No admit/no deny policy petition

On Jan. 30, 2024, the SEC denied a petition for rulemaking to amend the commission's "no admit/no deny" policy. The policy currently prevents defendants from denying allegations when entering into a settlement with the commission, requiring defendants to either admit the allegations or to state that they neither admit nor deny the allegations. SEC Chair Gary Gensler and Commissioner Hester Peirce issued statements on the decision.

SPAC transactions

On Jan. 24, 2024, the SEC adopted final rules on IPOs conducted by SPACs and on subsequent business combination transactions, commonly known as de-SPAC transactions. The final rules, which include new guidance and regulatory changes alongside enhanced disclosures, better align requirements and legal obligations in such transactions with those of traditional IPOs.

Among other provisions, the final rules introduce new mandatory disclosures for SPAC IPOs – including information about the SPAC structure, planned de-SPAC timeline, risks, and governance. Filings for both SPAC IPOs and de-SPAC transactions must include disclosures about the SPAC sponsor, potential conflicts of interest, and potential shareholder dilution. The final rules also require additional disclosures for de-SPAC transactions, including a disclosure of the board of directors' determination of whether a specific de-SPAC transaction is advisable and in the best interests of the SPAC and its shareholders (when mandated by the jurisdiction in which the SPAC is organized).

The final rules also introduce regulatory updates, making the target company a co-registrant in a de-SPAC transaction, thereby subjecting target company executives to legal liability for material registration statement errors or omissions. They designate any business combination involving a shell company (including, but not limited to, SPACs) as a sale of securities to the shell company's shareholders. The rules also introduce provisions on the use of projections broadly applicable to all SEC filers, as well as requirements on projections and forward-looking statements specific to SPAC transactions.

The final rules provide guidance on identifying underwriters in a de-SPAC transaction and assessing whether a SPAC qualifies as an investment company under the *Investment Company Act of 1940*. They also require re-determination of smaller reporting company status following a de-SPAC transaction and require a 20-day minimum dissemination period for security holder communication materials in connection with such transactions. Certain structured data extensible business reporting language (XBRL) requirements are also included within the final rules.

The final rules are effective July 1, 2024. Structured data requirements become effective June 30, 2025.

For more details on the final rules, see the Crowe article "SEC Final Rules Enhance Disclosures for SPAC IPOs."

Bitcoin spot funds

On Jan. 10, 2024, the SEC approved 11 applications to list bitcoin spot exchange traded funds. The commission vote was split, and various perspectives were provided by Gensler and commissioners Peirce, Caroline Crenshaw, and Mark Uyeda.

NYSE listing standards on certain securities sales requiring shareholder approval

On Dec. 26, 2023, the SEC granted accelerated approval to a New York Stock Exchange (NYSE) proposal that amends the circumstances under which listed companies must obtain shareholder approval prior to a sale of securities to a significant shareholder. If the sale is below "minimum price" (as defined by the NYSE listed company manual) and exceeds 1% of either the number of shares of common stock or the voting power outstanding before the sale, shareholder approval is required. Under the amendment, the requirement to obtain shareholder approval would apply only to sales of securities to "active related parties." This category includes "directors, officers, controlling shareholders or members of a control group or any other substantial security holders of the company that have an affiliated person who is an officer or director of the company."

Comments were due Jan. 23, 2024.

Accredited investor definition

On Dec. 15, 2023, the SEC issued a staff report to clarify the definition of an accredited investor. The *Dodd-Frank Wall Street Reform and Consumer Protection Act* requires the SEC to reexamine the definition every four years. The report includes a review of the current accredited investor pool with feedback from the Investor Advisory Committee and Small Business Capital Formation Advisory Committee. It encourages feedback from the public.

On Feb. 27, 2024, the SEC's Small Business Capital Formation Advisory Committee held a meeting at which they discussed the accredited investor definition.

Proposals

Qualifying venture capital funds definition

On Feb. 14, 2024, the SEC issued a proposal to increase the dollar threshold used in the statutory definition of a "qualifying venture capital fund" from $10 million to $12 million in aggregate capital contributions. The increased threshold would affect the scope of the *Investment Company Act of 1940*, because qualifying venture capital funds are exempt from the act's requirements for investment companies. The proposal also would establish a formal process for the SEC to set inflation-based adjustments indexed to the Personal Consumption Expenditures Chain-Type Price Index every five years.

