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July 2024

Keeping you informed

Q2 accounting and financial reporting developments

Contents

Message from Sydney Garmong

Partner, National Office

Dear readers,

Whether you attended a cookout, watched fireworks, or spent other quality time with family and friends, we hope the Fourth of July holiday provided many ways for you to recharge and return to work refreshed for closing out the second quarter.

On the standard-setting front, it was quiet from the Financial Accounting Standards Board (FASB). While it did not issue any proposals or final standards, the FASB continues to progress on its agenda. Next quarter, we should have plenty to cover as the FASB expects to issue two final standards and seven proposals:

Final standards:

- "Disaggregation – Income Statement Expenses"
- "Induced Conversions of Convertible Debt Instruments"

Proposals:

- "Accounting for and Disclosure of Software Costs"
- "Accounting for Environmental Credit Programs"
- "Accounting for Government Grants"
- "Share-Based Consideration Payable to a Customer"
- "Topic 815 – Derivatives Scope Refinements"
- "Topic 815 – Hedge Accounting Improvements"
- "Interim Reporting – Narrow-Scope Improvements"

We have observed a flurry of activity regarding the Securities and Exchange Commission (SEC) final rules on climate since their passage on March 6. The most recent development was on April 4, when the SEC issued a voluntary stay on the rules, pending judicial review in the U.S. Court of Appeals for the 8th Circuit. We have digested the rules and offer a deeper dive in our 40 pages of analysis, "Wonder No More: The SEC's Final Climate-Related Disclosure Rules."

I am grateful to my Crowe colleagues Tony Boras, Alissa Doherty, Jason Eaves, and Mark Shannon for their significant contributions to this publication. We hope you find this report useful, and we welcome any feedback.

Second quarter highlights

During the second quarter of the 2024 calendar year, the Financial Accounting Standards Board (FASB) did not issue any new Accounting Standards Updates (ASUs) or proposals.

The Securities and Exchange Commission (SEC) remarked on effective cooperation in SEC investigations, use of artificial intelligence (AI), and mandatory disclosures and issued statements on tone at the top, application of International Financial Reporting Standard (IFRS) 19, and cybersecurity incident disclosures. The SEC adopted final amendments related to customer information protections and the internet investment adviser exemption. The SEC issued a voluntary stay on its climate-related disclosure rules, and the private fund advisers rule was vacated. The SEC also proposed a rule related to customer identification programs for registered investment advisers and exempt reporting advisers.

The Public Company Accounting Oversight Board (PCAOB) updated its standard-setting agenda; adopted new standards on quality control and general responsibilities of the auditor; amended standards related to using technology-assisted analysis; issued proposals on substantive analytical procedures, firm and engagement metrics, and firm reporting; published a spotlight report summarizing conversations with audit committee chairs; issued staff reports on commercial real estate auditing considerations, root cause analysis, and auditor's use of data and reports; and held meetings of the Standards and Emerging Issues Advisory Group and of the Investor Advisory Group. Additionally, a new director of the Division of Registration and Inspections was named.

The Center for Audit Quality (CAQ) published a report examining restatement trends, results of its climate-related disclosure rules survey, and a report on generative AI.

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

The FASB issued no new standards during the second quarter of 2024.

Proposals

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

From the SEC

Public statements and announcements

Statement on tone at the top at audit firms

On May 15, 2024, SEC Chief Accountant Paul Munter issued a statement on the responsibility of audit firm leadership to foster a healthy tone at the top. Munter emphasized the key role of the tone at the top in establishing firm culture, which in turn supports audit quality – for example, by empowering auditors to exercise professional skepticism and by serving as the foundation for an effective quality control system. Conversely, a weak firm culture could result in ethical misconduct by firm employees that undermines public trust in auditors. Munter stated that seeking investment from third parties that are not subject to auditor independence and ethics requirements, such as private equity firms, could create additional risks.

