

FASB Chair Report

July 1, 2023 – September 30, 2023

LETTER FROM THE FASB CHAIR

During the third quarter of 2023, the FASB made significant strides towards the completion of projects resulting from our 2021 agenda consultation. We continue to benefit from the thoughtful feedback provided by our stakeholders during that process, which allowed us to identify topics of importance to them and establish achievable ways to address those projects.

Agenda Consultation Priorities and Other Key Technical Agenda Projects

Many of the top investor priorities identified during our 2021 agenda consultation project reached important due process milestones this quarter. For example, stakeholder input received during the agenda consultation process helped the FASB define a path forward on our project on financial performance reporting. On July 31—less than 18 months after redefining the scope of that project—the FASB issued for public comment our proposal to improve disclosures around a public company’s income statement expenses (DISE). The proposal is intended to provide investors with more information in areas they say are critically important to understanding a company’s performance, assessing its prospects for future cash flows, and comparing its performance over time and with that of other companies. The comment letter deadline is October 30, followed by a public roundtable discussion planned for December 13, 2023.

During the quarter, the FASB also voted to move ahead and issue final standards on priority projects identified by investors and other stakeholders related to segment reporting, income tax disclosures, and the accounting for and disclosure of crypto assets. We expect to issue Accounting Standards Updates (ASUs) for each of these projects by the end of this year. Also, based on a consensus of the Emerging Issues Task Force (EITF), the Board also voted to go forward with a proposed ASU related to induced conversions of convertible debt instruments.

On August 23, the Board issued a final standard on joint venture formation, which will provide investors and other allocators of capital with more decision-useful information in a joint venture’s separate financial statements while reducing diversity in practice in this area of financial reporting and better aligning the venture’s accounting with the venturers.

Finally, on August 30, the FASB moved another step closer to completing our Conceptual Framework by publishing a new chapter related to the recognition and derecognition of an item in financial statements. While a Statement of Financial Accounting Concepts is nonauthoritative and does not establish or change GAAP, it does provide the Board with a useful tool as it sets standards.

Post-Implementation Reviews

The FASB continued its post-implementation reviews of our standards on credit losses, leases, and revenue recognition to ensure their effectiveness and operability. For credit losses, the comment period on our proposed improvements to the accounting for purchased financial assets concluded on August 28, 2023. To date, we've received 34 comment letters on the proposal, which we plan to discuss, along with all other feedback received on the project, in the near future. We also announced a November 10 public roundtable on our post-implementation review of the revenue recognition standard.

2023 Investor Outreach Report

On August 17, the FASB published its 2023 Investor Outreach Report, which is now available through the FASB investor web portal at www.fasb.org/investors. The report also details the FASB's ongoing, proactive investor outreach efforts over the year ended June 30, 2023.

Your engagement in our work drives our ability to develop and improve standards that provide investors and other capital allocators with information they will use in their decision-making process. Please continue to engage in our work and share your views on our projects and activities. On behalf of the Board and staff, I thank you for participating in this journey with us.



Richard R. Jones
Chair, Financial Accounting Standards Board

TECHNICAL AGENDA AND OTHER PROJECTS

Technical Agenda

The FASB (the Board) undertakes technical agenda projects to establish and improve financial accounting and reporting standards. The Board evaluates potential standard-setting projects against certain criteria to determine whether a project should be added to the technical agenda. The Emerging Issues Task Force (EITF) and the Private Company Council (PCC) work with the Board in identifying, deliberating, and voting on narrow-scope improvements and improvements to financial reporting by private companies, respectively, subject to endorsement by the Board.

The following table summarizes the changes in the Board's technical agenda during the third quarter of 2023:

	Number of Projects				
	As of June 30	Added (removed)	Projects Completed	As of September 30	# EDs Issued
<i>Recognition and measurement</i>	9		(1)	8	
<i>Presentation or disclosure</i>	5			5	1
<i>Emerging Issues Task Force</i>	1			1	
<i>Private Company Council</i>	0			0	
Total	15	0	(1)	14	1

One project was completed through the issuance of a final Accounting Standards Update (ASU):

- [*Business Combinations—Joint Venture Formations \(Subtopic 805-60\): Recognition and Initial Measurement.*](#)

Two other final ASUs, unrelated to the projects above, were issued to amend the Securities and Exchange Commission's (SEC) guidance:

- [*Presentation of Financial Statements \(Topic 205\), Income Statement—Reporting Comprehensive Income \(Topic 220\), Distinguishing Liabilities from Equity \(Topic 480\), Equity \(Topic 505\), and Compensation—Stock Compensation \(Topic 718\): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 120, SEC Staff Announcement at the March 24, 2022 EITF Meeting, and Staff Accounting Bulletin Topic 6.B, Accounting Series Release 280—General Revision of Regulation S-X: Income or Loss Applicable to Common Stock*](#)
- [*Liabilities \(Topic 405\): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 121.*](#)

A detailed listing of the projects on the Board's technical agenda as of the end of the quarter is included in the appendix.

The Board issued the following proposed ASU:

- *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses.*

The Board discussed the following projects on the technical agenda during the quarter:

Project	Board Meeting(s)	Summary of Discussions
Segment Reporting	July 26	<ul style="list-style-type: none"> • Discussed feedback received on the proposed ASU and completed redeliberations. • Affirmed most of the Board’s decisions from the proposed ASU including to require disclosure of significant segment expenses, allow multiple measures of a segment’s profit or loss to be reported, and require that single reportable segment entities provide segment disclosures. • Decided that the guidance should be applied retrospectively. • Directed the staff to draft a final ASU for vote by written ballot.
Improvements to Income Tax Disclosures	August 30	<ul style="list-style-type: none"> • Discussed feedback received on the proposed ASU and completed redeliberations. • Affirmed most of the Board’s decisions from the proposed ASU including requiring: <ul style="list-style-type: none"> ○ Disclosure of a quantitative rate reconciliation by specific categories with further disaggregation of reconciling items based on a 5 percent threshold (public entities only) ○ Disaggregated disclosure of income taxes paid (net of refunds received) by federal, state, and foreign, as well as by individual jurisdictions that meet a 5 percent threshold ○ Disaggregated disclosure of pretax income (or loss) between domestic and foreign and of income tax expense (or benefit) by federal, state, and foreign. • For the improved rate reconciliation disclosure, clarified the intent and nature of certain categories of reconciling items and clarified that reconciling items must be presented on a gross basis unless specific guidance permits net presentation. • Decided to require the quantitative rate reconciliation and disaggregation of income taxes paid disclosures in annual periods. • Decided that the guidance should be applied prospectively, with an option for retrospective application. • Directed the staff to draft a final ASU for vote by written ballot.
Accounting for and Disclosure of Crypto Assets	September 6	<ul style="list-style-type: none"> • Discussed feedback received on the proposed ASU and completed redeliberations.

		<ul style="list-style-type: none"> • Affirmed most of the Board’s decisions from the proposed ASU, including measurement of crypto assets at fair value, separate presentation from other intangible assets, and enhanced disclosure requirements (including a rollforward of activity, significant holdings, restrictions on crypto assets held, and historical realized gains and losses). • Affirmed that the guidance should be applied as a cumulative-effect adjustment to retained earnings (change in net assets) as of the beginning of the fiscal year. • Directed the staff to draft a final ASU for vote by written ballot.
Induced Conversions of Convertible Debt Instruments (EITF Issue No. 23-A)	September 14 (EITF)	<ul style="list-style-type: none"> • The Task Force reached a consensus-for-exposure to: <ul style="list-style-type: none"> ○ Require that a settlement of a convertible debt instrument in a manner that is not in accordance with the original (or, in some cases, modified) conversion privileges be accounted for as an induced conversion if the inducement offer preserves the form and amount of consideration issuable under the original (or modified) conversion privileges. ○ Apply induced conversion accounting to all convertible debt instruments, regardless of whether the instruments are currently convertible. ○ Permit either prospective or retrospective transition.
Accounting for and Disclosure of Software Costs	September 20	<ul style="list-style-type: none"> • Discussed recent feedback from a wide variety of stakeholders on the recognition of software costs. • Generally expressed support for: <ul style="list-style-type: none"> ○ Continuing research on a model that would require capitalization of software costs to begin at the point when the software project is probable of being completed ○ Defining the unit of account as a software project. • Decided that capitalization of software costs should end and amortization should begin when both the software project is substantially complete and the software is placed into service. • Decided that subsequent activities that are significant activities that add new functionality would be subject to capitalization. The costs of all other subsequent activities would be expensed as incurred. • Directed the staff to (1) perform targeted investor outreach and (2) explore whether targeted improvements could be made to existing software costs guidance to reflect how that guidance should be applied in an agile software development environment.