Comments were due March 22, 2024.

From the PCAOB

Standard-setting and rulemaking

Noncompliance with laws and regulation

On March 6, 2024, the PCAOB held a public roundtable discussion covering the proposed amendments to PCAOB auditing standards related to a company's NOCLAR. Participants in the six-hour discussion comprised a cross-section of stakeholders including auditors, investors, lawyers, and academics. Three different panel discussions addressed the following topics:

- Panel I: Identification
  - Threshold for identification of laws and regulations
  - Direct illegal acts versus indirect illegal acts
- Panel II: Considerations for an auditor's assessment of noncompliance and other legal considerations
  - Competence to assess relevant NOCLAR
  - Concerns regarding potential waiver of attorney-client privilege
- Panel III: Economic impacts
  - Benefits and costs of proposal

Panelists did not reach a consensus during the roundtable, and the comment period on the proposal was reopened through March 18.

Proposed rule on false or misleading statements about PCAOB registration and oversight

The PCAOB on Feb. 27, 2024, issued a proposal for a new PCAOB Rule 2400, "False or Misleading Statements Concerning PCAOB Registration and Oversight," that will establish restrictions on statements auditors can make concerning a firm's PCAOB registration status, including the extent of PCAOB oversight of the firm's work, to prohibit false or misleading statements. Also, the proposal includes a new procedural mechanism that would enable the PCAOB, under specified conditions, to treat a PCAOB-registered firm's failures both to file annual reports and to pay annual fees for at least two consecutive reporting years as a constructive request for leave to withdraw from PCAOB registration and to deem the firm's registration withdrawn.

Comments were due April 12, 2024.

Inspections

Insights into broker-dealer audit deficiencies

The PCAOB on Jan. 30, 2024, published a spotlight report, "Insights Into the PCAOB's Interim Inspection Program Related to Audits of Broker-Dealers," in which the board identifies and discusses the potential factors that contributed to the high deficiency rates identified in the interim inspection program. The PCAOB identified the following factors:

- Insufficient understanding of the broker-dealer industry
- Lack of professional skepticism
- Lack of rigor in risk assessment and internal controls
- Inexperience with PCAOB standards
- Ineffective engagement quality review
- Overreliance on standardized audit programs
- Low-cost providers and the pace of auditor changes

In addition, the report provides reminders for auditors.

Advisory groups

Advisory group members for 2024

On Feb. 7, 2024, the PCAOB released the names of members of the Investor Advisory Group and the Standards and Emerging Issues Advisory Group for this year. The announcement identified the new 2024 appointees whose two-year terms will expire Dec. 31, 2025, as well as continuing members whose terms will expire Dec. 31, 2024.

From the GASB

Final standards

The GASB issued no new standards during the first quarter of 2024.

Proposals

The GASB issued no new proposals during the first quarter of 2024.

Accounting Standards Updates (ASU) effective dates

Checklist A

ASU effective dates for public business entities (PBEs)

