

Below is a list of finalized upcoming significant GAAP guidance that are not yet in effect as of June 29, 2023 or are in the process of adoption by Companies. It does not contain all Accounting Standard Updates (ASUs) that have been issued. If you have any questions about these upcoming guidance, please contact your CPA at Larson & Company.

Upcoming Significant GAAP Accounting Pronouncements			
ASU			
ASU 2016-13 and ASU 2019-10	Financial Instruments - Credit Losses (Topic 326)	In June of 2016, the FASB issued Accounting Standards Update 2016-13, Financial Instruments – Credit Losses, which requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. In November 2019, FASB issued ASU 2019-10 which effective defers the date of implementation for this guidance. This requirement eliminates the probable initial recognition threshold in current GAAP which has delayed recognition of credit losses until the loss was probable. Instead, the new treatment will better reflect an entity’s current estimate of all expected credit losses. In addition, the new guidance requires that any credit losses on available-for-sale debt securities to be presented as an allowance rather than as a write-down. Initial allowance for credit losses is added to the purchase price rather than reported as a credit loss expense. Subsequent changes in the allowance for credit losses are recorded in credit loss expense. This will allow entities to also record reversals of credit losses in current period net income, whereas the current GAAP prohibits reflecting these improvements in current period earnings.	Public, excluding entities eligible to be SRCs as defined by the SEC - for fiscal years beginning after December 15, 2019. Private and others - for fiscal years beginning after December 15, 2022.



<p>ASU 2018-12, ASU 2019-09, and ASU 2020-11</p>	<p>Financial Services - Insurance (Topic 944)</p>	<p>In August 2018, FASB issued Accounting Standards Update 2018-12, Financial Services - Insurance (Topic 944), which provides new updates to accounting treatment of the benefit liability estimate, amortization of deferred acquisition costs, and disclosure requirements of long-duration insurance contracts for insurance carriers. In November 2019, FASB issued ASU 2019-09 which effective defers the date of implementation for this guidance. These updates include the following:</p> <ol style="list-style-type: none"> 1. Assumptions used to measure liability for future policy benefits for traditional limited-payment contracts were previously locked at contract inception. New guidance would require insurance entities to (1) review and, if there is a change, update the assumptions used to measure cash flows at least annually and (2) update the discount rate assumption at each reporting date. The provision for risk of adverse deviation and premium deficiency (or loss recognition) testing are eliminated. Changes of the liability due to updated cash flow assumptions vs. updating discount rate assumption is required to be either in net income or other comprehensive income, respectively. The amendments also requires than an insurance entity discount expected future cash flows at an upper-medium grade (low-credit-risk) fixed-income instrument yield that maximizes the use of observable market inputs instead of using an unobservable discount rate (a rate based on an insurance entity's expected yield on its invested assets). 2. Measurement of market risk benefits associated with deposits contracts is now required to be measured at fair value instead of a potential alternative option of using an insurance accrual model. The portion of any change in fair value attributable to a change in the instrument-specific credit risk is required to be recognized in other comprehensive income. 3. Amortization methods of deferred acquisition costs is now simplified to be amortized on a constant level basis over the expected term of the related contracts. Deferred acquisition costs are required to be written off for unexpected contract terminations but are not subject to an impairment test. 4. Disclosures now require than an insurance entity provide disaggregated rollforwards of beginning to ending balances of the liability for future policy benefits, policyholder account balances, market risk benefits, separate account liabilities, and deferred acquisition costs. The amendment also requires that an insurance entity disclose information about significant inputs, judgments, assumptions, and methods used in measurement, including changes in those inputs, judgements, and assumptions, and the effect of those changes on measurement. 	<p>Public - for fiscal years beginning after December 15, 2021. Private - for fiscal years beginning after December 15, 2024.</p>
<p>ASU 2020-04</p>	<p>Reference Rate Reform (Topic 848)</p>	<p>In March 2020, FASB issued Accounting Standards Update 2020-04, <i>Reference Rate Reform (Topic 848)</i>, which provided optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by LIBOR reference rate reform as LIBOR is expected to discontinued in the future. These practical expedients help clarifying how contracts that change their reference rate should be treated, including modifications of receivables and debt agreements where reference rate is being changed should be considered on a prospective basis. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationships.</p>	<p>For all entities as of March 12, 2020 through December 31, 2022.</p>