Other Projects

In addition to projects on its technical agenda, the Board also has:

- Framework Projects: These nonauthoritative projects are aimed at making improvements to the Conceptual Framework, which serves as a tool for the Board to use in its standard-setting activities.
- Research Projects: Projects on the Board's research agenda are those that may be considered for the technical agenda at a future date as issues and potential alternative solutions are identified.
- Post-Implementation Review (PIR) Projects: These projects are aimed at evaluating whether standards that have been issued are achieving their objectives and whether there are areas of improvement that the Board should address.

The following table summarizes the changes in these projects during the third quarter of 2023:

	<u>Number of Projects</u>				# of Exposure Drafts
	As of June 30	Added (removed)	Final Documents Issued	As of September 30	
Framework Projects	2		(1)	1	
Research Projects	7			7	
Post-Implementation Review Projects	3			3	
Total	12	0	(1)	11	0

Framework Projects: During the quarter, the Board issued a new chapter of the Conceptual Framework on Recognition and Derecognition. The chapter becomes Chapter 5 of FASB Concepts Statement No. 8, *Conceptual Framework for Financial Reporting*. The Board also continued to make progress on its Measurement framework project and expects to issue an Exposure Draft in the fourth quarter of 2023.

Research Projects: During the quarter, the Board continued to move forward on its research projects. Current research projects as of the end of the quarter are listed in the appendix.

PIR Projects: The PIR process is an evaluation of whether a standard is achieving its objective by providing financial statement users with relevant information in ways that justify the cost of providing it. It is an important quality-control mechanism built into the standard-setting process that begins after the issuance of select standards. During the PIR process, the Board solicits and considers diverse stakeholder input and other research to evaluate the standards that are issued and whether there are areas of improvement that the Board should address.

The FASB reports on the progress of PIR projects during its public meetings and reports regularly to the Standard-Setting Process Oversight Committee (SSPOC) of the FAF Board of Trustees. The final PIR reports are reviewed by the SSPOC and available on the FAF website.

Currently, the FASB is reviewing the following:

- [Credit losses](#)
- [Leases](#)
- [Revenue recognition.](#)

For all three PIR projects, the staff is actively monitoring implementation efforts and ongoing application as well as performing outreach with investors, preparers, auditors, and regulators. The following table lists some activities connected with the individual projects:

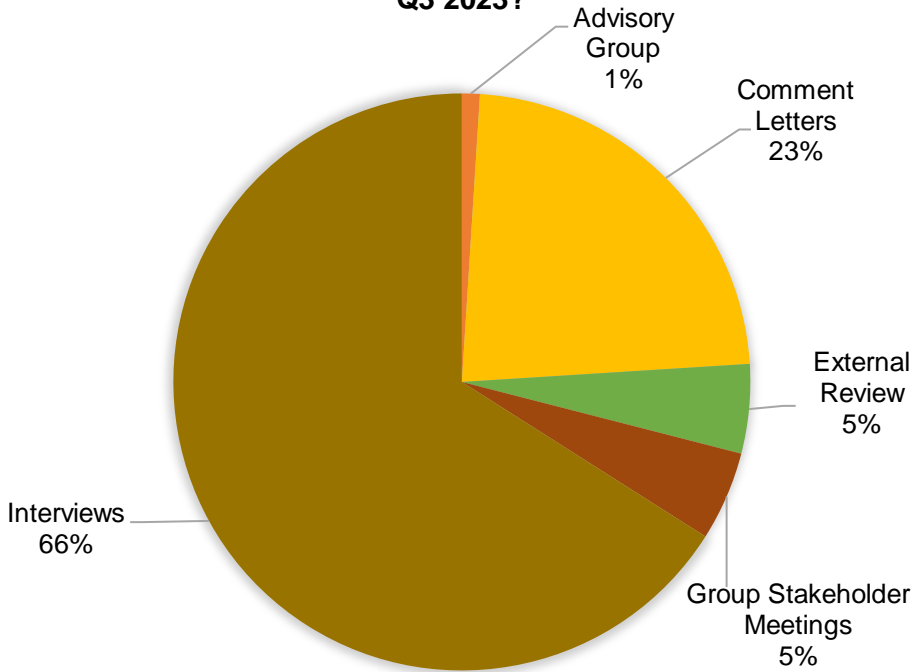
Project	Activities
Credit Losses	<ul style="list-style-type: none"> • Continued to monitor implementation by entities adopting CECL in 2023 and performed outreach with stakeholders on various implementation issues and technical inquiries. • Performed outreach with individual stakeholders in connection with the proposed ASU, <i>Financial Instruments—Credit Losses (Topic 326): Purchased Financial Assets</i>, and began a review of comment letter feedback.
Leases	<ul style="list-style-type: none"> • Continued to monitor implementation efforts and ongoing application and engage with stakeholders on various implementation issues. • Answered technical inquiries related to application of ASU 2023-01, <i>Leases (Topic 842): Common Control Arrangements</i>, which was issued in March 2023. • Continued to collaborate with the International Accounting Standards Board (IASB) on IFRS 16, <i>Leases</i>, interpretations.
Revenue Recognition	<ul style="list-style-type: none"> • Continued to monitor implementation of Topic 606, <i>Revenue from Contracts with Customers</i>. • Preparing discussion material for public roundtable discussions to be held on November 10, 2023. • Continued to monitor the IASB’s (a) Post-Implementation Review of IFRS 15, <i>Revenue from Contracts with Customers</i>, and (b) comprehensive review of IFRS 15 under <i>IFRS for Small and Medium-Sized Entities</i>.

