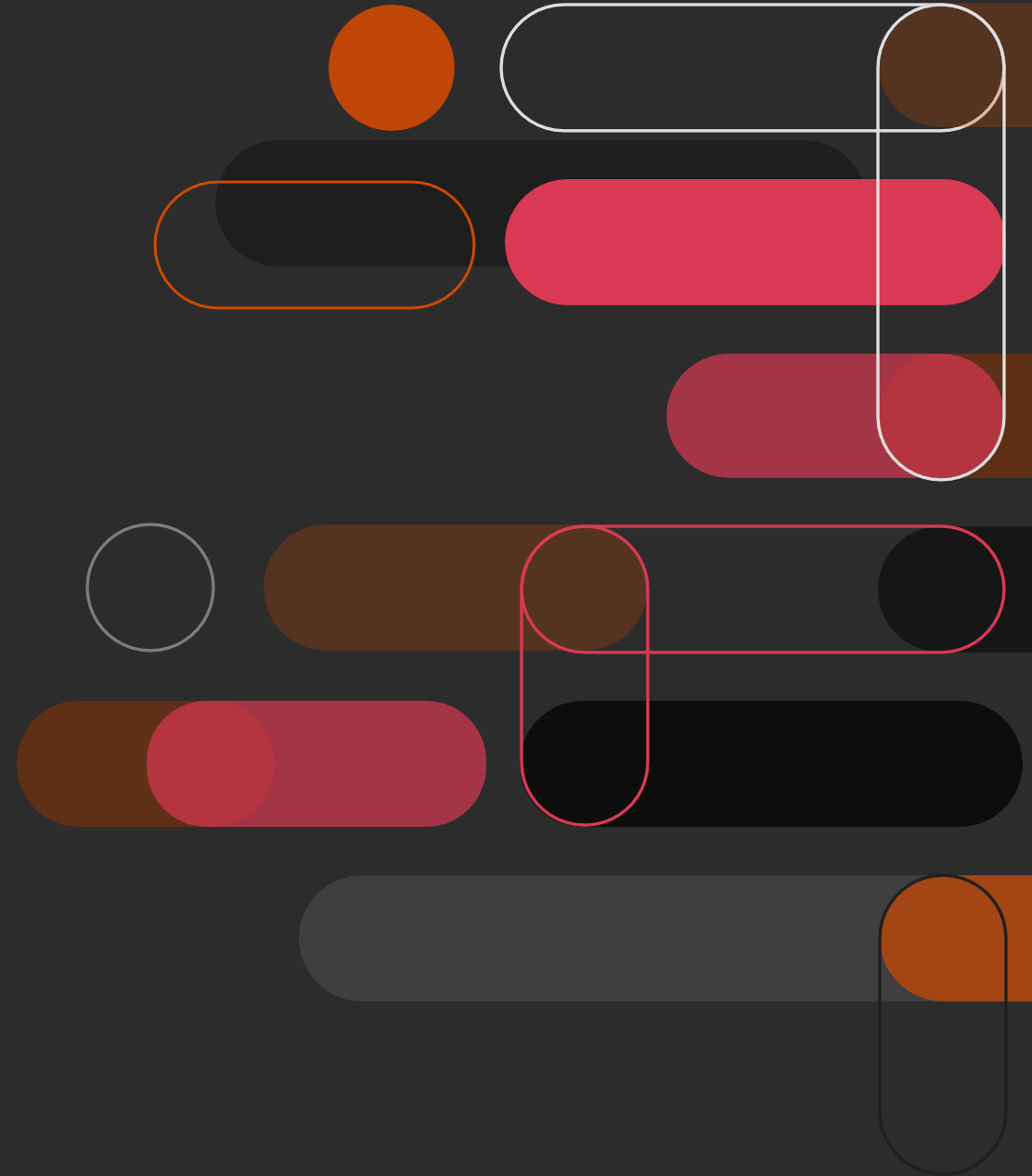


National Office

PwC's Quarterly accounting webcast



Administrative matters

To view the presentation in full-screen mode, click the F11 button on your keyboard.



For better viewing experience, close all other applications.

