



# Summary of Recent Accounting Developments Q2 2022

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## Second Quarter 2022

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### New Accounting Standards

- ASU 2022-02, Financial Instruments—Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures<sup>1</sup>
  - The amendments in this Update eliminate the accounting guidance for TDRs by creditors in Subtopic 310-40, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Specifically, rather than applying the recognition and measurement guidance for TDRs, an entity must apply the loan refinancing and restructuring guidance in paragraphs 310-20-35-9 through 35-11 to determine whether a modification results in a new loan or a continuation of an existing loan.
  - For public business entities, the amendments in this Update require that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20.
- ASU 2022-01, Derivatives and Hedging (Topic 815), Fair Value Hedging—Portfolio Layer Methods<sup>2</sup>
  - Expands the current last-of-layer method that permits only one hedged layer to allow multiple hedged layers of a single closed portfolio.
  - Expands the scope of the portfolio layer method to include non-prepayable financial assets.
  - Specifies that eligible hedging instruments in a single-layer hedge may include spot-starting or forward-starting constant-notional swaps, or spot or forward-starting amortizing-notional swaps and that the number of hedged layers (that is, single or multiple) corresponds with the number of hedges designated.
  - Provides additional guidance on the accounting for and disclosure of hedge basis adjustments that are applicable to the portfolio layer method whether a single hedged layer or multiple hedged layers are designated.
  - Specifies how hedge basis adjustments should be considered when determining credit losses for the assets included in the closed portfolio.

### Big Firm Accounting Guides – new or revised

- PwC
  - Financial statement presentation (May 2022)
  - Insurance contracts (May 2022)
  - Fair value measurements (March 2022)
  - Property, plant, equipment and other assets (February 2022)
  - Revenue from contracts with customers (February 2022)
  - IFRS and US GAAP: similarities and differences (February 2022)

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<sup>1</sup> For entities that have adopted the amendments in Update 2016-13, the amendments in this Update are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. For entities that have not yet adopted the amendments in Update 2016-13, the effective dates for the amendments in this Update are the same as the effective dates in Update 2016-13. The amendments in this Update should be applied prospectively, except as provided in the next sentence. For the transition method related to the recognition and measurement of TDRs, an entity has the option to apply a modified retrospective transition method, resulting in a cumulative-effect adjustment to retained earnings in the period of adoption.

<sup>2</sup> For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. Early adoption is permitted on any date on or after the issuance of this Update for any entity that has adopted the amendments in Update 2017-12 for the corresponding period. If an entity adopts the amendments in an interim period, the effect of adopting the amendments related to basis adjustments should be reflected as of the beginning of the fiscal year of adoption (that is, the initial application date).

<sup>3</sup> The rules and amendments will be effective 30 days after publication in the Federal Register.

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- KPMG
  - Consolidation Handbook (May 2022)
  - Foreign Currency Handbook (May 2022)
  - Asset Acquisitions Handbook (May 2022)
  - Reference Rate Reform Handbook (May 2022)
  - Accounting for Income Taxes Handbook (April 2022)
  - Financial Instruments Handbook (April 2022)
  - Share-Based Payment Handbook (April 2022)
  - Going Concern Handbook (March 2022)
  - Transfers and Servicing of Financial Assets Handbook (March 2022)
- EY
  - Financial Reporting Developments, Foreign currency matters (June 2022)
  - Financial Reporting Developments, Lease accounting, ASC 840 (May 2022)
  - Financial Reporting Developments, Intangibles—goodwill and other (May 2022)
  - Financial Reporting Developments, Bankruptcies, liquidations and quasi-reorganizations (May 2022)
  - Financial Reporting Developments, Segment reporting (April 2022)
  - Financial Reporting Developments, Exit or disposal cost obligations (April 2022)
  - Guide to preparing carve-out financial statements (April 2022)
  - Financial Reporting Developments, Asset Retirement Obligations (March 2022)
- Deloitte
  - Roadmap to Statement of Cash Flows (May 2022)
  - Roadmap to Transfers and Servicing of Financial Assets (May 2022)
  - Roadmap to SEC Reporting Considerations for Business Acquisitions (April 2022)
  - Roadmap to Contingencies, Loss Recoveries, and Guarantees (April 2022)
  - Roadmap to Foreign Currency Matters (April 2022)
  - Roadmap to Convertible Debt Before Adoption of ASU 2020-06 (April 2022)
  - Life Sciences Industry Guide (March 2022)

### Other Guidance

- SEC, Updating EDGAR Filing Requirements and Form 144 Filings SEC staff, Assessing Materiality: Focusing on the Reasonable Investor When Evaluating Errors
  - The SEC adopted rule and form amendments that mandate the electronic filing or submission of documents that are currently permitted electronic submissions, including the “glossy” annual report to security holders, notices of exempt solicitations and exempt preliminary roll-up communications, notices of sales of securities of certain issuers, filings of required reports by foreign private issuers and filings made by multilateral development banks on our Electronic Data Gathering, Analysis, and Retrieval (“EDGAR”) system. They also adopted rules that will mandate the electronic submission of the “glossy” annual report to security holders, the electronic filing of the certification made pursuant to the Exchange Act and its rules that a security has been approved by an exchange for listing and registration, the use of Inline eXtensible Business Reporting Language (“Inline XBRL”) for the filing of the financial statements and accompanying notes to the financial statements required in the annual reports of employee stock purchase, savings and similar plans, and that will allow for the electronic submission of certain foreign language documents.<sup>3</sup>
- SEC Division of Corporation Finance issues sample comment letter regarding disclosures pertaining to Russia’s invasion of Ukraine and related supply chain issues (May 2022)





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Our extensive knowledge of US GAAP, ICFR and SEC reporting skills has given us the ability to assist our clients with transactions that are not only multifaceted, but the capability to implement new or complex accounting standards. We have over 175 partners and employees in our Los Angeles, Orange County, San Diego, and New York City offices. Many of our clients are developed from direct referrals from the Big 4 accounting firms, speaking to the level of quality services we provide.

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