ADVISORY COMMITTEE AND OTHER STAKEHOLDER ENGAGEMENT

Throughout its technical agenda and other projects, the Board and staff conduct extensive research and outreach to help understand the impact of issues and potential solutions on diverse stakeholder groups.

The following graphs and charts summarize how the Board and staff heard from stakeholders and who they heard from.

HOW DID WE HEAR FROM OUR STAKEHOLDERS IN Q3 2023?

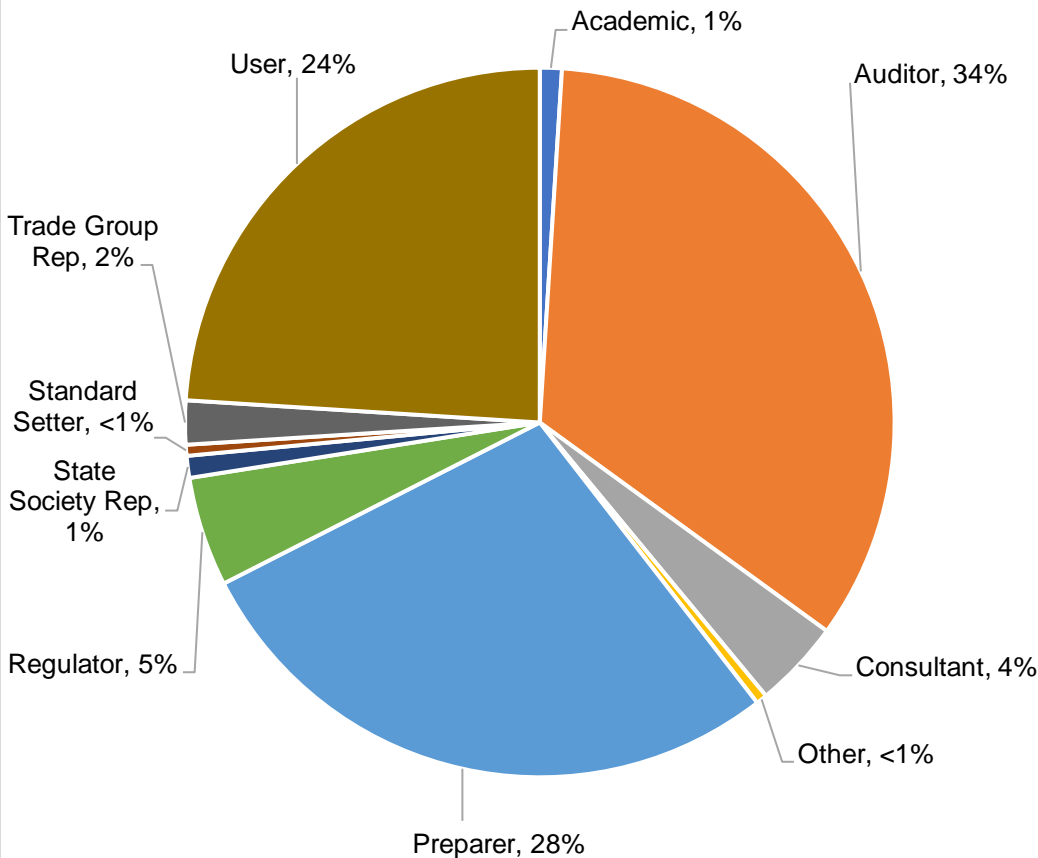


Q3 Summary Statistics		YTD
# of Interviews	158	469
# of Comment Letters	56	250
# of External Review Responses	13	82
# of Group Stakeholder Meetings	11	51
# of Advisory Group Meetings*	3	10

Notes:

*Advisory group meetings include one meeting each with NAC, PCC, and FASAC.

WHO DID WE ENGAGE WITH IN Q3 2023?



Types of Stakeholders	
Preparers	
Public Entities	85%
Private Entities	8%
Not-for-Profit Entities	7%
Auditors	
Big 4 Firms	65%
Other Global	12%
U.S. National	13%
U.S. Regional & Local	10%
Investors and Other Users	
Buy-side	37%
Sell-side	34%
Credit Rating Agencies, Private Equity, Lender, and Other Users	29%

The following table summarizes the topics discussed in meetings with the FASB's advisory groups:

Group	Meeting Date(s)	Meeting Type	Topics
NAC	September 7, 2023	Public	<ul style="list-style-type: none"> • Leases—Implementation • Credit Losses—Implementation • Accounting for and Disclosure of Software Costs • Accounting for Environmental Credit Programs • Accounting for and Disclosure of Crypto Assets • Disclosure Improvements in Response to the SEC's Release on Disclosure Update and Simplification • Recent trends, concerns, and observations on financial reporting issues
PCC	September 12, 2023	Public	<ul style="list-style-type: none"> • Stock Compensation Disclosures • Accounting for and Disclosure of Crypto Assets • Leases—Implementation • Improvements to Income Tax Disclosures • Summary of the PCC liaison meeting with the AICPA's Technical Issues Committee