Munter highlighted the importance of leading by example, stating that audit firm leadership should:

- Take care that the firm's actions align with its written code of conduct or ethics
- Incorporate ethics and character as key considerations in hiring, promotion, and compensation decisions to advance firm professionals who act ethically and serve as a positive example for less experienced staff
- Encourage candor and transparency, empowering employees of all levels to provide confidential feedback on the firm's culture and report misconduct without fear of retaliation
- Conduct business strategy and communications to staff that reflect the importance of audit quality and compliance with professional standards

Statement on application of IFRS 19 in SEC filings

On May 17, 2024, Chief Accountant Munter and Division of Corporation Finance (CorpFin) Director Erik Gerding issued a joint statement on the application of IFRS 19, “Subsidiaries Without Public Accountability: Disclosures,” which permits reduced financial statement disclosures for certain subsidiaries of eligible reporting companies that do not have public accountability. The statement addressed scenarios in which financial statements that apply IFRS 19 are included in an SEC filing. Munter and Gerding stated that entities in this scenario likely will be required to make additional disclosures due to investor use of those financials in the SEC filing.

Statement on cybersecurity incident disclosures

On May 21, 2024, Gerding issued a statement on the SEC’s rule requiring disclosure of material cybersecurity incidents on Item 1.05 of Form 8-K, encouraging companies that elect to make voluntary disclosures – for example, of incidents that are still undergoing assessment or incidents that have been determined immaterial – to do so on a different item of Form 8-K (such as Item 8.01) to avoid confusion or dilution of material disclosures required under Item 1.05. If a company does voluntarily disclose a cybersecurity incident under Item 8.01 but subsequently determines that the incident is material, it must still fully disclose the incident under Item 1.05.

Gerding emphasized that the materiality of a cybersecurity incident should be based on both qualitative and quantitative factors, including the impact on financial condition and results of operation; reputation, customer and vendor relationships, or competitiveness; and possible litigation or regulatory actions that could arise from the incident.

Effective cooperation in SEC investigations

On May 23, 2024, Division of Enforcement Director Gurbir Grewal spoke at the Securities Dockets “Securities Enforcement Forum West 2024” on the benefits of cooperation with SEC investigations, stating that the division might recommend reduced or no charges or civil penalties to reward meaningful cooperation. Grewal described five principles of effective cooperation:

1. Self-policing prior to SEC involvement: Entities should encourage a culture of compliance and update risk awareness and compliance policies to keep up with technological advances.
2. Proactive self-reporting: Entities are encouraged to report as soon as they become aware of a potential issue; they don’t have to wait until they have reached a full conclusion. Proactive reporting can signal strong self-policing and an effective compliance culture, and it could help build credibility with the staff.
3. Proactive remediation: Meaningful cooperation credit can be given when an entity makes strong proactive remediation efforts prior to an enforcement action, even if the entity did not self-report.

4. Cooperation that goes “above and beyond”: Meaningful cooperation goes beyond bare minimum compliance efforts. For example, entities and their legal counsel can proactively call to attention relevant materials not included in initial requests, or they can aid the Enforcement team in contacting hard-to-reach witnesses.
5. Early, frequent, and purposeful collaboration: Establishing a strong line of open communication with the Enforcement team is crucial to setting the foundations for meaningful cooperation.

Use of artificial intelligence

On April 15, 2024, Grewal spoke at the spring conference held by the Program on Corporate Compliance and Enforcement (PCCE) of New York University School of Law. Focusing on recent market interest in the use of AI, Grewal stated that regulators and compliance professionals should be wary when investor interest in a particular technology or opportunity creates incentives for companies to misrepresent their strategy or activities. Just as with claims related to environmental, social, and governance activities, a company’s AI-related disclosures must not be materially false or misleading.

Grewal emphasized the importance of proactive compliance through continuous education on AI risk, developments, and enforcement; engagement with personnel throughout the company to understand the use and impact of AI; and execution of company-specific AI policies, procedures, and internal controls. Grewal alluded to individual liability, drawing parallels to the agency’s enforcement approach in cybersecurity disclosure failures, and emphasized that the agency considers good faith efforts in determining its enforcement approach.

SEC Speaks conference

Several commissioners and directors made remarks before the Practising Law Institute’s “The SEC Speaks in 2024” conference, April 2-3, 2024.

Chair Gary Gensler spoke on the history of the SEC, emphasizing the agency’s foundational role in promoting the “key public goods” of greater trust and greater efficiency and competition in the capital markets through oversight of exchanges, broker-dealers, and securities trading in secondary markets. Gensler stated that these public goods, which encourage greater capital formation and liquidity, could not be achieved based on private incentives alone and must be promoted through enforcement. He summarized historical and present-day rulemaking activity covering clearance and settlement, exchanges and alternative trading systems, the National Market System, best execution, and order competition and execution quality.

