

LETTER FROM THE FASB CHAIR

The FASB entered our 50th anniversary year focused on priority projects identified by investors and other stakeholders during our recent agenda consultation process. By the end of March, we published exposure documents in two key areas and made substantial progress on others. We also continued our post-implementation reviews of major standards, launched a new academic research initiative, and celebrated some notable half-century milestones.

Agenda Consultation Priorities and Other Key Technical Projects

During the first quarter of 2023, the FASB issued Exposure Drafts on two proposals. On March 15, we published a proposed standard to provide more transparency about companies that operate in multiple jurisdictions. This proposed standard includes enhanced disclosures to allow investors to better assess the impact of potential income tax rate changes and tax planning and operational opportunities on a company's tax rates and future cash flows. We followed that on March 23 with a proposal to improve the accounting for and disclosure of certain crypto assets—a top priority for stakeholders across all professional backgrounds—that better reflects the economics of those transactions and that would give investors greater transparency into the fair value of crypto assets held by entities. This proposal also includes additional disclosures on the types of crypto assets held and changes in those holdings. We are looking forward to receiving robust stakeholder feedback on both proposals.

On March 29, the FASB issued a final Accounting Standards Update (ASU) that allows reporting entities to elect to account for tax equity investments that meet certain qualifying criteria to use the proportional amortization method, regardless of the program giving rise to the related income tax credits.

In addition, on March 29, the FASB completed our deliberations on the Disaggregation—Income Statement Expenses project, and we expect to issue an Exposure Draft this summer.

Post-Implementation Reviews

The FASB continued its post-implementation reviews of major standards to ensure their effectiveness and operability. Based on our post-implementation review of the leases standard, on March 27, the FASB published an ASU that improves lease application guidance on arrangements between entities under common control.

The ASU provides private companies and certain not-for-profit organizations with a practical expedient to use the written terms and conditions of a common control arrangement to determine whether a lease exists and, if so, the classification of and accounting for that lease. In addition, the amendments in the ASU require that all entities amortize leasehold improvements associated with common control leases over the useful life to the common control group.

On March 29, as part of our review of the credit losses standard, the FASB completed deliberations on our project on acquired financial assets. This project is responsive to investor feedback that all seasoned financial assets acquired (whether in a business combination or an asset acquisition) should be accounted for consistently and should not result in a credit loss being recognized in earnings when acquired. We expect to issue a proposed standard this summer.

Academic Research Initiatives

Early in the year, the FASB and the Chookaszian Accounting Research Center ([CARC](#)) of the University of Chicago Booth School of Business announced our co-sponsorship of three Emerging Financial Reporting Issues Research Symposia to encourage and support academic research relevant to financial reporting issues that are the subject of early-stage standard-setting activities. On February 8, the FASB and CARC announced a call for academic research papers focused on the financial reporting of intangibles—a top priority area identified by investors during our agenda consultation process—for its first symposium scheduled for April 5, 2024.

50 Years of Standard Setting

The FASB marked its 50th anniversary with a full slate of activities planned for 2023. This included our celebration of the 50th anniversary of the Financial Accounting Standards Advisory Council (FASAC) at the Council's March 7 meeting.

On March 8, 2023—the 50th anniversary of the FASB's very first meeting—Norwalk Mayor Harry Rilling visited us in our new office space to present to present us with a proclamation honoring the FASB's 50 years of service to the capital markets. Employees from across the FASB, GASB, and FAF attended the ceremony.

As FASB Chairman Marshall Armstrong stated at the FASB's first meeting in 1973, “our mission is to establish standards for reliable financial information—information in which investors, credit grantors and other users can have confidence.” Since then, hundreds of Board and staff members have worked to earn that responsibility. We owe our success to your continued engagement in our standard-setting process. On behalf of my FASB colleagues, past and present, I thank you for your contributions to our work and hope you'll continue to share your views with us for many years to come.