FASAC	September 21, 2023	Public	<ul style="list-style-type: none"> • Disaggregation—Income Statement Expenses • FASB Standard-Setting Process—Benefit-Cost Analysis • Improvements to Income Tax Disclosures

Members appointed to advisory groups in the quarter were:

- Private Company Council (PCC): Brad Hendricks was appointed (initial term begins January 1, 2024). Existing PCC members Doug Uhl and Robert Messer were reappointed.

INTERNATIONAL ACTIVITIES

The FASB collaborates with other national standard setters and the IASB to help improve and align, where appropriate, standards across the globe. The groups monitor each other's decisions and share research and findings on projects of mutual interest. The following table details these activities during the quarter:

Activity	Meeting Date(s)
IASB/FASB Info Exchanges*	
IFRS Accounting Standards Advisory Forum (ASAF) Meeting	July 10-11, 2023
FASB-IASB Chair Meeting	July 17, 2023
ASAF Meeting	September 28, 2023
Joint FASB-IASB Educational Meeting	September 29, 2023
Multilateral Activities	

Multi-Lateral Network (MLN) Meeting	July 7-8, 2023
MLN Meeting	September 22, 2023
World Standard Setters (WSS) Meeting	September 25-26, 2023
International Forum of Accounting Standard Setters (IFASS) Meeting	September 26-27, 2023
Bilateral Activities	
Meeting with Accounting Standards Committee of Germany (ASCG)	July 5-6, 2023
* Ongoing monitoring of implementation activities through biweekly meetings between the FASB technical director and the IASB technical director.	

LEGISLATIVE/REGULATORY OUTREACH

FASB members and staff participate in ongoing dialogue with members of Congress, regulators, and other Washington, DC stakeholders to understand and explain standard-setting matters that affect their constituents. The third-quarter activities were:

Legislative/Regulatory Body	FASB Attendees
Senate Committee on Banking, Housing & Urban Affairs “Majority” Staff—Mark R. Warner (D-VA)	Hillary Salo
The FASB chair and the FASB technical director also continue to meet regularly with the U.S. Securities and Exchange Commission’s (SEC) chief accountant and other senior staff of the SEC.	