Commissioner Hester Peirce expressed concerns regarding current rulemaking practices, which she described as consisting of "very broad proposals, unreasonably short public comment periods, pared back final rules with substantial elements on which the public has not commented," and lack of meaningful post-adoption engagement with the public. Peirce issued a call to action outlining priorities for the SEC, staff, and market participants, whom she encouraged to be persistent and intentional in engaging with the agency. She also criticized Staff Accounting Bulletin 121, referencing her own past remarks on the "secret garden" of practice-defining SEC staff guidance.

Commissioner Mark Uyeda also remarked on recent rulemaking, voicing criticism of rules that potentially mandate disclosures that are not financially material to investors and therefore fall outside the commission's authority to regulate. Referencing past regulations on conflict minerals, Uyeda warned against the danger of enacting new disclosures that effect unintended consequences – for example, for the climate rule, the potential to inadvertently increase outsourcing or discourage commitments to emissions reductions targets to avoid triggering disclosure requirements.

Division of Enforcement Director Grewal spoke on enforcement issues, focusing on crypto enforcement actions and addressing recent criticism of the division. Grewal described the enforcement approach as "consistent, principled, and tethered to the federal securities laws and legal precedent," emphasizing that the SEC transparently and consistently applies the well-established "Howey test" to evaluate whether a certain crypto product is a security. Condemning the "predatory inclusion" tactics used by certain crypto entities, and underlining the "devastating" impacts to victims of past cases of unlawful tactics and schemes, Grewal stressed the importance of the division's work to protect the investing public. Grewal concluded by stating that the division must prioritize maintaining public trust by acknowledging its mistakes and will embrace any scrutiny it faces.

Following Grewal, Division of Enforcement Deputy Director Sanjay Wadhwa highlighted the division's work in fiscal year 2023 and addressed its recent actions and approach on two ongoing enforcement initiatives: the recordkeeping initiative and the amended marketing rule initiative. Wadhwa summarized the factors considered to determine the size of the penalty levied against each investment adviser, broker-dealer, or credit ratings agency for recordkeeping violations. Such factors include the size of the firm, the scope of violations, the historical precedence, and the firm's proactive compliance efforts. Wadhwa emphasized that self-reporting is the "most significant factor in terms of moving the needle on penalties" but stated that a firm that does not self-report may still "receive credit" based on its cooperation with an investigation. In addition, Wadhwa noted that assets under management, regulatory history, promptness of remediation, and the need to "send strong messages of accountability and deterrence" are all considered when assessing penalties for violations of the amended marketing rule and that, as with all cases, self-reporting and cooperation are significant factors.

Also at the conference, senior officials from CorpFin spoke on recent rules – highlighting key aspects of the SEC rules on climate disclosures, special purpose acquisition company transactions, conflicts of interest in certain securitizations, and others – and division priorities. Deputy Director Cicely LaMothe enumerated three primary disclosure initiatives in the year ahead: incorporating new rulemaking into disclosure review, proactively addressing emerging issues, and strategically engaging with stakeholders.

Throughout panel discussions, division staff also highlighted disclosure priorities and emerging risks in 2024, referencing market disruptions in banking – including interest rate risk, liquidity risk, and the continued impacts of inflation – as well as AI, exposure and changes in the commercial real estate market, accounting matters requiring the use of judgment, and the implementation of recent SEC rules.

Observing rising rates of AI-related disclosures by large accelerated filers, staff urged registrants to consider specific facts and circumstances when disclosing the use and development of AI and material AI-related risk. Registrants also should critically consider their basis for AI claims when discussing related opportunities and risks, as well as the nature and extent of the board of directors' role in AI oversight.

In light of continued challenges in the commercial real estate market, staff noted that the division will, when applicable, expect more detailed and granular disclosures to address these risks – for example, disaggregation of loan portfolio by relevant risk characteristics, greater granularity in disclosing metrics such as loan-to-value and occupancy rates, and more detailed discussion of policies, procedures, and other steps taken by management to manage portfolio risk.

Video statement on AI washing

On March 18, 2024, the SEC issued a short informational video warning against the dissemination of false or misleading claims on the use of AI, also known as AI washing. In the video, Gensler stated that investment advisers, broker-dealers, and public companies that make claims regarding the use of AI models in their investment strategies or their business must ensure that these claims are truthful and have a reasonable basis, or they risk violating securities laws.

