



New Developments Summary

NOVEMBER 7, 2023
NDS 2023-01

FASB includes certain SEC disclosures in GAAP

Narrow-scope disclosure updates will affect both public and private entities

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In October 2023, the FASB issued [ASU 2023-06, *Disclosure Improvements*](#), which amends U.S. GAAP to reflect updates and simplifications to certain disclosure requirements referred to the Board by the SEC in 2018, including disclosures for the statement of cash flows, earnings per share, commitments, debt and equity instruments, and certain industry information, among other things. The targeted amendments affect various Codification Topics and may impact a broad range of entities, both public and private.

For entities subject to the SEC's existing disclosure requirements, as well as entities required to file or furnish financial statements with or to the SEC in order to sell or issue securities that are not subject to contractual restrictions on transfer, each amendment is effective when the related disclosure is effectively removed from Regulations S-X or S-K; early adoption is prohibited. The amendments are effective two years later for all other entities, who may early adopt once the related disclosure becomes effective for entities subject to SEC disclosure requirements. All amendments should be applied prospectively.

Introduction

In August 2018, the SEC adopted the [Final Rule, Disclosure Update and Simplification](#), which updated and simplified certain SEC disclosure requirements that were duplicative, overlapping, or outdated at the time due to changes in other SEC requirements and in U.S. GAAP, International Financial Reporting Standards (IFRS), or the overall financial reporting environment.

In the Final Rule, the SEC referred certain of its disclosure requirements that overlap with, but require incremental information to, U.S. GAAP to the FASB for potential incorporation into the Codification. After considering the SEC's disclosures, the FASB in October 2023 issued ASU 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*, which contains amendments that incorporate 14 of the 27 disclosures referred by the SEC into the Codification.

A. SEC's referred disclosures incorporated into the Codification

The disclosures referred by the SEC originate in either Regulation S-X or Regulation S-K. Regulation S-X governs the form and content of financial statements filed with the SEC, including the notes to the financial statements. Therefore, including these disclosures in the Codification does not affect the information that an SEC registrant must include in its audited financial statements. Alternatively, Regulation S-K covers the integrated disclosure requirements for the content in SEC filings that is outside the financial statements, such as information incorporated into Management's Discussion and Analysis (MD&A). Therefore, while the overall amount of information disclosed by a SEC registrant may not change, the location of the information will change, since including these disclosures in the Codification may expand the information included by an SEC registrant within its audited financial statements.

Conversely, including both Regulation S-X and Regulation S-K disclosures in the Codification could affect the financial statements of entities that are not subject to the SEC's existing disclosure requirements. While not subject to the provisions of Regulation S-X and Regulation S-K, these entities will now be required to comply with the referred disclosures that have been codified in U.S. GAAP.

The Codification's Master Glossary defines an "SEC registrant" as follows.

Securities and Exchange Commission Registrant: An entity (or an entity that is controlled by an entity) that meets any of the following criteria:

- a. It has issued or will issue debt or equity securities that are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local or regional markets).
- b. It is required to file financial statements with the Securities and Exchange Commission (SEC).
- c. It provides financial statements for the purpose of issuing any class of securities in a public market.

Referred disclosures incorporated into the Codification

The table below includes all of the SEC's referred disclosures incorporated into the Codification by the amendments in ASU 2023-06. As discussed above, the amendments or additions to the disclosure requirements included in the table generally apply to all entities subject to the guidance in the Codification, even including reporting entities not subject to the SEC's existing disclosure requirements,

assuming an entity falls within the relevant scoping guidance of the specified Codification Topic. There are a few exceptions when specific disclosures are required only for public business entities, as noted below.