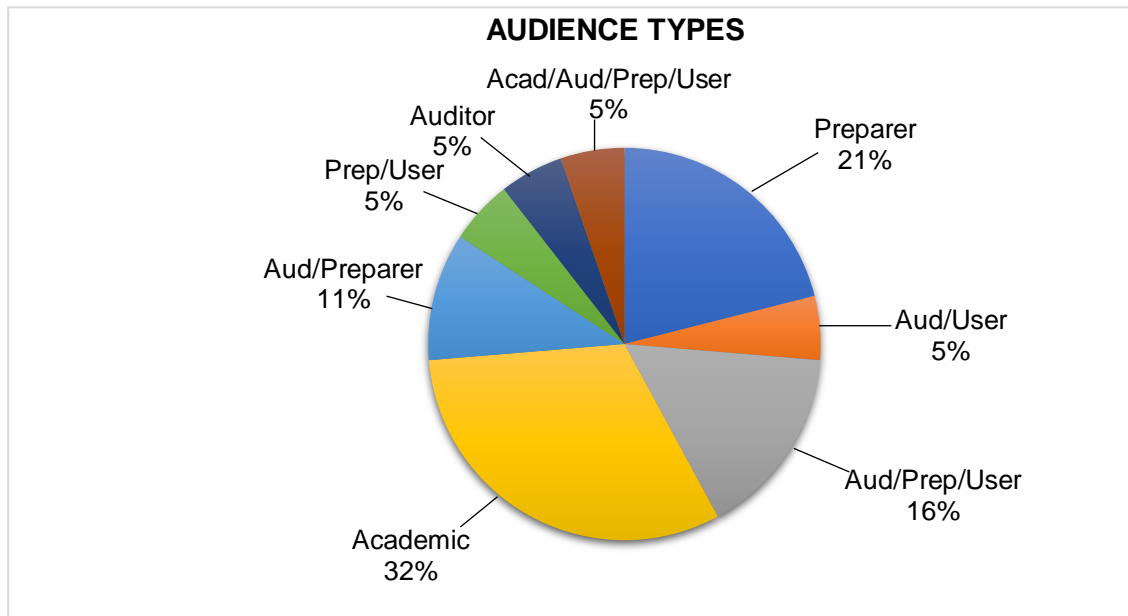
OTHER KEY COMMUNICATION ACTIVITIES

The FASB also continually communicates with a broad range of stakeholders through speaking engagements, media announcements, interviews, videos, and social media. The following tables and graphs detail the educational webinars and videos provided and summarize the speeches delivered during the quarter.

Communication Method	Event Name	Date
Overview Video	FASB Proposed Standard: Disaggregation—Income Statement Expenses	July 31, 2023
Educational Video	Disaggregation of Income Statement Expenses	July 31, 2023
Conference	American Accounting Association (AAA) Annual Meeting 2023	August 7-9, 2023
Webinar	<i>IN FOCUS</i> : FASB Update for Accounting Educators and Researchers	September 8, 2023
Video	PCC September 2023 Meeting Recap	September 22, 2023

Speech Activity			
Speaker	2021 3Q	2022 3Q	2023 3Q
FASB members	10	8	6
FASB staff	15	16	17
PCC members	4	0	3
Total	29	24	26

- A total of 26 FASB speakers presented at 19 events. 23% of speakers were FASB members, 65% were FASB staff, and 12% were PCC members.
- Staff speeches primarily relate to newly issued or broadly applicable recent guidance and periodic updates about FASB project developments.



Press Releases, Media Advisories, and Social Media

- The FASB issued 9 press releases, media advisories, meeting recaps, and stakeholder emails on a variety of topics with accompanying social media.

Other Communications Activities and Education

- To support the July issuance of its proposed ASU on Disaggregation of Income Statement Expenses (DISE), the FASB produced two videos (a short overview video and a long-form education video), a “FASB in Focus” overview document, a “Financial Reporting Spotlight” investor document, and an article (“DISEntangling Income Statement Expenses”) posted by Fred Cannon on his LinkedIn account and shared on the FASB’s LinkedIn account.
- On August 18, Rich Jones’s mid-year interview with Denise Lugo, Editor of the Thomson Reuters’ “Accounting and Compliance Alert,” was published.
- From August 7 to 9, FASB Board and staff members joined GASB Board and staff members at the AAA’s Annual Meeting in Denver, Colorado, hosting a convention hall booth aimed at raising awareness of the Boards’ academic outreach efforts and the FASB’s call for papers for its 2024

Emerging Financial Reporting Issues Research Symposium, which will focus on the financial reporting of intangible items. In addition to speaking at the Annual Meeting, Christine Botosan recorded a related LinkedIn video.