Mandatory disclosures

On March 22, 2024, Gensler made remarks before the Columbia Law School conference honoring Professor John C. Coffee. Gensler shared his belief in the merits of mandatory disclosures, describing information on securities as a "public good." Although they impose additional burdens on registrants, Gensler stated that such disclosures are vital to provide investors with meaningful information given the "imperfect alignment" of management and shareholder interests.

Gensler highlighted the SEC's recent activity regarding mandatory disclosures – including climate, cyber risk, and executive compensation – and drew parallels to past rulemaking that Gensler described as sparking controversy at the time of adoption but integral to the current disclosure regime.

Investor Advisory Committee meeting

The Investor Advisory Committee met on June 6, 2024. Agenda items included discussion of:

- The increasing trend of investment advice offered through social media
- Regulating the use of AI, disclosures of and data controls over AI, and the SEC's role in advancing the responsible and ethical use of AI
- A recommendation regarding the protection of self-directed investors when trading complex products and using complex strategies
- A recommendation on financial literacy and investor education

Small-business forum

From April 16-18, 2024, the SEC held its 43rd Annual Small Business Forum, with sessions focused on successes achieved and challenges faced by small-business founders and funders; investing in early-stage companies and building ecosystems; and lessons learned by small-cap companies on going and staying public. Chair Gensler and commissioners Uyeda, Peirce, and Jaime Lizárraga made remarks.

Report on registered fund statistics

On April 24, 2024, the SEC staff published a new registered fund statistics report based on data from SEC-registered funds that file on Form N-PORT. The report will be published quarterly and will include both public and nonpublic data on an aggregated basis, including trends related to portfolio holdings, flows and returns, interest rate risk, and other exposures across registered funds.

Rules and guidance

Vacated private fund advisers rule

On June 5, 2024, the U.S. Court of Appeals for the 5th Circuit vacated the SEC's final rule on private fund advisers, stating that the SEC exceeded its statutory authority in adopting the final rule. The rule, which was adopted in August 2023, prohibited private fund advisers from activities that result in preferential treatment to certain investors, and it required registered private fund advisers to issue quarterly statements for investors, among other provisions. The rule will be fully vacated in July 2024 absent further SEC action.

Consumer information protections

On May 16, 2024, the SEC adopted final amendments to Regulation S-P to modernize and enhance protections over nonpublic consumer information obtained by covered financial institutions. Covered institutions include broker-dealers (including funding portals), investment companies, registered investment advisers, and transfer agents.

Among other provisions, the amendments require covered institutions to:

- Maintain written incident response program policies to detect and respond to unauthorized access to sensitive consumer information
- Establish procedures to notify individuals whose information has been accessed without authorization, or is reasonably likely to have been accessed, as soon as practicable and no more than 30 days after the institution becomes aware of the unauthorized access
- Expand the scope of covered consumer information to include nonpublic personal information that a covered institution receives from other financial institutions, in addition to information that it collects directly from its own customers

Compliance dates are based on institution size; larger entities must comply within 18 months of publication in the Federal Register, and smaller entities must comply within 24 months. Larger entities are defined in the final amendments as investment companies with $1 billion or more in net assets, registered investment advisers with $1.5 billion or more in assets under management, and broker-dealers and transfer agents not designated as small entities.

Stay on climate disclosure rules

On April 4, 2024, the SEC issued a voluntary stay on its recently issued climate-related disclosure rules, pending judicial review in the U.S. Court of Appeals for the 8th Circuit. This case consolidates challenges brought through multiple appellate courts following the rules' adoption. In the order, the SEC states that the voluntary stay will allow for an "orderly judicial resolution" and avoid regulatory uncertainty. The SEC maintains that the final rules are "consistent with applicable law and within the Commission's long-standing authority to require the disclosure of information important to investors" and notes it will continue "vigorously defending" the final rules.

Internet investment adviser exemption

On March 27, 2024, the SEC adopted final amendments to the internet investment adviser exemption under the Investment Advisers Act of 1940. The amendments revise qualifying criteria for the exemption, which allows internet-based advisers to register with the SEC. Under the amendments, advisers must provide ongoing investment services to all clients exclusively through an operational, interactive website or similar digital platform throughout the time that it relies on the exemption. The amendments also eliminate the de minimis threshold that previously permitted such advisers to maintain fewer than 15 non-internet-based clients in the preceding 12 months.

