



Accounting, financial reporting, and regulatory developments

THIRD QUARTER 2024

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

The content is not meant to be all-inclusive.

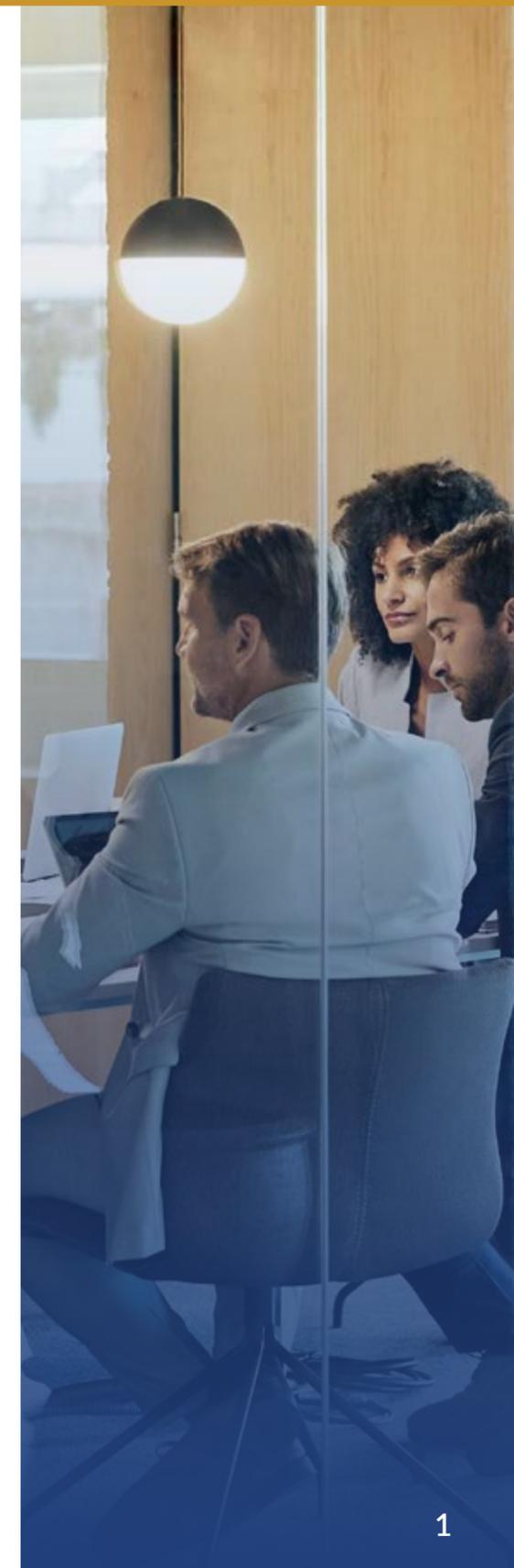


Accounting guidance

Segment Reporting (Topic 280)

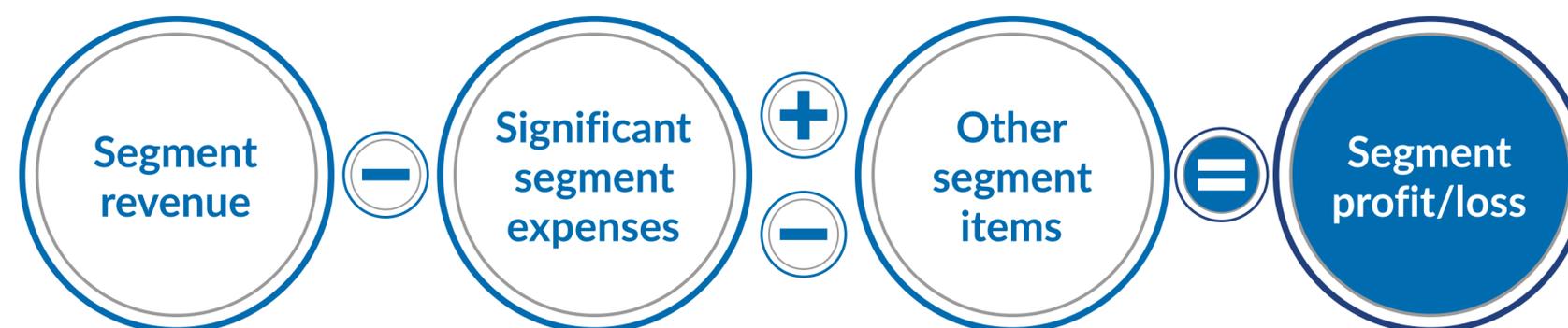
While no new Accounting Standards Updates (ASU) were issued during the third quarter of 2024, the Financial Accounting Standards Board (FASB) continues to make progress on other projects, as well as various standards being effective for years ending Dec. 31, 2024. One of the more significant accounting standards effective for public companies for years ending after Dec. 15, 2024, is ASU 2023-07, *Segment Reporting (Topic 280) – Improvements to Reportable Segment Disclosures*. This ASU requires additional disclosures for reportable segments for public companies and those private companies that elect to include segment disclosures. The changes to the disclosures include the following:

- Requires entities to disclose significant segment expenses that are regularly provided to the chief operating decision-maker (CODM).
- Requires entities to disclose amounts of “other segment items” by reportable segment. These items are the difference between segment revenues less significant segment expenses and the reported amount of segment profit or loss.
- Requires entities to continue to provide all annual segment disclosures currently required by ASC Topic 280: *Segment Reporting*.
- Clarifies that if the CODM uses more than one measure of a segment’s profit or loss in assessing segment performance, they may elect to report one or more additional measures of segment profit or loss.
- Requires an entity to disclose the title and position of the CODM.
- Entities with only a single reportable segment are required to include the disclosures proscribed by ASU 2023-07.



One of the more significant changes is the requirement to disclose significant expense categories and amounts for each reportable segment that's regularly reported to the CODM. In determining which expense categories are significant, ASU 2023-07 requires entities to first identify the expense categories that are regularly provided to the CODM. Consideration would then be given to both qualitative and quantitative factors to determine which categories are considered significant. While the ASU did not define what "regularly reported" means, the SEC staff has indicated that information that's provided quarterly to the CODM would be considered regularly reported.

In addition to reporting on significant segment expense categories, the guidance also requires entities to disclose an amount for "other segment items." The amount attributed to other segment items is the difference between reported segment revenue less segment expenses and reported segment profit or loss (as illustrated below).



One final change of note is the requirement for public entities that only have a single reportable segment to make all segment disclosures in accordance with ASC 280, including the requirement to disclose a measure of segment profit and loss that's most consistent with the amounts included in its consolidated financial statements.

The new guidance will be effective for all entities that are required to 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.



Regulatory update

SEC adopts rule to update definition of qualifying venture capital funds

In August 2024, the SEC adopted a [rule](#) that updates the dollar threshold for a fund to qualify as a “qualifying venture capital fund” for purposes of the Investment Company Act of 1940. The rule updates the dollar threshold to \$12 million in aggregate capital contributions and uncalled committed capital, up from the original threshold of \$10 million.

Qualifying venture capital funds are excluded from the Act’s definition of an “investment company.” The Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018 requires the Commission to index the dollar amount for this threshold for inflation once every five years.

New rule 3c-7 implements this statutory directive and adjusts the dollar amount to \$12 million dollars, based on the Personal Consumption Expenditures Chain-Type Price Index. The rule also establishes a process for the Commission to make future inflation adjustments to the threshold every five years.

SEC proposes joint data standards under the Financial Data Transparency Act of 2022

The SEC recently proposed [joint data standards](#) under the Financial Data Transparency Act of 2022 that would establish technical standards for data submitted to certain financial regulatory agencies. Eight additional agencies have proposed or are expected to propose the joint standards: the Board of Governors of the Federal Reserve System, the Commodity Futures Trading Commission, the Consumer Financial Protection Bureau, the Department of the Treasury, the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, the National Credit Union Administration, and the Office of the Comptroller of the Currency.



The proposed joint standards would promote interoperability of financial regulatory data across the agencies by establishing common identifiers for entities, geographic locations, dates, and certain products and currencies. The consistent data standards will make it easier for financial institutions to file reports across multiple agencies and will help regulators be more effective and efficient in carrying out our oversight functions.

In addition, the proposal would establish a principles-based joint standard with respect to data transmission and schema and taxonomy formats, which would enable financial institutions to submit high-quality, machine-readable data to the agencies.

The agencies are in various stages of approving the proposed joint standards.