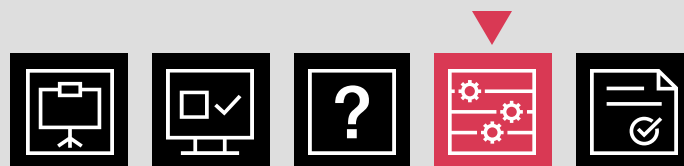
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CPE details



You will have **2 minutes** to answer each timed polling question.
You do not need to get the question correct to get CPE.

Monitor CPE progress by clicking on the CPE icon at the lower-right of your screen:



Prior to meeting the requirements, the CPE icon will initiate progress notes.



Trivia contest

- ▶ The polling questions will ask trivia about some of the topics we are covering today.
- ▶ Polling questions will pop up with a chime sound, and you will have two minutes to answer the poll.
- ▶ After each poll closes, we will share the correct answers to the questions, so you can grade yourself.
- ▶ However, viewers who answer **all** polling questions correctly will be eligible for a random prize drawing. We will select 10 winners from each airing of the webcast.
- ▶ **Reminder: Your answer does not need to be correct to earn CPE**



FASB process and key projects

Pre-Agenda

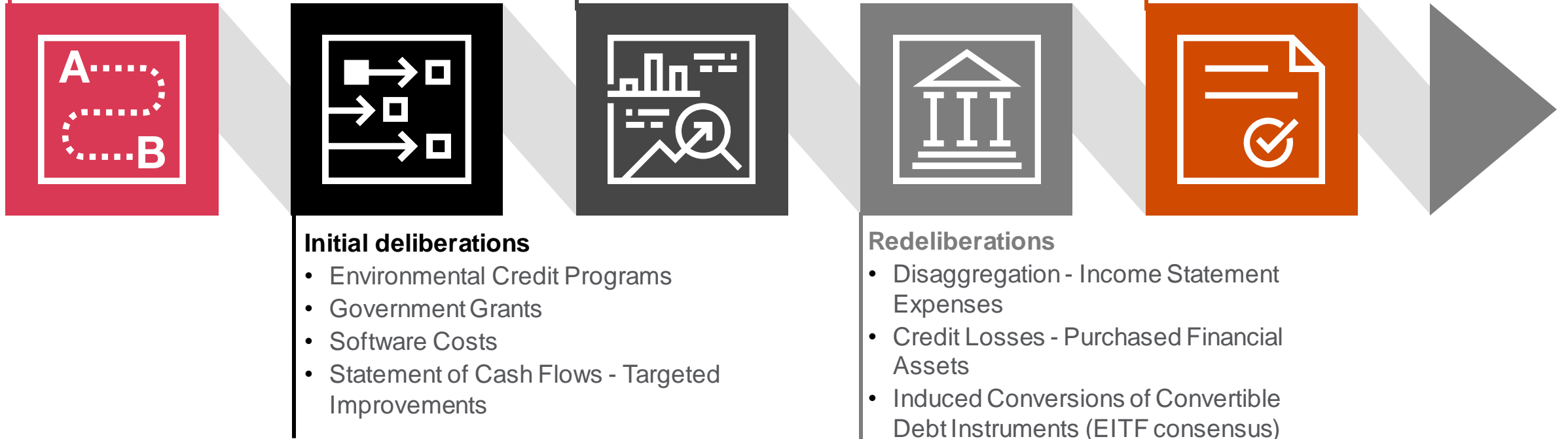
- Accounting for and Disclosure of Intangibles
- Accounting for Commodities
- Consolidations for Business Entities
- Financial Key Performance Indicators
- Statement of Cash Flows

Exposure Draft

- Derivatives Scope Refinements (expected Q3 2024)
- Hedge Accounting Improvements (expected Q3 2024)
- Interim Reporting - Narrow-Scope Improvements (expected Q3 2024)

Final standard

- ASU 2023-07: Segment Reporting
- ASU 2023-08: Crypto Assets
- ASU 2023-09: Income Tax Disclosures
- ASU-2024-01: Stock Compensation - Profits Interest Awards



FASB standard effective dates – public companies

Effective in 2024 for certain public companies

Reference Rate Reform (a)

Convertible Instruments and Contracts in an Entity's Own Equity (b)

Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions (c)

Leases: Common Control Arrangements (c)

Investments in Tax Credit Structures (c)

Improvements to Reportable Segment Disclosures (d)

Disclosure of Supplier Finance Obligations

Effective after 2024

Insurance: Long-duration contracts (e)