The final rule was effective July 8, 2024.

Proposals

Customer identification programs for RIAs and ERAs

On May 13, 2024, the SEC and the Financial Crimes Enforcement Network (FinCEN) jointly issued a proposed rule to subject registered investment advisers (RIAs) and exempt reporting advisers (ERAs) to customer identification program (CIP) requirements. Generally consistent with existing requirements for other financial institutions, the proposal would require RIAs and ERAs to establish and maintain written CIPs to verify the identities of their customers (to a reasonable extent), obtain certain information on each customer, and maintain records on the information used to verify customer identity. The proposed rule is issued in tandem with a previous FinCEN proposal to designate RIAs and ERAs as "financial institutions" under the Bank Secrecy Act, which would subject them to anti-money laundering and countering the financing of terrorism requirements and other reporting obligations.

Comments are due July 22, 2024.

From the PCAOB

Standard-setting and rulemaking

Agenda updates

Citing the PCAOB's progress in 2024 and continued drive toward its goal of modernizing its standards and rules, the PCAOB on May 14, 2024, posted updates to its standard-setting, research, and rulemaking agendas. The updates include:

- Two projects completed and awaiting SEC approval (Quality Control and General Responsibilities of the Auditor in Conducting an Audit)
- Two projects added to the short-term standard-setting agenda (Inventory and Other Reporting)
- A new project on internal audit added to the midterm agenda
- Timeline for the attestation standards update project updated to 2025
- Follow-on disciplinary proceedings project removed from the rulemaking agenda

Auditor responsibilities when using technology-assisted analysis

The PCAOB on June 12, 2024, adopted amendments to auditing standards AS 1105, "Audit Evidence," and AS 2301, "The Auditor's Responses to the Risks of Material Misstatement." These amendments address aspects of audit procedures that involve technology-assisted analysis of information in electronic form and are designed to provide additional detail and clarity around the responsibilities auditors have when performing procedures using such analysis.

The changes specifically address the auditor's responsibilities in the following areas:

- Using reliable information in audit procedures:
- Using audit evidence for multiple purposes
- Performing tests of details

Subject to approval by the SEC, the amendments will become effective for audits of financial statements for fiscal years beginning on or after Dec. 15, 2025.

Quality control

On May 13, 2024, the PCAOB adopted a new quality control standard that requires all PCAOB-registered firms to identify their risks and design a quality control (QC) system that includes policies and procedures to guard against those risks. Under the standard, firms would be required to annually evaluate their QC system and report the results of their evaluation to the PCAOB on a specific form, which would be certified by key firm personnel to reinforce individual accountability. Additionally, firms that annually audit more than 100 issuers would be required to establish an external oversight function for the QC system. Responsibilities of the external function would include evaluating the significant judgments made and the related conclusions reached by the firm when evaluating and reporting on the effectiveness of its QC system.

Subject to approval by the SEC, the new standard and related amendments will become effective on Dec. 15, 2025.

PCAOB Chair Erica Y. Williams shared thoughts on the new standard in a statement presented at the PCAOB open board meeting.

General responsibilities of the auditor

On May 13, 2024, the PCAOB adopted AS 1000, "General Responsibilities of the Auditor in Conducting an Audit," which addresses the general principles and responsibilities of the auditor, including due professional care, professional skepticism, competence, and professional judgment. The new standard and related amendments provide clarification of the general principles and responsibilities of auditors and the auditor's responsibility to evaluate whether the financial statements are presented fairly. They address the engagement partner's due professional care responsibilities by adding specificity to certain audit performance principles detailed in the standards. In addition, they note that an auditor's professional skepticism extends to other information that is obtained to comply with PCAOB standards and rules. The new standard also shortens the documentation completion date by reducing the maximum period for the auditor to assemble a complete and final set of audit documentation from 45 days to 14 days.

The new standard will apply to all audits conducted under PCAOB standards. Subject to SEC approval, the new standard will be effective for audits of financial statements for fiscal years beginning on or after Dec. 15, 2024. However, for certain firms, the documentation completion date will take effect for audits of financial statements for fiscal years beginning on or after Dec. 15, 2025.