SEC disclosures incorporated into the Codification			
ASC Subtopic	Existing disclosure requirements in the Codification	Amendments to Codification (ASU 2023-06)	Related SEC disclosure
<p>ASC 230-10, <i>Statement of Cash Flows – Overall</i></p> <p>ASC 815-10, <i>Derivatives and Hedging – Overall</i></p>	<p>ASC 230-10-50 requires certain disclosures to supplement the cash flow statement, including</p> <ul style="list-style-type: none"> • An entity's policy for determining which items are treated as cash equivalents; • Interest and income taxes paid if the indirect method is used; • Noncash investing and financing activities; and • Information about the nature of restrictions on cash and cash equivalents. 	<p>Added requirement in ASC 230-10-50-9 that an entity disclose, on an annual basis, its accounting policy for where it presents cash flows associated with derivative instruments and their related gains and losses in the statement of cash flows.</p> <p>Added cross-reference in ASC 815-10 to new disclosure requirements in ASC 230-10-50-9.</p>	S-X Rule 4-08(n)
<p>ASC 250-10, <i>Accounting Changes and Error Corrections – Overall</i></p> <p>ASC 270-10, <i>Interim Reporting – Overall</i></p>	<p>When there has been a change in the reporting entity, such as a change in the subsidiaries included in a consolidated group's financial statements, ASC 250-10-50-6 requires an entity to disclose the nature of the change and the reason for it.</p> <p>In addition, an entity must disclose the effect of the change on income from continuing operations, net income (or other appropriate</p>	<p>Amendments to ASC 250-10-50-6 require entities to disclose the information already required for annual financial statements on an interim basis when there has been a change in the reporting entity.</p> <p>The cumulative effect of the change on retained earnings (or other appropriate component of equity or net assets) as of the beginning of the earliest period presented</p>	S-X Rule 10-01(b)(7)

SEC disclosures incorporated into the Codification			
ASC Subtopic	Existing disclosure requirements in the Codification	Amendments to Codification (ASU 2023-06)	Related SEC disclosure
	captions of changes in net assets), other comprehensive income, and any related per-share amounts for all periods presented.	must also be disclosed for both annual and interim periods. The interim reporting guidance in ASC 270-10-45 and ASC 270-10-50 was also updated to reflect these changes.	
ASC 260-10, <i>Earnings Per Share – Overall</i>	ASC 260-10-50-1 requires an entity to disclose, in each period for which an income statement is presented, the following information about earnings per share (EPS): a. A reconciliation of the numerators and denominators of basic and diluted per-share computations b. The effect of preferred dividends in calculating income available to common shareholders c. Securities that could potentially dilute basic EPS in the future but were excluded from diluted EPS because the effect was anti-dilutive	Amendments to ASC 260-10-50-1: a. Clarify that existing disclosure requirements are required for interim periods. b. Require entities to disclose, on an annual and interim basis, the method/s used in computing the diluted EPS for each type of dilutive security, including the treasury stock method, if-converted method, two-class method, or reverse treasury stock method. An illustrative example in ASC 260-10-55-51 through 55-52 was also updated to reflect these changes.	S-X Rule 10-01(b)(2)
ASC 440-10, <i>Commitments – Overall</i>	Unless more explicit disclosure requirements exist in other Codification Topics, ASC 440-10-50-1 requires disclosure of certain commitments, such as unused letters of credit. Prior to ASU 2023-06, an entity was only required to disclose	Amendments to ASC 440-10-50-1 now also require information about assets mortgaged, pledged, or otherwise subject to lien, the approximate amount of the assets, and the obligations collateralized.	S-X Rule 4-08(b)