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 first quarter of 2023:

	Number of Projects				
	As of December 31	Added (removed)	Projects Completed	As of March 31	# EDs Issued
<i>Recognition and measurement</i>	10		(1)	9	1
<i>Presentation or disclosure</i>	5			5	1
<i>Emerging Issues Task Force</i>	1		(1)	0	
<i>Private Company Council</i>	0			0	
Total	16	0	(2)	14	2

Two projects were completed through the issuance of final Accounting Standard Updates (ASU):

- [Leases \(Topic 842\): Common Control Arrangements \(ASU 2023-01\)](#)
- [Investments—Equity Method and Joint Ventures \(Topic 323\): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method \(ASU 2023-02\)](#).

The Board also reframed and changed the name of one project on the technical agenda:

- Topic 815—Hedge Accounting Improvements (formerly known as Codification Improvements—Hedge Accounting).

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 also issued the following proposed Accounting Standards Updates:

- [Income Taxes \(Topic 740\): Improvements to Income Tax Disclosures](#)
- [Intangibles—Goodwill and Other—Crypto Assets \(Subtopic 350-60\): Accounting for and Disclosure of Crypto Assets](#).

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

Project	Board Meeting(s)	Summary of Discussions
Disaggregation— Income Statement Expenses	January 11, March 29	<ul style="list-style-type: none"> Decided to require that public business entities (in both annual and interim periods): <ul style="list-style-type: none"> Disclose the amounts of (a) employee compensation, (b) depreciation, (c) intangible asset amortization, (d) depreciation, depletion, and amortization (“DD&A”), and (e) inventory expense included in each relevant expense caption presented on the income statement. Disclose a further disaggregation of inventory expense and other manufacturing expenses into the following cost incurred categories: (a) purchases of inventory, (b) employee compensation, (c) depreciation, (d) intangible asset amortization, and (e) DD&A. Include certain existing disclosures in the tabular disaggregation disclosure. Provide a qualitative description of the amounts remaining in relevant expense captions that are not disaggregated quantitatively. Disclose the amount of selling expenses and the accounting policy chosen by the entity to determine what expenses are classified as selling expenses. Directed the staff to draft a proposed ASU, with a 90-day comment period.
EITF 21-A, Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method	January 18	<ul style="list-style-type: none"> Ratified the EITF’s final consensus to: <ul style="list-style-type: none"> Expand the election to apply the proportional amortization method to all tax credit investments that meet the criteria in Subtopic 323-740, Investments—Equity Method and Joint Ventures—Income Taxes. Require the accounting policy election to be made on a tax-credit-program-by-tax-credit-program basis. Require certain enhanced disclosures in both annual and interim periods. Eliminate certain Low-Income Housing Tax Credit (LIHTC) specific guidance to more closely align the accounting for LIHTCs with the accounting for other equity investments in tax credit structures. Issued final guidance (ASU 2023-02) in March.

Accounting for and Disclosure of Software Costs	January 18	<ul style="list-style-type: none"> Directed the staff to further research: <ul style="list-style-type: none"> The initial development cost model, including ways to increase the operability and consistency of the application of that model. The dual model, including alternatives to delineate between which software costs should be expensed and which should be capitalized. Decided not to further pursue the ongoing development cost model or the expense all model.
Topic 815—Hedge Accounting Improvements	February 1	<ul style="list-style-type: none"> Discussed issues from the research project, Hedge Accounting—Phase 2. Decided to add the following issues to the scope of the technical agenda project: <ul style="list-style-type: none"> Shared risk assessment in cash flow hedges of loan portfolios Written options as hedging instruments.
Accounting for and Disclosure of Crypto Assets	February 1	<ul style="list-style-type: none"> Clarified that the scope of the project would exclude: <ul style="list-style-type: none"> Crypto assets created or issued by the reporting entity or its related parties Assets commonly referred to as “wrapped tokens.” Issued a proposed ASU in March, with a comment period of 75 days.
Leases (Topic 842): Common Control Arrangements	February 15	<ul style="list-style-type: none"> Considered comment letters on the proposed ASU and completed redeliberations, deciding to: <ul style="list-style-type: none"> Provide private companies and not-for-profit organizations that are not obligors for publicly traded debt with a practical expedient to use the written terms and conditions of a common control arrangement to determine whether a lease exists and, if so, the classification of and accounting for that lease. Require all entities (that is, including public companies and not-for-profit organizations that are obligors for publicly traded debt) to amortize leasehold improvements associated with common control leases over the useful life to the common control group. Issued final guidance (ASU 2023-01) in March.
Financial Instruments—Credit Losses (Topic 326)—Acquired Financial Assets	March 29	<ul style="list-style-type: none"> Decided to retain the current presentation of purchased financial assets with credit deterioration (PCD). Directed the staff to draft a proposed ASU, with a 60-day comment period.