Joint venture formations: recognition and initial measurement (f)

Crypto assets (g)

Income tax disclosures (h)

Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative (i)

Scope Application of Profits Interest and Similar Awards (g)

Codification Improvements – Amendments to Remove References to the Concepts Statements (g)

(a) Effective through December 31, 2024, as amended by ASU 2022-06

(b) Effective in 2024 for SRCs (already effective for all other public companies)

(c) Effective for interim and annual periods in 2024

(d) Effective for annual periods in 2024 and for interim periods in 2025

(e) Effective in 2025 for all other companies, including SRCs (already effective for SEC filers other than SRCs)

(f) Effective for JV entities with a formation date on or after January 1, 2025

(g) Effective for interim and annual periods in 2025

(h) Effective for annual periods in 2025

(i) Effective once the SEC has removed applicable requirements from Regulation S-X or S-K. See [ASU 2023-06](#) for details.

For more information: [Effective dates of FASB standards for public companies](#)

FASB standard effective dates – nonpublic companies

Effective in 2024

Reference Rate Reform (a)
Convertible Instruments and Contracts in an Entity's Own Equity
Acquired Contract Assets and Contract Liabilities
Fair Value Hedging: Portfolio Layer Method
Leases: Common Control Arrangements
Disclosure of Supplier Finance Obligations

Effective after 2024

Insurance: Long-Duration Contracts
Fair Value Measurement of Equity Securities subject to Contractual Sale Restrictions
Investments in Tax Credit Structures
Business Combinations—Joint Venture Formations (b)
Crypto Assets (c)
Income Tax Disclosures (d)
Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative (e)
Scope Application of Profits Interest and Similar Awards (c)
Codification Improvements – Amendments to Remove References to the Concepts Statements (c)

(a) Effective through December 31, 2024, as amended by ASU 2022-06

(b) Effective for JV entities with a formation date on or after January 1, 2025

(c) Effective for interim and annual periods in 2025

(d) Effective for annual periods in 2026

(e) Effective two years after the SEC has removed applicable requirements from Regulation S-X or S-K. See [ASU 2023-06](#) for details.

For more information: [Effective dates of FASB standards for public companies](#)

Tenant allowances for lessee assets

Timing of when the incentive is received

Before lease commencement

When payments for the incentive are received:

- A liability is recorded.

At lease commencement:

- The liability is reclassified to reduce the right-of-use asset.

After lease commencement

At lease commencement: Amounts reasonably certain of being received should be considered fixed (negative) lease payments and included in the initial measurement of the lease liability.

- Negotiated lease incentives would often be considered reasonably certain of receipt as the lessee has an economic incentive to use the entire allowance that it negotiated.
- Lessees should estimate the amount and timing of the cash receipts to measure and amortize the lease liability.

When payments for the incentive are received:

- Lessees should debit cash and credit the lease liability when payments are received.
- If cash receipts differ significantly in either timing or amount from the original estimate used to record the lease incentive, lessees should remeasure the lease liability using the same discount rate used at lease commencement.

Accounting considerations for lessee purchases before lease commencement

Asset type	Transaction	Balance sheet	Income statement	Cash flow statement classification
Lessee asset	Initial purchase by lessee	PP&E (or CIP)	Depreciation expense after the asset is placed in service	Investing
	Lessor reimbursement	Lease incentive: (depends on timing of payment - see previous slide)	Reduces lease expense	Classify as any other lease payment
Lessor asset	Payment by lessee	Prepaid rent	Unreimbursed amounts increase lease expense	Presentation depends on expected lease classification at lease commencement: <ul style="list-style-type: none"> • If there is clear evidence that the lease would be classified as a finance lease: Investing/ alternatively financing • Otherwise, operating
	Lessor reimbursement	Reduces prepaid rent	N/A	

Lessee versus lessor asset determination



Determination requires judgment.



Diversity in practice; there are a number of models in use to make the determination.



The following model closely follows the economics:

- Generally, if a lease does not specifically require the lessee to make the improvement, the improvement should be considered a lessee asset.
- If the lease requires the lessee to make the improvement, consider:
 - Uniqueness of the improvement to the lessee's use,
 - Whether the improvement increases the fair value of the underlying asset, and
 - Economic life of the improvement – whether that life would be longer than the lease term.