SEC adopts reporting enhancements for registered investment companies and provides guidance on open-end fund liquidity risk management programs

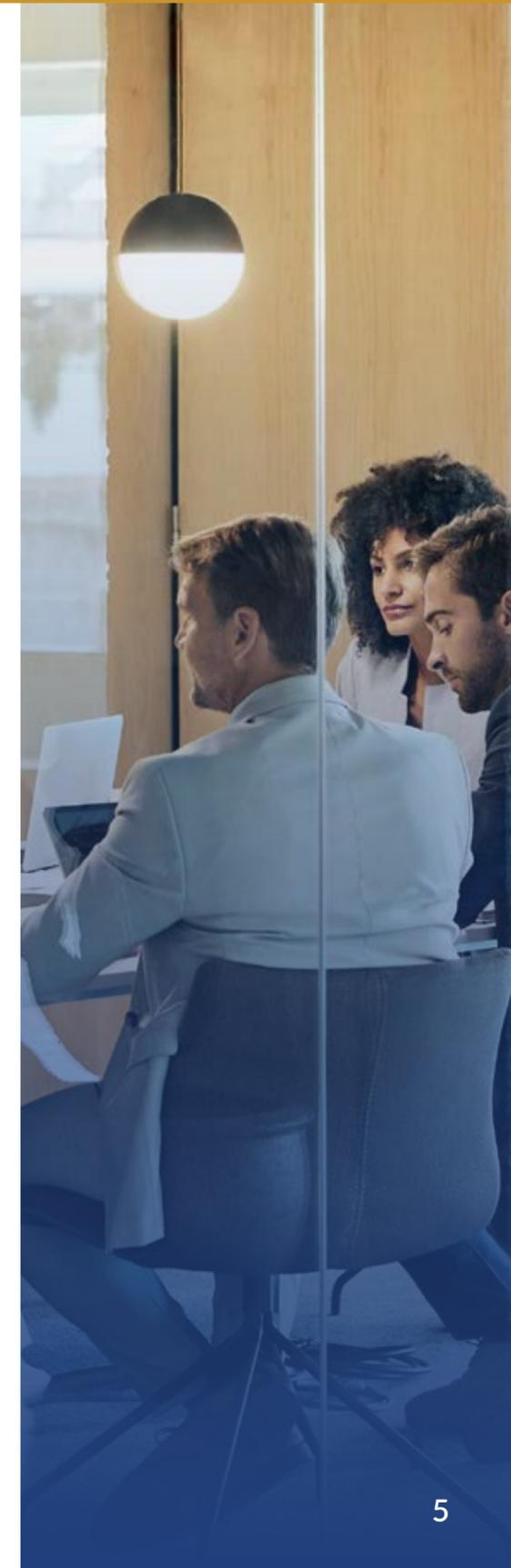
The SEC in August 2024 adopted [amendments to reporting requirements](#) on Form N-PORT to provide the Commission and investors with more timely information about certain registered investment companies (funds). Form N-PORT reports provide important information about a fund's portfolio holdings and related information to help assess a fund's risks. The amendments will provide the Commission with timelier information about funds' portfolio investments, which will promote more effective regulatory monitoring and oversight of the fund industry for the benefit of fund investors. The amendments also will triple the amount of Form N-PORT data available to investors in a given year, enhancing investors' ability to review and monitor information about their funds' portfolios.

The Form N-PORT amendments will require funds that are required to report on the form – generally registered open-end funds, registered closed-end funds, and exchange-traded funds organized as unit investment trusts – to file reports on Form N-PORT on a monthly basis within 30 days after the end of the month to which they relate. Currently, funds file these monthly reports on a quarterly basis within 60 days after quarter-end. The amendments will also make funds' monthly reports on Form N-PORT available to the public 60 days after the end of each month instead of every third month of a quarter only.



In addition, the Commission adopted reporting amendments and provided guidance related to open-end fund liquidity risk management program requirements. Specifically, the Commission adopted amendments to Form N-CEN requiring open-end funds to report certain information about service providers used to fulfill liquidity risk management program requirements so that the Commission can track certain liquidity risk management practices. The Commission also provided guidance related to certain aspects of open-end fund liquidity risk management program requirements to address questions raised through outreach and monitoring.

The amendments to Forms N-PORT and N-CEN will become effective on Nov. 17, 2025. Funds generally will be required to comply with the amendments for reports filed on or after that date, except that fund groups with net assets of less than \$1 billion will have until May 18, 2026, to comply with the Form N-PORT amendments.



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

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

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