Substantive analytical procedures

On June 12, 2024, the PCAOB issued for public comment a proposal to replace the current auditing standard related to an auditor's use of substantive analytical procedures with a new standard: AS 2305, "Designing and Performing Substantive Analytical Procedures." The proposed standard would clarify the auditor's responsibilities when designing and performing substantive analytical procedures in order to increase the likelihood that the auditor will obtain relevant and reliable audit evidence. The proposal includes specific requirements regarding risk assessment and audit evidence, removes duplicative provisions, and reorganizes the standard so it is easier to understand.

Comments are due Aug.12, 2024.

Firm and engagement metrics and firm reporting proposals

On April 9, 2024, the PCAOB issued proposals for public comment related to firm and engagement metrics and firm reporting. The firm and engagement metrics proposal would require some public accounting firms registered with the PCAOB to publicly report certain metrics relating to their audit engagements and practices. The firm reporting proposal would amend PCAOB annual and special reporting requirements to provide more complete, standardized, and timely information by registered firms.

Comments were due June 7, 2024.

Audit committees

Audit committee resource

On June 11, 2024, the PCAOB released "Spotlight: 2023 Conversations With Audit Committee Chairs," summarizing the results of conversations with 230 audit committee chairs. The report presents high-level observations and key takeaways related to current economic and audit workforce environments. It also touches on significant discussions with auditors and monitoring quality control systems and independence of the company's auditors. The report includes PCAOB resources for audit committees.

Auditing considerations and audit quality

Commercial real estate (CRE) auditing considerations

On May 6, 2024, the PCAOB issued a new staff report, "Spotlight: Auditing Considerations Related to Commercial Real Estate," on the current industry environment, audit and interim review considerations related to CRE, communications with audit committees, and evaluation of the results of the audit. The report includes a series of questions that auditors might consider when identifying and assessing risks, including fraud risks. The report also has reminders related to asset impairment and allowance for credit losses as well as going concern.

Root cause analysis and audit quality

The PCAOB on April 30, 2024, issued a staff report, "Spotlight: Root Cause Analysis – An Effective Practice to Drive Audit Quality." It strongly encourages firms to assess the underlying root causes of a deficiency so that the deficiency can be effectively addressed and ultimately remediated and eliminated.

In addition, the report addresses general considerations related to root cause analysis, observations about root cause analysis from PCAOB inspections, and questions for audit firms to consider. The report identifies the key characteristics of a well-designed root cause analysis process: a dedicated team, guidance and training, data gathering and tools, scope, level of analysis, prioritization, conclusions, and monitoring remedial actions and reporting.

Audit committees and others charged with governance might consider an audit firm's root cause information useful as they discuss past inspection deficiencies, the causes of those deficiencies, corrective actions taken to address identified deficiencies, and preventive measures a firm has taken to improve its audit quality going forward.

Inspections

Observations on auditor's use of data and reports

On April 18, 2024, the PCAOB released a staff report, "Spotlight: Inspection Observations Related to Auditor Use of Data and Reports," which highlights recent staff observations on the use of information produced by the company (IPC) and information from external sources in the audit. The report provides examples of common audit deficiencies and good practices as well as reminders for auditors related to testing the accuracy and completeness of IPC and information from external sources and evaluating the relevance and reliability of audit evidence.

New director

The PCAOB on April 15, 2024, named Christine Gunia as the new director of the Division of Registration and Inspections. She joined the PCAOB in 2004 and has been serving as acting director since October 2023. She will oversee audit firm registrations, inspection of domestic and foreign accounting firms that audit issuers of securities that are traded in the U.S., and audits of SEC-registered broker-dealers.

Advisory groups

Standards and Emerging Issues Advisory Group

The PCAOB's Standards and Emerging Issues Advisory Group met on May 9, 2024. Topics included a standard-setting update, emerging issues in auditing subcommittee presentation on fraud recommendations, a two-part fraud panel discussion, breakout sessions on key fraud topics, and considerations of the internal audit function. Video of the meeting is available on the PCAOB's event page.

Investor Advisory Group

On April 24, 2024, the PCAOB held a virtual meeting of its Investor Advisory Group. The meeting included a standard-setting update, an update from the Division of Registration and Inspections, a presentation on AI, and a discussion of critical audit matters. A recording is available on the PCAOB's event page.