Lease commencement date

▶ The lease commencement date is the date on which a lessor makes an underlying asset available for use by the lessee.

▶ The lease commences when the lessee controls the proverbial key to the space (e.g., the right to decide whether and when people can enter the property).

▶ Commencement date may not always correspond with:

- The date specified in the lease contract
- The date that lease payments begin



Resources for real estate leases



[Podcast: *Leasing real estate? What lessees need to know*](#)



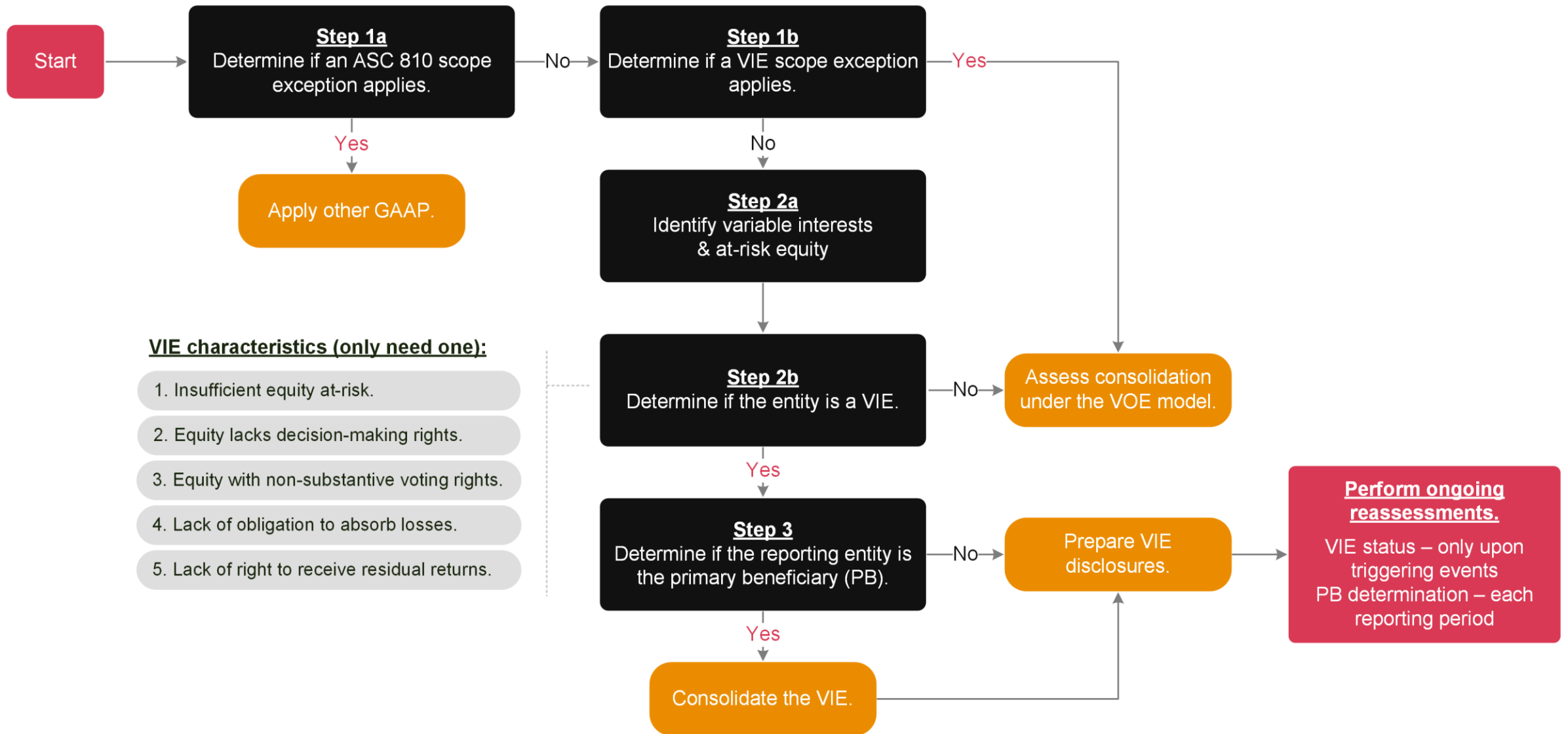
[PwC Leases guide 3.3.4.2, *Lease incentives*](#)



