



Summary of Recent Accounting Developments Q1 2023

by
Larry Gee

CNM Professional Practice Group

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First Quarter 2023

New Accounting Standards

- ASU 2023-02, Investments—Equity Method and Joint Ventures (Topic 323), Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method¹
 - The amendments in this Update 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.
- ASU 2023-01, Leases (Topic 842), Common Control Arrangements²
 - Topic 842 requires that entities determine whether a related party arrangement between entities under common control (hereinafter referred to as a common control arrangement) is a lease. If the arrangement is determined to be a lease, an entity must classify and account for the lease on the same basis as an arrangement with an unrelated party (on the basis of legally enforceable terms and conditions).
 - The amendments in this Update require that leasehold improvements associated with common control leases be:
 1. 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.
 2. 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
- ASU 2022-06, Reference Rate Reform (Topic 848), Deferral of the Sunset Date of Topic 848³
 - The amendments in this Update defer the sunset date of Topic 848 from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848.
- The FASB staff received a technical inquiry from several accounting firms asking whether an entity should record deferred taxes for the GloBE minimum tax by recognizing GloBE-specific deferred taxes or remeasuring existing deferred taxes at the GloBE minimum tax rate.
 - The technical inquiry and staff response relate to the applicability of deferred tax accounting to the minimum tax described in the Global Anti-Base Erosion (GloBE) rules. The GloBE rules and associated commentary were released as part of the Pillar Two initiative by the Organisation for Economic Co-operation and Development (OECD). The OECD's objective with Pillar Two is for large international operating businesses to pay a minimum level of tax through a series of rules that include a global minimum corporate tax of 15% of adjusted net income. The GloBE rules provide a template that jurisdictions may use when developing and enacting their domestic tax laws and are intended to be enacted via domestic tax law in the respective countries.
 - The FASB staff believe that the GloBE minimum tax as illustrated in the inquiry is an alternative minimum tax (AMT) as discussed in Topic 740, Income Taxes. As an AMT, deferred tax assets and liabilities would not be recognized or adjusted for the estimated future effects of the minimum tax.

¹ For public business entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted for all entities in any interim period.

² The amendments in this Update for both Issue 1 (consideration of terms and conditions) and Issue 2 (leasehold improvements) are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been made available for issuance. If an entity adopts the amendments in an interim period, it must adopt them as of the beginning of the fiscal year that includes that interim period.

³ The amendments in this Update are effective for all entities upon issuance of this Update.

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Big Firm Accounting Guides – new or revised

- PwC
 - Bankruptcies and Liquidations (February 2023)
 - Equity Method Investments and Joint Ventures (February 2023)
 - Carve-out Financial Statements (February 2023)
 - Crypto Assets (February 2023)
 - Business Combinations and Noncontrolling Interests (February 2023)
 - Leases (January 2023)
 - Financing Transactions (December 2022)
 - Equity Method Investments and Joint Ventures (December 2022)
 - Reference Rate Reform (December 2022)
 - Income Taxes (December 2022)
 - IFRS and US GAAP: Similarities and Differences (November 2022)
 - Financial Statement Presentation (November 2022)
 - Not-for-Profit Entities (November 2022)
 - Crypto Assets (November 2022)
- KPMG
 - Debt and Equity Financing Handbook (March 2023)
 - Revenue Recognition Handbook (March 2023)
 - Business Combinations Handbook (February 2023)
 - Statement of Cash Flows Handbook (February 2023)
 - Accounting for Income Taxes Handbook (February 2023)
 - Climate Risk in the Financial Statements Handbook (February 2023)
 - Credit Impairment Handbook (January 2023)
 - Segment Reporting Handbook (January 2023)
 - IFRS Compared to US GAAP (December 2022)
- EY
 - US GAAP/IFRS Accounting Differences Identifier Tool (February 2023)
 - US GAAP versus IFRS, The basics (February 2023)
 - Financial Reporting Developments, Insurance Contract Modifications and Exchanges (December 2022)
- Deloitte
 - Non-GAAP Financial Measures and Metrics (January 2023)
 - Considerations for Commercial Entities Implementing the Current Expected Credit Loss Standard in 2023 (January 2023)

Other Guidance

- SEC, Division of Corporation Finance, Financial Reporting Manual (December 2022)



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LOS ANGELES

A | 6320 Canoga Avenue
Suite 150
Woodland Hills, CA 91367
o | 818.999.9501

ORANGE COUNTY

A | 15635 Alton Parkway
Suite 450
Irvine, CA 92618
o | 949.299.5582

MALAYSIA

Kuala Lumpur

NEW YORK CITY

A | 264 West 40th Street
19th Floor
New York, NY 10018

SAN DIEGO

A | 12671 High Bluff Drive
Suite 350
San Diego, CA 92130

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