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
Convertible Instruments and Contracts in an Entity's Own Equity (ASU 2020-06) Clarifies the accounting for certain financial instruments with characteristics of liabilities and equity. The amendments reduce number of accounting models for convertible debt instruments and convertible preferred stock. The cash conversion and beneficial conversion feature models were removed. Limiting the accounting models will result in fewer embedded conversion features being separately recognized from the host contract. Improves disclosure requirements for convertible instruments and earnings-per-share guidance. Revises derivatives scope exception guidance to reduce form-over- substance-based accounting conclusions driven by remote contingent events.	**For SEC filers, excluding smaller reporting companies, March 31, 2022** **For all other PBEs, including smaller reporting companies, March 31, 2024**	**Permitted as of the fiscal years beginning after Dec. 15, 2020.** **An entity must adopt the guidance as of the beginning of the fiscal year and not in a subsequent interim.**
Long-Duration Insurance Contracts (ASU 2018-12) Revises the accounting for life insurance and annuity contracts by eliminating the method of locking in liability assumptions and the premium deficiency test for traditional and limited-payment contracts, among other methodology changes. Requires additional disclosure. Clarifying standards: **ASU 2019-09** – Deferral of effective dates. **ASU 2020-11** – Deferral of effective dates. **ASU 2022-05** – Revises transition guidance to allow for an insurance entity to make an accounting policy election on a transaction-by-transaction basis. An insurance entity may elect to exclude contracts from applying the amendments if certain conditions are met as of the effective date.	**For SEC filers, excluding smaller reporting companies, March 31, 2023** **For all other PBEs, including smaller reporting companies, Dec. 31, 2025**	**Permitted**
Disclosure of Supplier Finance Program Obligations (ASU 2022-04) Provides transparency regarding the entity's use of supplier finance programs. The amendments require various quantitative and qualitative disclosures including key terms of the program, the amount outstanding, a description of where those obligations are presented on the balance sheet, and a rollforward of those obligations during the annual period. For interim reporting, the buyer should disclose the outstanding confirmed amount as of the end of the interim period.	**March 31, 2023, except for the amendment on rollforward information, which is March 31, 2024**	**Permitted**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions (ASU 2022-03) Clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. Clarifies that an entity cannot recognize and measure a contractual sale restriction as a separate unit of account. The amendments include various disclosure requirements.	**March 31, 2024**	**Permitted, including in an interim period**
Common Control Lease Arrangements (ASU 2023-01) Revises the accounting for leasehold improvements. Leasehold improvements associated with a lease between entities under common control are to be amortized over the useful life of those improvements to the common control group as long as the lessee controls the use of the underlying asset through a lease. If the lessor obtained the right to control the use of the underlying asset through a lease with another entity not within the common control group, the amortization period is determined under existing guidance when a lease is not a lease between entities under common control. If and when the lessee no longer controls the underlying asset, leasehold improvements associated with common control leases must be accounted for as a transfer between entities under common control through an adjustment to equity.	**March 31, 2024**	**Permitted, including in an interim period. If adopted in an interim period, an entity must adopt as of the beginning of the fiscal year that includes that interim period.**
Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (ASU 2023-02) Expands the option to account for tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. For tax equity investments not accounted for under the proportional amortization method, the amendments require entities to apply ASC Topic 323, "Equity Method or Joint Ventures," or ASC Topic 321, "Investments – Equity Securities." The amendments require specific disclosures that must be applied to all investments that generate income tax credits and income tax benefits from a tax credit program for which an entity has elected to apply the proportional amortization method, including investments within the tax credit program that do not otherwise qualify for the proportional amortization method.	**March 31, 2024**	**Permitted, including in an interim period. If adopted in an interim period, an entity must adopt as of the beginning of the fiscal year that includes that interim period.**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
Segment Reporting (ASU 2023-07) Enhances disclosures about significant segment expenses for public entities reporting segment information under ASC Topic 280. Requires public entities to disclose significant expense categories for each reportable segment, other segment items, the title and position of the chief operating decision-maker, and interim disclosures of certain segment-related information previously required only on an annual basis. Clarifies that entities reporting single segments must disclose both the new and existing segment disclosures under Topic 280, and a public entity is permitted to disclose multiple measures of segment profit or loss if certain criteria are met.	**Dec. 31, 2024**	**Permitted, including in an interim period**
Joint Venture Formations (ASU 2023-05) Amends the accounting for contributions made to a joint venture upon formation in a joint venture's separate financial statements. The amendments require that a joint venture apply a new basis of accounting upon formation. By applying a new basis of accounting, a joint venture, upon formation, will recognize and initially measure its assets and liabilities at fair value with exceptions to the fair value measurement that are consistent with the business combination guidance.	**March 31, 2025**	**Permitted, including in an interim period**
Crypto Assets (ASU 2023-08) Requires holdings of certain crypto assets to be measured at fair value at each reporting period with changes in fair value recorded through earnings. The amendments apply to assets meeting certain defined characteristics and require crypto assets to be presented separately from other intangible assets on the balance sheet with changes in fair value presented separately from other changes in intangible assets on the income statement. Requires extensive disclosure about crypto assets measured at fair value on an interim and annual basis, requires an annual rollforward of an entity's crypto holdings, and specifies certain statement of cash flows presentation for crypto assets received as noncash consideration in the ordinary course of business and converted nearly immediately into cash.	**March 31, 2025**	**Permitted, including in an interim period**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
Scope Application of Profits Interest Awards (ASU 2024-01) Provides an illustrative example compromised of four fact patterns to demonstrate how an entity should apply the guidance in paragraph 718-10-15-3 when determining whether a profits interest award should be accounted for in accordance with Topic 718. The four fact patterns illustrate how the guidance in paragraph 718-10-15-3 applies to common award features.	**March 31, 2025**	**Permitted, including in an interim period. If adopted in an interim period, an entity must adopt as of the beginning of the fiscal year that includes that interim period.**
Amendments to Remove References to the Concepts Statements (ASU 2024-02) Removes references to concept statements, a nonauthoritative source of literature, in the guidance. The amendments simplify the codification and distinguish between authoritative and nonauthoritative literature by addressing 16 topical issues.	**March 31, 2025**	**Permitted, including in an interim period. If adopted in an interim period, an entity must adopt as of the beginning of the fiscal year that includes that interim period.**
Improvements to Income Tax Disclosures (ASU 2023-09) Enhances transparency into income tax disclosures. Requires annual disclosure of certain information relating to the rate reconciliation, income taxes paid by jurisdiction, income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign, and income tax expense (or benefit) from continuing operations disaggregated by federal (national), state, and foreign. Eliminates certain requirements relating to unrecognized tax benefits and certain deferred tax disclosure relating to subsidiaries and corporate joint ventures.	**Dec. 31, 2025**	**Not applicable**
Disclosure Improvements (ASU 2023-06) Amends disclosure or presentation requirements and provides clarifications or technical corrections to a variety of topics within the codification pursuant to matters identified by the Securities and Exchange Commission in its August 2018 Release No. 33-10532, "Disclosure Update and Simplification."	**For SEC filers and certain entities required to file or furnish financial statements with the SEC, when removal of the related disclosure from Regulation S-X or Regulation S-K becomes effective**	**Prohibited**