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 first quarter of 2023:

	<u>Number of Projects</u>			<u># of Exposure Drafts</u>
	<u>As of December 31</u>	<u>Added (removed)</u>	<u>Final Documents Issued</u>	
Framework Projects	3			3
Research Projects	8	(1)		7
Post-Implementation Review Projects	3			3
Total	14	(1)	0	0

Framework Projects: During the quarter, the Board completed redeliberations on The Reporting Entity framework project and expects to issue the final Chapter 2 of FASB Concepts Statement No. 8, *Conceptual Framework for Financial Reporting*, in the second quarter of 2023. The Board also continued to make progress on its (a) Recognition and Derecognition and (b) Measurement framework projects.

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. The following two projects were discussed and were combined into a single research project titled Definition of a Derivative:

- Accounting for Financial Instruments with Environmental, Social, and Governance (ESG)-Linked Features
- Hedge Accounting—Phase 2, which included considering changes to the definition of a derivative.

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 our 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:

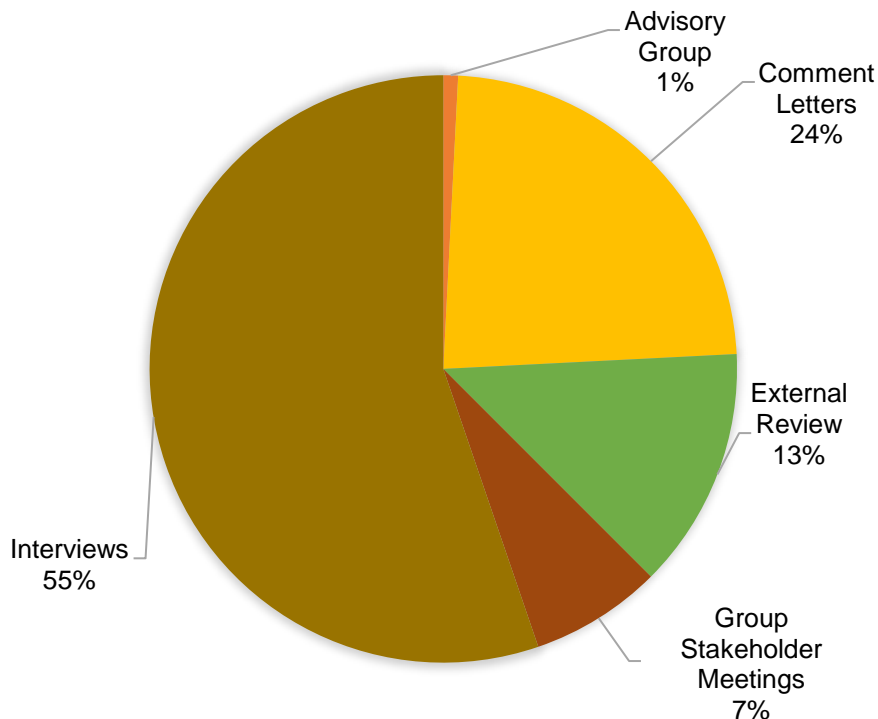
Project	Activities
Credit Losses	<ul style="list-style-type: none"> • Continued to monitor implementation by entities adopting the standard in 2023 and engage with stakeholders on various implementation issues. • Board completed deliberations on the acquired financial assets project. The proposed ASU is expected to be issued in Q2 2023.
Leases	<ul style="list-style-type: none"> • Continued to monitor implementation efforts and ongoing application and engage with stakeholders on various implementation issues. • Issued a final ASU on accounting for arrangements between entities under common control under Topic 842 (ASU 2023-01). • Continued to collaborate with the International Accounting Standards Board (IASB) on IFRS 16 interpretations.
Revenue Recognition	<ul style="list-style-type: none"> • Continued to monitor Topic 606, Revenue from Contracts with Customers, implementation and began plans for a future public roundtable. • Progressed on review of academic research on Topic 606. 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 Q1 2023?



