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ACCOUNTING & AUDIT

FASB is Going to Do a Little More Research on Hedge Accounting, Statement of Cash Flows

Recent feedback from investors and other stakeholders has influenced the FASB's research and technical agendas.

Jason Bramwell • Jul. 11, 2022



The Financial Accounting Standards Board (FASB) has added seven projects to its research agenda and three projects to its technical agenda after receiving feedback from a multitude of investors and stakeholders.

The FASB issued its [2021 Agenda Consultation Report](#) on June 29, which summarizes how that feedback has influenced the board's research and technical agendas. The FASB said:

When we embarked on this initiative in late 2020, we sought to do more than create a new project lineup. We wanted to offer stakeholders a broader opportunity to weigh in on the FASB's future direction—in other words, where and how we should focus our resources to best fulfill our mission to establish and improve financial accounting and reporting standards to provide useful financial information to investors and other allocators of capital.

We engaged a broad range of stakeholders (including our advisory groups) to help us answer these questions, meeting with more than 200 of them even before we published the formal Invitation to Comment (ITC) in June 2021. The ITC elicited 522 responses, and starting at the end of last year we began to incorporate what we learned into existing technical agenda projects and initiated research on new issues to determine potential paths to standard setting.

The feedback from all of our stakeholder groups was tremendous and the increased participation of investors in our process has already shaped our agenda. The top seven most frequently cited investor priorities either are now included on our technical agenda or are undergoing further analysis as part of our research agenda.

That feedback led the FASB to include the following projects to its research agenda, which could result in these areas eventually being included on the board's technical agenda:

- Accounting for Exchange-Traded Commodities;
- Accounting for Financial Instruments with Environmental, Social, and Governance (ESG)-Linked Features;

- Hedge Accounting Phase 2—this research project was expanded to consider changes to the definition of a derivative;
- Accounting for Government Grants, Invitation to Comment;
- Consolidation for Business Entities;
- Financial Key Performance Indicators (KPIs) for Business Entities; and
- Statement of Cash Flows.

“What we learn during the research phase helps us determine whether there’s an achievable path forward on projects,” the FASB said.

The FASB noted that stakeholders from varied professional backgrounds expressed a strong interest for the board to address emerging areas in financial reporting, like digital assets and the accounting for environmental credit programs, as well as to update the accounting for software to better reflect advances in technology and development. Therefore, these three projects were added to FASB’s technical agenda:

- Accounting for and Disclosure of Digital Assets;
- Accounting for Environmental Credit Programs; and
- Accounting for and Disclosure of Software Costs.

Of the 522 total responses to the 2021 ITC, the FASB said 445 solely addressed the accounting for digital assets, recommending that those assets be initially and subsequently measured at fair value. The other 77 responses addressed the ITC more broadly. Of those 77, investors made up 29 percent, followed by 21 percent from preparers, 19 percent from practitioners, 17 percent from “others” (academics, individuals, standard setters, and state CPA societies), and 14 percent from trade groups.

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