Checklist B

ASU effective dates for nonpublic business entities (non-PBEs)

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
Disclosure of Supplier Finance Program Obligations (ASU 2022-04) Provides transparency regarding the entity's use of supplier finance programs. The amendments require various quantitative and qualitative disclosures including key terms of the program, the amount outstanding, a description of where those obligations are presented on the balance sheet, and a rollforward of those obligations during the annual period.	**Dec. 31, 2023, except for the amendment on rollforward information, which is Dec. 31, 2024**	**Permitted**
Convertible Instruments and Contracts in an Entity's Own Equity (ASU 2020-06) Clarifies the accounting for certain financial instruments with characteristics of liabilities and equity. The amendments reduce number of accounting models for convertible debt instruments and convertible preferred stock. The cash conversion and beneficial conversion feature models were removed. Limiting the accounting models will result in fewer embedded conversion features being separately recognized from the host contract. Improves disclosure requirements for convertible instruments and earnings-per-share guidance. Revises derivatives scope exception guidance to reduce form-over-substance-based accounting conclusions driven by remote contingent events.	**Dec. 31, 2024**	**Permitted as of the fiscal years beginning after Dec. 15, 2020, including interim periods within**
Customer Contracts Acquired in a Business Combination (ASU 2021-08) Requires an acquirer to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606 on revenue from contracts with customers. The amendments apply to contract assets or contract liabilities in contracts with customers and other contracts to which the provisions of Topic 606 apply. The amendments also provide certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination.	**Dec. 31, 2024**	**Permitted, including in an interim period**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
Portfolio Layer Method of Hedge Accounting (ASU 2022-01) Expands the scope of assets eligible for portfolio layer method hedging to include all financial assets. The amendments remove the requirement that all assets in the closed portfolio have a contractual maturity date on or after the earliest-ending hedge period. The amendments require an entity to maintain fair value hedge basis adjustments at the closed portfolio level for a currently designated hedge and prohibit an entity from considering portfolio layer method fair value hedge basis adjustments on a currently designated hedge in its determination of credit losses. When a breach occurs (that is, the aggregate amount of the hedged layers currently exceeds the amount of the closed portfolio), an entity is required to present the fair value hedge basis adjustments with a breach in interest income and disclose the amount along with the circumstances that led to the breach.	**Dec. 31, 2024**	**Permitted, including in an interim period when amendments in ASU 2017-12 have been adopted**
Common Control Lease Arrangements (ASU 2023-01) Provides a practical expedient to private companies and not-for-profit entities that are not conduit bond obligors to use the written terms and conditions of a common control arrangement to determine whether a lease exists and, if so, the classification of and accounting for that lease. The amendments also revise the accounting for leasehold improvements for all entities (that is, public business entities, private companies, not-for-profit entities, and employee benefit plans). Leasehold improvements associated with a lease between entities under common control are to be amortized over the useful life of those improvements to the common control group as long as the lessee controls the use of the underlying asset through a lease. If the lessor obtained the right to control the use of the underlying asset through a lease with another entity not within the common control group, the amortization period is determined under existing guidance when a lease is not a lease between entities under common control. If and when the lessee no longer controls the underlying asset, leasehold improvements associated with common control leases must be accounted for as a transfer between entities under common control through an adjustment to equity (or net assets for not-for-profit entities).	**Dec. 31, 2024**	**Permitted including in an interim period. If adopted in an interim period, an entity must adopt as of the beginning of the fiscal year that includes that interim period.**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
Long-Duration Insurance Contracts (ASU 2018-12) Revises the accounting for life insurance and annuity contracts by eliminating the method of locking in liability assumptions and the premium deficiency test for traditional and limited-payment contracts, among other methodology changes. Requires additional disclosure. Clarifying standards: **ASU 2019-09** – Deferral of effective dates. **ASU 2020-11** – Deferral of effective dates. **ASU 2022-05** – Revises transition guidance to allow for an insurance entity to make an accounting policy election on a transaction-by-transaction basis. An insurance entity may elect to exclude contracts from applying the amendments if certain conditions are met as of the effective date.	**Dec. 31, 2025**	**Permitted**
Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions (ASU 2022-03) Clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. Clarifies that an entity cannot recognize and measure a contractual sale restriction as a separate unit of account. The amendments include various disclosure requirements.	**Dec. 31, 2025**	**Permitted, including in an interim period**
Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (ASU 2023-02) Expands the option to account for tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. For tax equity investments not accounted for under the proportional amortization method, the amendments require entities to apply ASC Topic 323, "Equity Method or Joint Ventures," or ASC Topic 321, "Investments – Equity Securities." The amendments require specific disclosures that must be applied to all investments that generate income tax credits and income tax benefits from a tax credit program for which an entity has elected to apply the proportional amortization method, including investments within the tax credit program that do not otherwise qualify for the proportional amortization method.	**Dec. 31, 2025**	**Permitted, including in an interim period. If adopted in an interim period, an entity must adopt as of the beginning of the fiscal year that includes that interim period.**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
Joint Venture Formations (ASU 2023-05) Amends the accounting for contributions made to a joint venture upon formation in a joint venture's separate financial statements. The amendments require that a joint venture apply a new basis of accounting upon formation. By applying a new basis of accounting, a joint venture, upon formation, will recognize and initially measure its assets and liabilities at fair value with exceptions to the fair value measurement that are consistent with the business combination guidance.	**Dec. 31, 2025**	**Permitted, including in an interim period**
Crypto Assets (ASU 2023-08) Requires holdings of certain crypto assets to be measured at fair value at each reporting period with changes in fair value recorded through earnings. The amendments apply to assets meeting certain defined characteristics and require crypto assets to be presented separately from other intangible assets on the balance sheet with changes in fair value presented separately from other changes in intangible assets on the income statement. Requires extensive disclosure about crypto assets measured at fair value, requires an annual rollforward of an entity's crypto holdings, and specifies certain statement of cash flows presentation for crypto assets received as noncash consideration in the ordinary course of business and converted nearly immediately into cash.	**Dec. 31, 2025**	**Permitted, including in an interim period**
Improvements to Income Tax Disclosures (ASU 2023-09) Enhances transparency into an entity's income tax disclosures. Requires annual disclosure of qualitative information about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory and effective tax rate. Requires annual disclosure of income taxes paid by jurisdiction, income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign, and income tax expense (or benefit) from continuing operations disaggregated by federal (national), state, and foreign. Eliminates certain requirements relating to unrecognized tax benefits and certain deferred tax disclosure relating to subsidiaries and corporate joint ventures.	**Dec. 31, 2026**	**Permitted**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
Scope Application of Profits Interest Awards (ASU 2024-01) Provides an illustrative example compromised of four fact patterns to demonstrate how an entity should apply the guidance in paragraph 718-10-15-3 when determining whether a profits interest award should be accounted for in accordance with Topic 718. The four fact patterns illustrate how the guidance in paragraph 718-10-15-3 applies to common award features.	**Dec. 31, 2026**	**Permitted, including in an interim period. If adopted in an interim period, an entity must adopt as of the beginning of the fiscal year that includes that interim period.**
Amendments to remove references to the concepts statements (ASU 2024-02) Provides an illustrative example compromised of four fact patterns to demonstrate how an entity should apply the guidance in paragraph 718-10-15-3 when determining whether a profits interest award should be accounted for in accordance with Topic 718. The four fact patterns illustrate how the guidance in paragraph 718-10-15-3 applies to common award features.	**Dec. 31, 2026**	**Permitted, including in an interim period. If adopted in an interim period, an entity must adopt as of the beginning of the fiscal year that includes that interim period.**
Disclosure Improvements (ASU 2023-06) Amends disclosure or presentation requirements and provides clarifications or technical corrections to a variety of topics within the codification pursuant to matters identified by the Securities and Exchange Commission in its August 2018 Release No. 33-10532, "Disclosure Update and Simplification."	**Two years after removal of the related disclosure from Regulation S-X or Regulation S-K becomes effective**	**Prohibited**

