



# Accounting, financial reporting, and regulatory developments

## SECOND QUARTER 2024

*This update highlights some of the more important 2024 second quarter accounting, financial reporting, and regulatory developments that may impact both public and private companies.*

*The content is not meant to be all-inclusive.*



# Accounting guidance

## FASB income statement disaggregation project

While no new Accounting Standards Updates (ASU) were issued during the second quarter of 2024, the Financial Accounting Standards Board (FASB) continues to make progress on other projects. One of two projects on the FASB's agenda that is planned for completion before the end of 2024 is its *Disaggregation – Income Statement Expenses* project. This project is in response to investor feedback indicating more detailed information on an entity's expenses is a top priority for investors. In response to this feedback, the FASB issued an exposure draft in 2023 that would require public business entities to include additional disclosures about expenses to assist in assessing an entity's prospects for future cash flows and comparing performance both over time and with that of other entities. The proposal would require entities to disclose the following information on an interim and annual basis:

1. *Tabular disclosure of the amounts of underlying expense in each caption on the face of the financial statements for the following:*
  - a. *Inventory and manufacturing expense.*
  - b. *Employee compensation.*
  - c. *Depreciation*
  - d. *Intangible asset amortization.*
  - e. *Depreciation, depletion, and amortization of capitalized acquisition, exploration, and development costs recognized as part of oil and gas activities.*



2. *Further disaggregation of inventory and manufacturing expense by the following categories:*
  - a. *Purchases of inventory.*
  - b. *Employee compensation.*
  - c. *Depreciation.*
  - d. *Intangible asset amortization.*
  - e. *Depreciation, depletion, and amortization of capitalized acquisition, exploration, and development costs recognized as part of oil and gas activities.*
  - f. *Costs capitalized to inventory and manufacturing expenses not included in the categories above.*
  - g. *Changes in inventories.*
  - h. *Other adjustments and reconciling items.*
3. *Disclosure of other expense categories required by the Accounting Standard Codification in the same disclosure as the requirements above.*
4. *Qualitative description of the amounts remaining in relevant expense captions or in inventory and manufacturing expense.*
5. *Total amount of selling expenses and, on an annual basis, the entity's definition of selling expenses.*

The exposure draft indicated the guidance will be required to adopted on a prospective basis; however, entities would have the option to apply the disclosures retrospectively to the earliest period presented when adopted. The planned scope for this guidance would be for all entities that meet the definition of a public business entity. While FASB has indicated they anticipate issuing this guidance in the fourth quarter of 2024, they have not provided an indication of when the new guidance would be effective.



# Regulatory update

## Disclosure of information regarding cybersecurity incidents

In 2023, the SEC adopted rules requiring public companies to disclose material cybersecurity incidents under Item 1.05 of Form 8-K. Since then, there has been confusion about whether those rules may preclude a company from sharing additional information about a material cybersecurity incident with others, including their commercial counterparties. Some companies have believed that if they experience a material cybersecurity incident, the new rules prohibit them from discussing that incident beyond what was included in the Item 1.05 Form 8-K disclosing the incident. The SEC has recently [clarified](#) that is not the case.

Item 1.05 of Form 8-K requires a company that experiences a cybersecurity incident that it determines to be material to describe the material aspects of the nature, scope, and timing of the incident, as well as the incident's material impact or reasonably likely material impact on the company, including its financial condition and results of operations. Nothing in Item 1.05 prohibits a company from privately discussing a material cybersecurity incident with other parties or from providing information about the incident to such parties beyond what was included in an Item 1.05 Form 8-K. Those parties may include commercial counterparties, such as vendors and customers, as well as other companies that may be impacted by, or at risk from, the same incident or threat actor. Sharing information about a material cybersecurity incident with those parties may assist with remediation, mitigation, or risk avoidance efforts and may facilitate those parties' compliance with their own incident disclosure and reporting obligations.

Companies may have also concerns that privately disclosing additional information regarding a material cybersecurity incident beyond what was included in an Item 1.05 Form 8-K could implicate the rules regarding selective disclosures that are set forth in Regulation FD. Regulation FD requires public disclosure of any material nonpublic information that has been selectively disclosed to securities market professionals or shareholders, as specified in the regulation. Depending on the information disclosed, and the persons to whom that information is disclosed, discussions regarding a cybersecurity incident may implicate Regulation FD.



However, nothing in Item 1.05 alters Regulation FD or makes it apply any differently to communications regarding cybersecurity incidents. There are several ways that a public company can privately share information regarding a material cybersecurity incident beyond what was disclosed in its Item 1.05 Form 8-K without implicating Regulation FD. For example, the information that is being privately shared about the incident may be immaterial, or the parties with whom the information is being shared may not be one of the types of persons covered by Regulation FD. Further, even if the information being shared is material nonpublic information and the parties with whom the information is being shared are the types of persons covered by Regulation FD, an exclusion from the application of Regulation FD may apply. For example, if the information is being shared with a person who owes a duty of trust or confidence to the issuer (such as an attorney, investment banker, or accountant) or if the person with whom the information being shared expressly agrees to maintain the disclosed information in confidence (e.g., if they enter into a confidentiality agreement with the issuer), then public disclosure of that privately shared information will not be required under Regulation FD.



# Standards adoption

## Standards issued in 2024

Final ASU	Early adoption	Effective date
ASU 2024-02: <i>Codification Improvements – Amendments to Remove References to the Concepts Statements</i>	Yes	<b>Public:</b> Annual periods beginning after Dec. 15, 2024, including interim periods within those fiscal years. <b>Nonpublic:</b> Annual periods beginning after Dec. 15, 2025, including interim periods within those fiscal years.
ASU 2024-01: <i>Compensation – Stock Compensation (Topic 718) – Scope Application of Profits Interests and Similar Awards</i>	Yes	<b>Public:</b> Annual periods beginning after Dec. 15, 2024, including interim periods within those fiscal years. <b>Nonpublic:</b> Annual periods beginning after Dec. 15, 2025, including interim periods within those fiscal years.