XBRL ACTIVITIES

At the request of the SEC, the FASB develops and maintains the GAAP Financial Reporting Taxonomy (GRT) and the SEC Reporting Taxonomy (SRT) applicable to public issuers registered with the SEC. In addition, the FASB staff maintains and publishes annually the Data Quality Committee Rules Taxonomy (DQCRT).

Technical Activities

- The FASB staff:
 - Published proposed taxonomy improvements for:
 - Proposed ASU, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*
 - Proposed Technical and Other Conforming Improvements for the 2024 SEC Reporting Taxonomy
 - Proposed GAAP Conforming Improvements for U.S. Securities and Exchange Commission Release Nos. 33-11070 and 34-95025 (*annual reports for employee benefit plans for Form 11-K*)
 - Published as final (pending annual update) taxonomy improvements for:
 - ASU 2023-02, *Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*
 - ASU 2023-04, *Liabilities (Topic 405): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 121*
 - ASU 2023-05, *Business Combinations—Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement.*

Outreach Activities Supporting Board Initiatives

The Taxonomy staff performed outreach in support of Board initiatives in this quarter, which included the following:

- Hosted and participated in meetings of the FASB Taxonomy Advisory Group, Taxonomy Insurance Industry Resource Group, XBRL US Data Quality Committee, XBRL US Academic Subcommittee, various XBRL International technical working groups (including Taxonomy staff chairing the Entity Specific Disclosure Task Force), the IASB IFRS Taxonomy Consultative Group, and the SEC Division of Economic and Risk Analysis (DERA) staff.

FASB/GASB INTERACTION

The FASB and the GASB regularly share knowledge and research, including meeting minutes and draft proposed and final standards, to support each other's work on similar standard-setting issues. The FASB and GASB directors met monthly to discuss their technical agenda projects and other matters of mutual interest, and the FASB and GASB chairs and their respective directors held their quarterly meeting to discuss technical issues and other matters of mutual interest.

Appendix—Technical Agenda and Other Projects

Revised October 3, 2023

RECOGNITION & MEASUREMENT PROJECTS	Next Milestone	Expected Date
Accounting for and Disclosure of Crypto Assets	Final ASU	4Q 2023
Accounting for and Disclosure of Software Costs	Board deliberations	Ongoing
Accounting for Environmental Credit Programs	Board deliberations	Ongoing
Codification Improvements (next phase)	Board deliberations	Ongoing
Codification Improvements—Amendments to Remove References to the Concepts Statements	Final ASU	1Q 2024
Financial Instruments—Credit Losses (Topic 326)—Purchased Financial Assets	Final ASU	1Q 2024
Induced Conversions of Convertible Debt Instruments (EITF Issue No. 23-A)	Exposure Draft	4Q 2023
Scope Application of Profits Interest Awards: Compensation Stock Compensation (Topic 718)	Final ASU	1Q 2024
Topic 815—Hedge Accounting Improvements	Board deliberations	Ongoing

PRESENTATION & DISCLOSURE PROJECTS	Next Milestone	Expected Date
Disaggregation—Income Statement Expenses	Exposure Draft	Comments Due October 30, 2023
Disclosure Improvements in Response to the SEC's Release on Disclosure Update and Simplification	Final ASU	4Q 2023
Improvements to Income Tax Disclosures	Final ASU	4Q 2023
Interim Reporting—Narrow-Scope Improvements	Exposure Draft	2Q 2024
Segment Reporting	Final ASU	4Q 2023

FRAMEWORK PROJECTS	Next Milestone	Expected Date
Conceptual Framework: Measurement	Exposure Draft	4Q 2023

RESEARCH PROJECTS
Accounting for and Disclosure of Intangibles
Accounting for Commodities
Accounting for Government Grants
Consolidation for Business Entities
Definition of a Derivative
Financial Key Performance Indicators for Business Entities
Statement of Cash Flows

POST-IMPLEMENTATION PROJECTS
Credit Losses
Leases
Revenue Recognition