[PwC Leases guide 6.3.3, *Lessee involvement in construction \(Build-to-suit leases\)*](#)



VIE consolidation model



Resources for consolidation



[Podcast: The consolidation framework – Getting started](#)



[Podcast: The consolidation framework – Identifying a VIE](#)



[PwC Consolidation guide](#)



SEC comment letter trends

Top 10 comment letter themes

	Change ⁽¹⁾		Change ⁽¹⁾		
1	Non-GAAP measures	↔	2	Management's discussion and analysis	↓
3	Segment reporting	↑	4	Business combinations	↓
5	Revenue recognition	↑	6	Inventory and cost of sales	↑
7	Debt, quasi-debt, warrants and equity	↔	8	Fair value measurement	↓
9	Goodwill and other intangibles	↑	10	Disclosure controls and ICFR	↑

This analysis was performed based on topical areas assigned by research firm Audit Analytics for comment letters publicly issued in the 12 months ended March 31, 2024 (Current Period) and the 12 months ended March 31, 2023 (Prior Period) in relation to Form 10-K and Form 10-Q filings.

⁽¹⁾ Compares the number of each type of comment letter in the current period to the prior period.

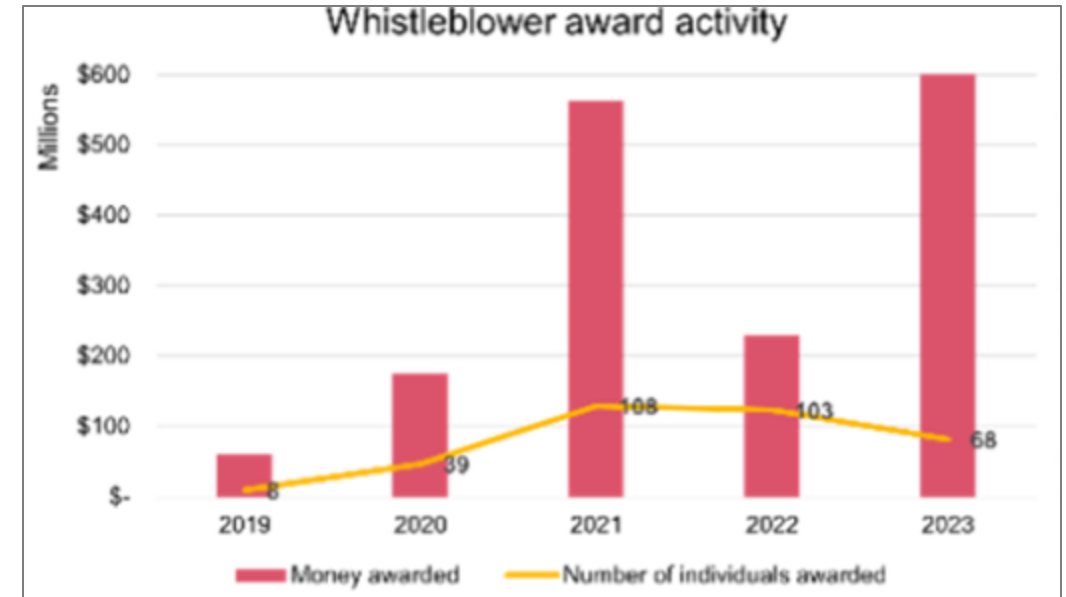
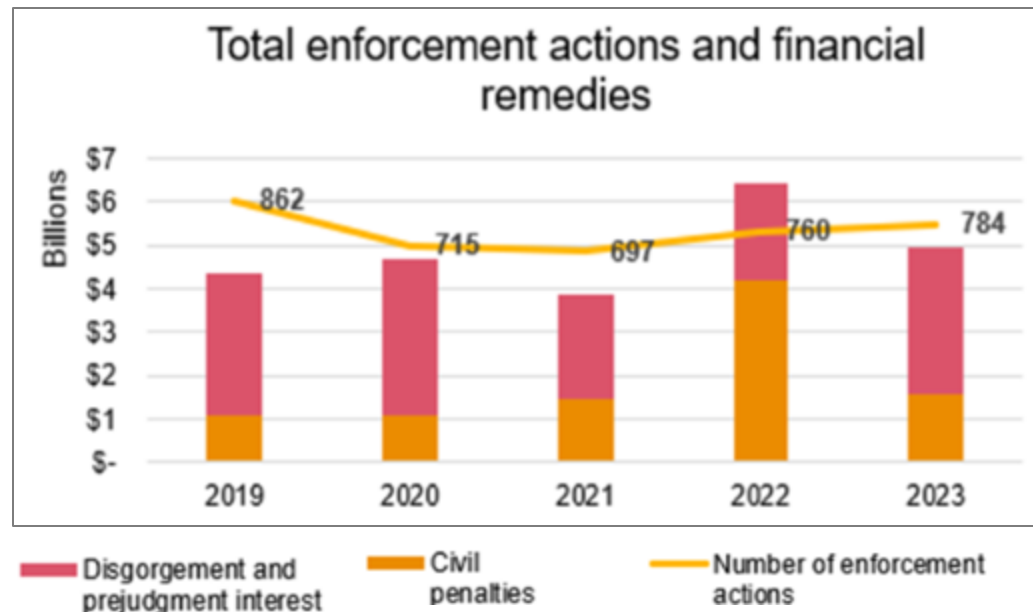


