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Quarterly Perspectives: Financial Reporting & Beyond / Q1 2023

April 20, 2023

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Meet the Presenters From the FORVIS A&A Professional Standards Group



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Special Guest



Bobby Bean

Managing Director

Financial Services Regulatory Advisory









What Has Caught Our Eye

- SEC & PCAOB getting a little busier with their regulatory & rulemaking agendas
- Impairment considerations for securities took on a very different feel this past year-end whether under the ASC 320-10 model (otherthan-temporary impairment) or the ASC 326 model (available-forsale securities)
- A lot of lessons learned on the adoption of ASC 842 for leases







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Lessons Learned Adopting ASC 842

- Harder than people thought for sure
- Wish they had spent more time understanding the standard & that they used a 'system' (or a better system) to capture & calculate the data
- Misunderstanding or misapplication of the expedients & elections
 - Hindsight practical expedient "accidentally" elected at implementation
 - Discount rate
 - Wrong date &/or wrong term used
 - Forgot that most equipment & vehicle leases have the "rate implicit" in the lease
 - Incremental borrowing rate not aligned with term &/or change in rates during the year
 - Trouble distinguishing between elections at implementation versus elections post implementation
 - Combining lease versus nonlease components if not elected then the fair value of each component must be determined & allocated (allocation occurs even if both pieces are at fair value)
 - Recognizing a remeasurement event such as investment in leasehold improvements



Common Control Leases

(ASU 2023-01 issued late March & available for adoption immediately)

- Practical expedient to use written terms & do not have to evaluate enforceability
 - If unwritten, judgment will be required
 - Able to improve/create documentation <u>now</u>
- If entity wishes to structure an arrangement to avoid a right-of-use (ROU) asset & lease liability (LL) but retain the leasehold improvement (LHI) on the books (rather than having to write it off through a distribution)
 - Make sure you have a lease without a lease, there can be no LHI
 - Establish a long enough term lease with payments that are entirely variable (no ROU or LL)
 - Month-to-month lease (cancelable by either party with 30 days notice series of one-month leases) no expiration period for the renewal
 - This is a short-term lease, *i.e.*, no ROU or LL; lease expense should be disclosed & LHI should be amortized over useful life as long as lease is still in existence
 - If either party terminates, LHI are recorded as a distribution





Recent Bank Failures

- What we have learned from recent events
- How bank depositors have reacted at other banks
- What should you consider now as a depositor





FASB Standard-Setting Activities

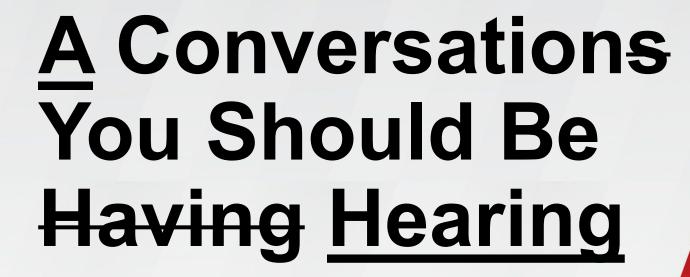
Accounting Standards Updates issued

- ASU 2023-01 Leases (Topic 842): Common Control Arrangements
- ASU 2023-02 Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (a consensus of the EITF)

Accounting Standards Updates proposed

- Income Taxes (Topic 704): Improvements to Income Tax Disclosures
 - ED released March 15, comments due May 30
- Intangibles Goodwill and Other Crypto Assets (Subtopic 350-60):
 Accounting for and Disclosure of Crypto Assets
 - ED released March 23, comments due June 6





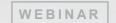


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- Quarterly Perspectives: FASB 1Q 2023
- Quarterly Perspectives: SEC 1Q 2023
- 1Q 2023 ESG Regulation & Financial Statement Updates
- FASB Finalizes Common Control Lease Relief
- New Income Tax Disclosures Proposed
- Proportional Amortization Option for More Tax Credit Programs & LIHTC Accounting Changes



Thank you!

Please join us again on Thursdays at 11 a.m. ET for the 2023 Quarterly Perspective webinar series!

July 20, 2023 October 19, 2023 January 11, 2024

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