ASU 2020-06	Debt -- Debt with Conversion and Other Options (Subtopic 470-20) and Derivates and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40)	In August 2020, FASB issued ASU 2020-06 <i>Debt -- Debt with Conversion and Other Options (Subtopic 470-20) and Derivates and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40)</i> , to help simplify and eliminate complexities related to the accounting for convertible debt instruments, derivatives for contracts in an entity's own equity, and current EPS guidance surrounding such embedded instruments. The standard effectively eliminates certain separation models from Subtopic 470-20, Debt - Debt with Conversion and Other Options, for convertible instruments. Instead, the embedded conversion features no longer are separated from the host contract for convertible instruments with conversion features that are not required to be accounted for as derivatives under Topic 815, Derivatives and Hedging, or that do not result in substantial premiums accounted for as paid-in capital. This amendment also eliminates derivatives scope exception for contracts in an entity's own equity to reduce form-over-substance-based accounting conclusions.	Public - for fiscal years beginning after December 15, 2021. Private - for fiscal years beginning after December 15, 2023.
ASU 2021-08	Business Combinations (Topic 805)	In October 2021, FASB issued ASU 2021-08, <i>Business Combinations (Topic 805)</i> . The amendments in this Update require that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. At the acquisition date, an acquirer should account for the related revenue contracts in accordance with Topic 606 as if it had originated the contracts.	Public - for fiscal years beginning after December 15, 2022. Private - for fiscal years beginning after December 15, 2023.
ASU 2022-01	Derivatives and Hedging (Topic 815): Fair Value Hedging - Portfolio Layer Method	In March 2022, FASB issued ASU 2022-01, <i>Derivatives and Hedging (Topic 815): Fair Value Hedging - Portfolio Layer Method</i> . Current GAAP permits only prepayable financial assets and one or more beneficial interests secured by a portfolio of prepayable financial instruments to be included in a last-of-layer closed portfolio. The amendments in this Update allow nonprepayable financial assets also to be included in a closed portfolio hedged using the portfolio layer method. That expanded scope permits an entity to apply the same portfolio hedging method to both prepayable and nonprepayable financial assets, thereby allowing consistent accounting for similar hedges.	Public - for fiscal years beginning after December 15, 2022. Private - for fiscal years beginning after December 15, 2023.
ASU 2022-02	Financial Instruments — Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures	In March 2022, FASB issued ASU 2022-02, <i>Financial Instruments — Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures</i> . The amendments in this Update eliminate the accounting guidance for TDRs by creditors in Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Specifically, rather than applying the recognition and measurement guidance for TDRs, an entity must apply the loan refinancing and restructuring guidance in paragraphs 310-20-35-9 through 35-11 to determine whether a modification results in a new loan or a continuation of an existing loan. This amendment also require that a public entity disclose current-period gross writeoffs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost.	Public, excluding entities eligible to be SRCs as defined by the SEC - for fiscal years beginning after December 15, 2019. Private and others - for fiscal years beginning after December 15, 2022.
ASU 2022-03	Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions	In June 2022, FASB issued ASU 2022-03, <i>Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions</i> . The amendments clarify 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. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. When such arrangements exist, additional disclosure is also required.	Public - for fiscal years beginning after December 15, 2023. Private - for fiscal years beginning after December 15, 2024.



ASU 2022-04	Liabilities - Supplier Finance Programs (Topic 405-50): Disclosure of Supplier Finance Program Obligations	In September 2022, FASB issued ASU 2022-04, <i>Liabilities - Supplier Finance Programs (Topic 405-50): Disclosure of Supplier Finance Program Obligations</i> . The amendment requires buyer in a supplier finance program disclose sufficient information about the program to allow a user of financial statements to understand the program’s nature, activity during the period, changes from period to period, and potential magnitude.	All - for fiscal years beginning after December 15, 2022.
ASU 2023-01	Leases (Topic 842): Common Control Arrangements	<p>In March 2023, FASB issued ASU 2023-01, <i>Leases (Topic 842): Common Control Arrangements</i>. The amendment provides updates to 2 areas.</p> <p>1) The amendment introduces a practical expedient for 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:</p> <ul style="list-style-type: none"> a. Whether a lease exists and, if so, b. The classification of and accounting for that lease. <p>2) This amendment require that leasehold improvements associated with common control leases be:</p> <ul style="list-style-type: none"> a. Amortized by the lessee over the useful life of the leasehold improvements to the common control group (regardless of the lease term) as long as the lessee controls the use of the underlying asset (the leased asset) through a lease. However, if the lessor obtained the right to control the use of the underlying asset through a lease with another entity not within the same common control group, the amortization period may not exceed the amortization period of the common control group. b. Accounted for as a transfer between entities under common control through an adjustment to equity (or net assets for not-for-profit entities) if, and when, the lessee no longer controls the use of the underlying asset. 	All - for fiscal years beginning after December 15, 2023.
ASU 2023-02	Investments - Equity Method and Joint Ventures (Topic 323)	In March 2023, FASB issued ASU 2023-02, <i>Investments - Equity Method and Joint Ventures (Topic 323)</i> . The amendment permit reporting entities to elect to account for their 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. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the income tax credits and other income tax benefits received and recognizes the net amortization and income tax credits and other income tax benefits in the income statement as a component of income tax expense (benefit). Additional qualification and disclosures applies.	Public - for fiscal years beginning after December 15, 2023. Private - for fiscal years beginning after December 15, 2024.