From the CAQ

Restatement trends

The CAQ in June 2024 released a report, "Financial Restatement Trends in the United States: 2013-2022," that examines the trends in public company restatements and provides insights into restatement characteristics, accounting issues underlying restatements, investor concerns and restatement severity, restatement company characteristics, internal controls over financial reporting, and critical audit matters (CAMs). The report noted, "Restatement activity is frequently used as an outcome-based measure of financial reporting quality." Considering changes in both the regulatory and economic environments, an analysis of restatement trends might provide some insight into how the financial reporting ecosystem is managing factors that can affect the risk of material misstatement.

Among other findings, the analysis revealed:

- Expenses – specifically the misapplication of reporting rules for accruals, reserves, and estimates – are cited most frequently in restatement announcements.
- Fraud is implicated in 3% of restatements.
- The financial, banks, and insurance industry was identified as one of the top three industries reporting the most restatements.
- Public companies that have announced restatements are more likely to have ineffective internal control over financial reporting based on management's assessment.
- Internal control over financial reporting reports are not predictive of restatements.
- CAMs do not provide information about restatement risk.

Climate-related disclosure rules survey

On April 22, 2024, the CAQ released its second quarter survey of institutional investors, focusing primarily on investor perspectives on climate-related disclosures' role in decision-making and the SEC's recent final rule on such disclosures. It offers these results:

- 91% of respondents assessed climate-related disclosures to be "very" or "extremely" important to their firm's investment decisions; 83% said the SEC should have requirements for climate-related disclosures because these disclosures are important to investors evaluating a company as an investment opportunity.
- 86% of respondents said they trust a publicly traded company's climate-related disclosures "a great deal" or "completely."
- 94% of respondents agreed that publicly traded companies should have their climate-related disclosures audited and assured by a third party. Overall, respondents identified specialized consulting firms and federal agencies as the most qualified parties to do so, and 91% said they would be "extremely" or "very" confident in climate-related disclosures assured by a public company audit firm using environmental experts.
- Respondents cited public and investor skepticism (48%) and lack of standard methodologies and metrics (46%) as the primary obstacles to confidence in audit firms providing assurance of climate-related disclosures.

Generative AI (GenAI)

In April 2024 the CAQ published "Auditing in the Age of Generative AI," which "explores some fundamental principles of [GenAI,] new risks arising from its use in processes relevant to financial reporting … or internal control over financial reporting, … and related audit implications.

The document covers the following topics related to GenAI:

- Where does GenAI fit with other AI technologies?
- How does GenAI work?
- Why and how are companies deploying GenAI?
- How does GenAI compare to other automation technologies?

The report also addresses the regulatory environment, including an overview of some of the existing and emerging regulations and voluntary frameworks related to AI, audit considerations for companies deploying GenAI, and example use cases.

From the GASB

Final standard

Financial reporting model improvements

On May 28, 2024, the GASB issued Statement No. 103, "Financial Reporting Model Improvements," to improve key components of the financial reporting model established with Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments."

Statement 103 includes changes in several areas of the financial reporting model categorized as follows:

Management's discussion and analysis (MD&A). Statement 103 includes clarifying guidance on format issues (including removal of repeated explanations and "boilerplate" discussions that do not provide users with value), focusing the analysis on the primary government. The analysis of the current year balances and results in comparison with the prior year requires specific discussions on why certain balances changed, including references to activities or events that had significant impacts on operations.

Proprietary fund statement of revenues, expenses, and changes in fund net position. The format of operating and nonoperating activity in the proprietary fund statement of revenues, expenses, and changes in net position is modified to require separate reporting of noncapital subsidies (a type of nonoperating revenue and expense). Subsidies are defined in the statement as resources received from another party or fund for which the proprietary fund does not provide goods or services to the other party or fund and that directly or indirectly keep current fees and charges lower than they should be otherwise. Subsidies also include the opposite where resources are provided to another party or fund without goods or services being returned and are recoverable through the proprietary fund's current or future pricing policies. All other transfers are also considered subsidies. Nonoperating revenues and expenses are specifically defined in the statement as:

- Subsidies received and provided
- Endowment contributions
- Financing-related revenues and expenses
- Resources from the disposal of capital assets and inventory
- Investment income and expenses

Items that are not nonoperating revenues and expenses are deemed to be operating revenues and expenses.