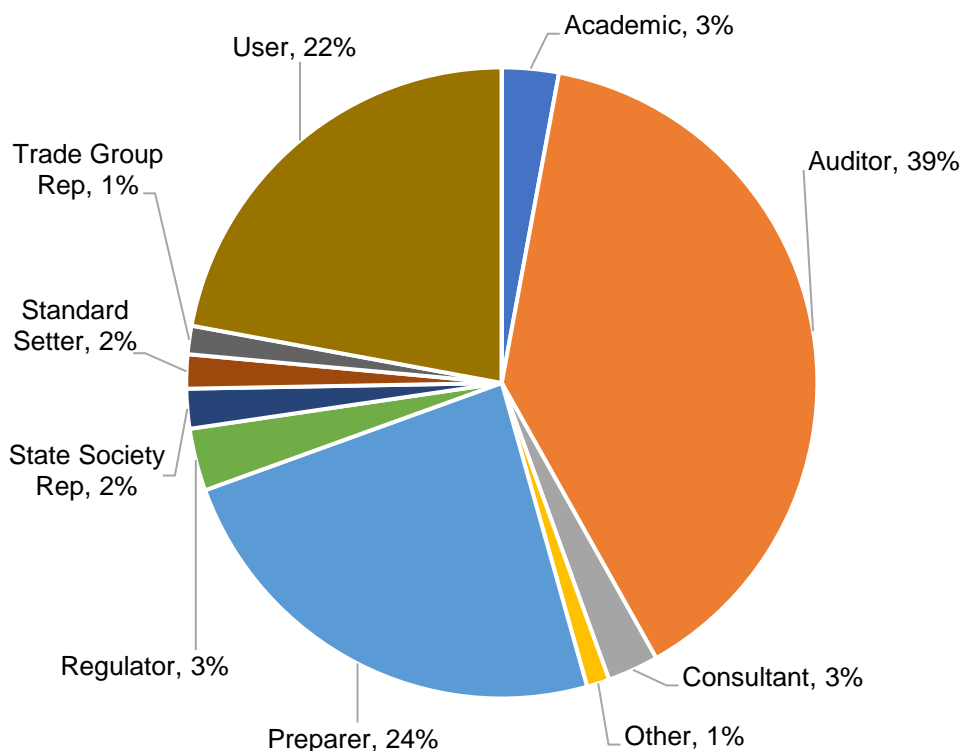
Q1 Summary Statistics

# of Interviews	137
# of Comment Letters	58
# of External Review Responses	33
# of Group Stakeholder Meetings	18
# of Advisory Group Meetings*	2

Notes:

*Advisory group meetings include meetings with FASAC and NAC.

WHO DID WE ENGAGE WITH IN Q1 2023?