Governmental Accounting Standards Board (GASB) statement effective dates

Checklist C

Effective dates for all GASB statements

GASB statement	Effective dates – reporting periods beginning after	Early adoption
Public-Private and Public-Public Partnerships and Availability Payment Arrangements (GASB Statement 94) Provides guidance for public-private and public-public partnership arrangements (PPPs), including those that are outside of the scope of the GASB's existing guidance for those transactions – namely Statement 60, "Accounting and Financial Reporting for Service Concession Arrangements," and Statement 87, "Leases." The statement also makes certain improvements to the guidance previously included in Statement 60 and provides accounting and financial reporting guidance for availability payment arrangements (APAs).	**June 15, 2022**	**Permitted**
Subscription-Based Information Technology Arrangements (GASB Statement 96) Provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. Defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.	**June 15, 2022**	**Permitted**
Omnibus 2022 (GASB Statement 99) Addresses a variety of topics including the classification and reporting of derivative instruments; clarification of provisions in Statements 34, 87, 94, and 96; extension of the LIBOR cessation date; and various technical updates related to SNAP, nonmonetary transactions, pledges of future revenues, and terminology.	**Varies by topic (see pages 11 and 12 of the statement)** **Upon issuance, June 15, 2022, June 15, 2023**	**Permitted**
Accounting Changes and Error Corrections (GASB Statement 100) Provides guidance for various categories of accounting changes or error corrections and prescribes the applicable accounting and financial reporting guidance for each category. The statement also establishes how accounting changes and error corrections should be displayed in financial statements, disclosed in notes, and presented in required supplementary information (RSI) and supplementary information (SI).	**June 15, 2023**	**Permitted**

GASB statement	Effective dates – reporting periods beginning after	Early adoption
Compensated Absences (GASB Statement 101) Provides recognition and measurement guidance for all types of compensated absences under a unified model. This statement requires that a liability for compensated absences be recognized if all of these occur: 1) The leave is attributable to services already rendered. 2) The leave accumulates. 3) The leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This statement amends the existing disclosure requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability, and it no longer requires the government to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.	**Dec. 15, 2023**	**Permitted**
Certain Risk Disclosures (GASB Statement 102) Provides users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If these criteria are met, the statement provides disclosure requirements that will enable users of financial statements to understand the nature of the concentrations or constraints identified and the government's vulnerability to the risk of a substantial impact.	**June 15, 2024**	**Permitted**

Learn more

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