Budgetary comparisons. The budgetary comparison information for the general fund and each major special revenue fund that has a legally adopted annual budget must be presented only as a required supplementary information (RSI) schedule, as opposed to the optional basic financial statement presentation governments can elect currently. Separate columns for the variances between original and final budget amounts and final budget amounts and budget results are required to be presented. In addition, explanations of significant variances presented within these two columns are required in the notes to the RSI as opposed to in the MD&A.

Unusual or infrequent items. Unusual or infrequent items must be presented separately, as opposed to netted, on the respective financial statements of the reporting units in which they occurred. Disclosure in the notes to the financial statements is required, including disclosing the program, function, or identifying activity to which the item is related as well as whether the item was within management's control.

Major component units. Each major component unit should be presented in the reporting entity's statements of net position and activities assuming the presentation does not reduce the readability of the statements. If readability is impaired, then combining statements of the major component units are required to be presented within the basic financial statements after the fund financial statements. The option of presenting condensed major component unit financial statements in the notes to the financial statements is eliminated.

Statistical section. For entities that present only business-type activities or business-type activities and fiduciary activities, there should be a presentation of revenues by major source for the business-type activities, breaking out operating, noncapital subsidy, and other nonoperating revenues and expenses.

<u>Effective date</u>

The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. If a primary government elects to early adopt the statement, all component units included in the reporting entity also would be required to adopt the statement in the same year.

Other activity

Post-implementation review report on pension standards

On June 3, 2024, the GASB published a post-implementation review (PIR) report on the board's pension standards, "GASB Statements No. 67, 'Financial Reporting for Pension Plans,' and No. 68, 'Accounting and Financial Reporting for Pensions,'" which were effective for fiscal years beginning in 2013 and 2014, respectively.

The report, issued by GASB staff, concludes that Statements 67 and 68 met the three PIR objectives:

- The standards accomplish their stated purpose.
- Costs and benefits are in line with expectations.
- The board followed its standard-setting process.

According to the report, the statements have successfully addressed the main issues that necessitated the standards, which include complex accounting challenges affecting a broad spectrum of stakeholders across all areas of accounting and financial reporting for pension plans and governmental employers. Despite some expected disagreements among stakeholders on certain aspects of recognition, measurement, and disclosure, the statements represent an improvement over previous pension standards. Statement 67 enhances financial reporting for governmental pension plans with better note disclosures and required supplementary information, while statement 68 improves accounting and reporting for governmental employers by recognizing a net pension liability, providing a more comprehensive measure of pension expense, and offering improved disclosures and required supplementary information.

Other conclusions noted in the report include:

- The application of these statements provides financial statement users with valuable information for assessing accountability and interperiod equity, particularly regarding pension liabilities and their changes.
- Implementation costs were substantial but anticipated, with the highest costs occurring in the first year and decreasing significantly in the second year, thanks in part to educational efforts.
- The anticipated benefits of the statements, including improved understanding of pension plans and liabilities, enhanced decision-making, accountability, comparability, consistency, and transparency, have been realized.

The PIR process serves as a critical assessment to determine if GASB standards are meeting their intended objectives, particularly in terms of furnishing financial statement users with pertinent information in a cost-effective manner. Throughout the PIR process, the board actively seeks and considers a wide range of stakeholder feedback and additional research to evaluate the effectiveness of the standards that have been issued and to identify potential areas for improvement that the board might need to consider.

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 the 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.**

<table>
<tr><th>Accounting Standards Update (ASU)</th><th>Effective dates for Dec. 31 year-end non-PBEs</th><th>Early adoption</th></tr>
<tr><td>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.</td><td>Dec. 31, 2025</td><td>Permitted</td></tr>
<tr><td>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.</td><td>Dec. 31, 2025</td><td>Permitted, including in an interim period</td></tr>
<tr><td>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.</td><td>Dec. 31, 2025</td><td>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.</td></tr>
</table>

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
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**
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**

GASB statement	Effective dates – reporting periods beginning after	Early adoption
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**
Financial Reporting Model Improvements (GASB Statement 103) Improves key areas of the current financial reporting model, including enhancements of management's discussion and analysis (MD&A); presentation of the proprietary fund statement of revenues, expenses, and changes in net position; budgetary comparison information requirement changes; display of unusual or infrequent items; presentation of major component unit information; and other application issues.	**June 15, 2024**	**Permitted**

Learn more

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