Types of Stakeholders

Preparers	
Public Entities	83%
Private Entities	6%
Not-for-Profit Entities	11%
Auditors	
Big 4 Firms	60%
Other Global	17%
U.S. National	10%
U.S. Regional & Local	13%
Investors and Other Users	
Buy-side	33%
Sell-side	45%
Credit Rating Agencies, Private Equity, Lender, and Other Users	22%

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

Group	Meeting Date(s)	Meeting Type	Topics
FASAC	March 7, 2023	Public	<ul style="list-style-type: none"> • Definition of a Derivative • Changing Business Practices and Emerging Accounting Issues • FASB Interpretive Process and Role of the EITF • Update on Select FASB Projects
NAC	March 23, 2023	Public	<ul style="list-style-type: none"> • Implementation of Recent Standards • Update on Other Current Projects—Leases: Common Control Arrangements, Accounting for and Disclosure of Crypto Assets, Accounting for and Disclosure of Software Costs • Recent Trends, Concerns, and Observations of Not-for-Profit Advisory Committee (NAC) Members

Members appointed to advisory groups in the quarter were:

- Small Business Advisory Committee (SBAC): Tony Aponte, Jason Kies, Rakhi Kumar, Jennifer Langer, Randy Oberdiek, Penny Pepperling, and Gregory Waina

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*	
FASB-IASB Chair Meeting	February 2, 2023
IFRS Accounting Standards Advisory Forum (ASAF) Meetings	February 10, 2023 March 27–28, 2023
Multilateral Activities	
International Forum of Accounting Standard Setters (IFASS) Meeting	January 12, 2023
Multi-Lateral Network (MLN) Meeting	March 9, 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 first quarter activities were:

Legislative/Regulatory Body	FASB Attendees
Senate Finance Committee “Minority” Staff—Ranking Member Mike Crapo (R-ID)	Rich Jones, Hillary Salo
Senate Finance Committee “Majority” Staff—Chairman Ron Wyden (D-OR)	Rich Jones, Hillary Salo
House Financial Services Committee “Minority” Staff—Ranking Member Maxine Waters (D-CA)	Rich Jones, Hillary Salo
House Ways and Means Committee “Majority” Staff—Chairman Jason Smith (R-MO)	Rich Jones, Hillary Salo
House Ways and Means Committee “Minority” Staff—Ranking Member Richard Neal (D-MA)	Rich Jones, Hillary Salo
The FASB chair and the FASB technical director also continue to meet regularly with the U.S. Security and Exchange Commission’s (SEC) chief accountant and other senior staff of the SEC.	

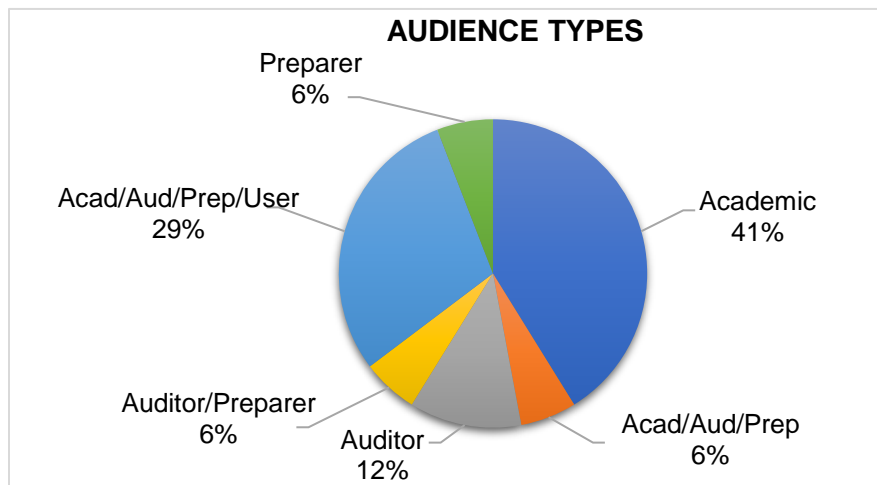
OTHER KEY COMMUNICATION ACTIVITIES

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
Video	FASB and the Chookaszian Accounting Research Center Announce Symposia	January 23, 2023
Webinar	Accounting for and Disclosure of Intangibles (for academics interested in submitting research for FASB/CARC Symposia)	March 3, 2023
Video	Proposed Improvements to the Accounting for and Disclosure of Certain Crypto Assets	March 23, 2023

Speech Activity			
Speaker	2021 1Q	2022 1Q	2023 1Q
FASB members	13	9	7
FASB staff	10	13	13
PCC members	0	0	0
Total	23	22	20

- A total of 20 FASB speakers presented at 17 events. 35% of speakers were FASB members and 65% were FASB staff.
- 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 14 press releases, media advisories, meeting recaps, or stakeholder emails on a variety of topics with accompanying social media.