\*Effective 2024 for nonpublic companies  
\*\*Effective 2024 for public business entities

## Standards issued in prior years effective 2024 or after

Final ASU	Early adoption	Effective date
<b>ASU 2023-09: Income Taxes (Topic 740) – Improvements to Income Tax Disclosures</b>	Yes	<b>Public:</b> Annual periods beginning after Dec. 15, 2024. <b>Nonpublic:</b> Annual periods years beginning after Dec. 15, 2025
<b>ASU 2023-08: Intangibles – Goodwill and Other – Crypto Assets (Subtopic 350-60) – Accounting for and Disclosure of Crypto Assets</b>	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2024, including interim periods within those fiscal years.
<b>ASU 2023-07: Segment Reporting (Topic 280) – Improvements to Reportable Segment Disclosures</b>	Yes	Effective for all entities that are required or elect to disclose segment information for fiscal years beginning after Dec. 15, 2023, and interim periods beginning in fiscal years beginning after Dec. 15, 2024 <sup>*</sup> , <sup>**</sup>
<b>ASU 2023-06: Disclosure Improvements: Codification Amendments in Response to the SEC’s Disclosure Update and Simplification Initiative</b>	No	<b>SEC registrants or other entities subject to SEC disclosure requirements:</b> Effective date based on date on which the SEC removes the related disclosure from Regulation S-X or Regulation S-K. <b>All other entities:</b> the amendments will be effective two years after the effective date for entities following the SEC disclosure requirements.
<b>ASU 2023-05: Business Combinations – Joint Venture Formations (Subtopic 805-60) – Recognition and Initial Measurement</b>	Yes	Effective for all joint ventures with a formation date on or after Jan. 1, 2025.
<b>ASU 2023-02: Investments – Equity Method and Joint Ventures (Topic 323) – Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method</b>	Yes	<b>Public:</b> Fiscal years beginning after Dec. 15, 2023, and interim periods within those fiscal years. <sup>**</sup> <b>Nonpublic:</b> Fiscal years beginning after Dec. 15, 2024, and interim periods within those fiscal years.
<b>ASU 2023-01: Leases (Topic 842): Common Control Arrangements</b>	Yes	Effective for all entities for fiscal years beginning after Dec. 15, 2023, and interim periods within those fiscal years. <sup>*</sup> , <sup>**</sup>
<b>ASU 2022-06: Reference Rate Reform (Topic 848) – Deferral of the Sunset Date of Topic 848</b>	N/A	Effective upon issuance. Sunset date of Topic 848 is extended to Dec. 31, 2024. <sup>*</sup> , <sup>**</sup>
<b>ASU 2022-05: Financial Services – Insurance (Topic 944) – Transition for Sold Contracts</b>	Yes	<b>SEC registrants (excluding entities that qualify as SRCs):</b> Fiscal years beginning after Dec. 15, 2022, including interim periods within those fiscal years. <sup>**</sup> <b>All other entities:</b> Fiscal years beginning after Dec. 15, 2024, and interim periods beginning in fiscal years beginning after Dec. 15, 2025.

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<sup>\*\*</sup>Effective 2024 for public business entities

Final ASU	Early adoption	Effective date
<b>ASU 2022-03: Fair Value Measurements (Topic 820) – Fair Value Measurement of Equity Securities Subject to Contractual Sales Restrictions</b>	Yes	<b>Public:</b> Fiscal years beginning after Dec. 15, 2023, and interim periods within those fiscal years.** <b>Nonpublic:</b> Fiscal years beginning after Dec. 15, 2024, and interim periods within those fiscal years.
<b>ASU 2022-01: Derivatives and Hedging (Topic 815) – Fair Value Hedging – Portfolio Layer Method</b>	Yes	<b>Public:</b> Fiscal years beginning after Dec. 15, 2022, and interim periods within those fiscal years. <b>Nonpublic:</b> Fiscal years beginning after Dec. 15, 2023, and interim periods within those fiscal years.*
<b>ASU 2021-08: Business Combinations (Topic 805) – Accounting for Contract Assets and Contract Liabilities from Contracts with Customers</b>	Yes	<b>Public:</b> Fiscal years beginning after Dec. 15, 2022, and interim periods within those fiscal years. <b>Nonpublic:</b> Fiscal years beginning after Dec. 15, 2023, and interim periods within those fiscal years.*
<b>ASU 2020-11: Financial Services – Insurance (Topic 944): Effective Date and Early Adoption</b>	Yes	<b>SEC registrants (excluding entities that qualify as SRCs):</b> Fiscal years beginning after Dec. 15, 2022, including interim periods within those fiscal years.** <b>All other entities:</b> Fiscal years beginning after Dec. 15, 2024, and interim periods beginning in fiscal years beginning after Dec. 15, 2025.
<b>ASU 2020-06: Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity</b>	Yes – but no earlier than fiscal years beginning after Dec. 15, 2020	<b>SEC registrants (excluding entities eligible to be SRCs):</b> Fiscal years beginning after Dec. 15, 2021, and interim periods within those fiscal years. <b>All other entities:</b> Fiscal years beginning after Dec. 15, 2023, and interim periods within those fiscal years.*
<b>ASU 2018-12: Financial Services – Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts</b>	Yes	<b>SEC registrants (excluding entities eligible to be SRCs):</b> Fiscal years beginning after Dec. 15, 2022, and interim periods within those fiscal years. <b>All other entities:</b> Fiscal years beginning after Dec. 15, 2024, and interim periods beginning after Dec. 15, 2025.

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