↑ The number of comment letters has increased.

Enforcement activity and trends

2023 enforcement activity

- **784** total enforcement actions filed in the fiscal year ended September 30, 2023, a **3% increase** from fiscal 2022 enforcement actions of 760.
- Money ordered in enforcement actions totaled **\$5.0 billion**, the second highest amount in SEC history (after \$6.4 billion in FY 2022), including civil penalties of **\$1.6 billion** (\$4.2 billion in FY 2022) and disgorgement of **\$3.4 billion** (\$2.2 billion in FY 2022).



- In fiscal 2023, the SEC issued whistleblower awards totaling nearly **\$600 million**, the most ever awarded in one year.
- On May 5, 2023, the SEC announced the largest-ever award, nearly **\$279 million**, to a whistleblower whose information and assistance led to the successful enforcement of SEC and related actions. This is the highest award in the SEC's whistleblower program's history, more than doubling the \$114 million whistleblower award the SEC issued in October 2020 and larger than the total of all whistleblower awards in Fiscal 2022 (\$229 million).

Source: Securities and Exchange Commission

Policy changes and rulemaking – Final rules

Cybersecurity

In July 2023, the SEC adopted a final rule related to cybersecurity risk management, strategy, governance, and incident disclosures. There are two main provisions: **cyber incident disclosure requirements** and **annual disclosures** pertaining to cyber risk management, strategy, and governance.

Incident disclosure highlights



Timing and materiality

- Disclose information in new Item 1.05⁽¹⁾ in Form 8-K⁽²⁾ about a **material cybersecurity incident**, which includes **a series of related incidents**, within **four business days** after the cyber incident is determined to be material
- Registrants must determine the materiality of an incident **without unreasonable delay** following discovery
- Disclosure can be delayed through a series of extensions if the US Attorney General determines that immediate disclosure would be a matter of national security or public safety and communicates that in writing to the SEC



Disclosure requirements

- The 8-K is required to describe the material aspects of the **nature, scope, and timing** of the incident, and the material impact or reasonably likely material impact on the registrant, including its financial condition and results of operations
- If information required to be disclosed is not determinable or unavailable at the time of the required filing, then state as such in the initial 8-K; file an **amendment** within **four business days** after such information becomes available
- A registrant is not required to disclose specific or technical information about its planned response to the incident or its systems in such detail as would impede its response or remediation of the incident

Most registrants ⁽³⁾ will be required to comply with cyber incident reporting starting **December 18, 2023**

⁽¹⁾ Item 1.05 was added to Form 8-K to require the disclosure of a cybersecurity incident "that is determined by the registrant to be material". Refer to the following [statement](#) from the SEC issued in May 2024 regarding Item 1.05 on Form 8-K.

⁽²⁾ FPIs filing on FPI forms would be required to furnish information regarding material cyber incidents on a Form 6-K, assuming the other criteria outlined in the instructions to Form 6-K are met.

⁽³⁾ Smaller Reporting Companies are provided an additional 180 days to comply with incident disclosure rule

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[Q3 2024 Quarterly sustainability webcast | August 8 or 14](#)



[Q3 2024 Quarterly accounting webcast | September 18, 24, or 26](#)

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