Other Communications Activities and Education

- On January 23, the FASB and the CARC of the University of Chicago Booth School of Business announced their co-sponsorship of a series of Emerging Financial Reporting Issues Research Symposia intended to encourage and support academic research relevant to financial reporting issues that are the subject of early-stage standard-setting activities. Each one-day symposium will be held at the FASB offices in 2024, 2025, and 2026. On February 8, the FASB and the CARC announced a [call for academic research papers](#) focused on the financial reporting of intangibles, with selected papers to be presented at the first symposium in 2024.
- On March 7, the FASB acknowledged the FASAC's 50th anniversary with opening remarks from the FASB chair at the Council's meeting.
- On March 8, the FASB marked the 50th anniversary of its first meeting by accepting a proclamation from Norwalk Mayor Harry Rilling.
- FASB members and staff addressed visiting accounting students from Trinity University in San Antonio, Texas (February 24) and Sacred Heart University in Fairfield, Connecticut (March 21).

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) that are applicable to public issuers registered with the SEC. In addition, the FASB staff maintains and publishes annually the DQC Rules Taxonomy (DQCRT).

Technical Activities

- On March 21, 2023, the SEC accepted the 2023 GRT and the 2023 SRT. In addition, the FASB finalized the 2023 DQCRT.
- The FASB staff:
 - Published proposed taxonomy improvements for:
 - Proposed Accounting Standard Update, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*.
 - Proposed Accounting Standards Update, Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets.
 - Published as final (pending annual update) taxonomy improvements for:
 - Accounting Standards Update No. 2022-06, Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848.
 - Published:
 - A proposed GAAP Taxonomy Style Guide, Reference Style Guide.
 - An update to the GAAP Taxonomy Frequently Asked Questions to include new guidance (Question 2.20) for disclosing how to tag the value of the useful lives of leasehold improvements related to property, plant, and equipment when stated as lease terms.
 - Attended XBRL International's Formula Face-to-Face discussion on how to make improvements to the standards for applying rules to XBRL-tagged financial reports.
 - The Taxonomy staff performed research to support various Board-level projects.

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, 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 April 3, 2023

RECOGNITION & MEASUREMENT PROJECTS	Next Milestone	Expected Date
Accounting for and Disclosure of Crypto Assets	Exposure Draft	Comments Due June 6, 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	2H 2023
Financial Instruments—Credit Losses (Topic 326)—Acquired Financial Assets	Exposure Draft	2Q 2023
Joint Venture Formations	Final ASU	2Q/3Q 2023
Scope Application of Profits Interests Awards: Compensation—Stock Compensation (Topic 718)	Exposure Draft	April 2023
Topic 815—Hedge Accounting Improvements	Board deliberations	Ongoing

PRESENTATION & DISCLOSURE PROJECTS	Next Milestone	Expected Date
Disaggregation—Income Statement Expenses	Exposure Draft	2Q 2023
Disclosure Improvements in Response to the SEC’s Release on Disclosure Update and Simplification	Final ASU	2Q/3Q 2023
Improvements to Income Tax Disclosures	Exposure Draft	Comments Due May 30, 2023
Interim Reporting—Narrow-Scope Improvements	Exposure Draft	2H 2023
Segment Reporting	Final ASU	2Q/3Q 2023

FRAMEWORK PROJECTS	Next Milestone	Expected Date
Conceptual Framework: Measurement	Exposure Draft	2Q/3Q 2023
Conceptual Framework: Recognition and Derecognition	Final Concepts	2H 2023
Conceptual Framework: The Reporting Entity	Final Concepts	2Q 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