SEC disclosures incorporated into the Codification			
ASC Subtopic	Existing disclosure requirements in the Codification	Amendments to Codification (ASU 2023-06)	Related SEC disclosure
	information about assets pledged as security for loans.		
ASC 470-10, <i>Debt – Overall</i>	ASC 470-10-50 requires certain disclosures related to an entity's debt, including disclosure of long-term obligations, information about short-term obligations expected to be refinanced, and summarized information about the rights and privileges of outstanding securities.	Added disclosure in ASC 470-10-50-6 requires all entities to disclose amounts and terms of unused lines of credit and unfunded commitments. Public business entities only: Added disclosure in ASC 470-10-50-7 requires public business entities to disclose the weighted-average interest rate on outstanding short-term borrowings as of the date of each balance sheet presented.	S-X Rule 5-02.19(b)
ASC 505-10, <i>Equity – Overall</i>	ASC 505-10-50-4 requires an entity that issues preferred or other senior stock to disclose the preference in an involuntary liquidation if the liquidation preference is considerably in excess of the par or stated value of the shares.	Amendments modify the existing disclosure requirement in ASC 505-10-50-4 to require entities that issue preferred or other senior stock to disclose the preference in an involuntary liquidation if the liquidation preference is other than par or stated value rather than considerably in excess of par or stated value.	S-X Rule 4-08(d)
ASC 860-30, <i>Transfers and Servicing – Secured Borrowing and Collateral</i>	ASC 860-30-45-2 requires liabilities incurred by either the secured party or obligor in a securities borrowing or resale transaction to be separately classified. ASC 860-30-50-7 requires an entity to disclose information about its repurchase agreements, securities lending	Amendments to ASC 860-30-45-2 require entities to include accrued interest in the liability balance. Added presentation guidance in ASC 860-30-45-2A requires the separate presentation of the aggregate carrying amount of reverse repurchase agreements on the face of the	S-X Rule 4-08(m)

SEC disclosures incorporated into the Codification			
ASC Subtopic	Existing disclosure requirements in the Codification	Amendments to Codification (ASU 2023-06)	Related SEC disclosure
	<p>transactions, and repurchase-to-maturity transactions.</p>	<p>balance sheet if that amount exceeds 10 percent of total assets.</p> <p>Added disclosure in ASC 860-30-50-9 through 50-12 requires all entities to disclose:</p> <ul style="list-style-type: none"> a. Amounts at risk under repurchase agreements or reverse repurchase agreements with a named individual counterparty if that amount exceeds more than 10 percent of stockholders' equity, along with the weighted-average maturity of such agreements. b. For reverse repurchase agreements that exceed 10 percent of total assets, an entity must disclose whether there are any provisions in the agreement to ensure that the market value of the underlying assets remains sufficient to protect against counterparty default and, if so, the nature of those provisions. <p>Public business entities only: Amendments to ASC 860-30-50-7 require public business entities to disclose the weighted-average interest rates of repurchase liabilities.</p>	

ASC 932-235, <i>Extractive Activities – Oil and Gas – Notes to Financial Statements</i>	ASC 932-235-50-3 through 50-36 requires publicly traded companies to disclose information about proved oil and gas reserve quantities; capitalized costs; costs incurred for property acquisition, exploration, and development activities; results of operations; and a standardized measure of discounted future cash flows.	Added guidance in ASC 932-235-50-2A clarifies that an entity is required to present the disclosures in ASC 932-235-50-3 through 50-36 for each annual period presented in the financial statements.	S-K Item 302(b)
ASC 946-20, <i>Financial Services – Investment Companies – Investment Company Activities</i>	ASC 946-20-50-11 requires all investment companies to disclose only two components of capital on the balance sheet: shareholder capital and distributable earnings.	A technical correction to ASC 946-20-50-11 removes the word “only” that previously described the two capital components, since two components are the <i>minimum</i> disclosure requirement, meaning that entities may elect to further disaggregate components of capital. The corrected guidance now aligns with an illustrative example in ASC 946-830-55-12 that further disaggregates components of distributable earnings.	S-X Rule 6-04.17
ASC 974-10, <i>Real Estate – Real Estate Investment Trusts – Overall</i>	There was previously no disclosure section for entities in the scope of ASC 974-10.	Added disclosure in ASC 974-10-50-1 requires an entity to disclose, in annual reporting periods, the tax status of distributions per unit (for example, ordinary income, capital gain, and return of capital) for a real estate investment trust.	S-X Rule 3-15(c)
Note that the remaining 2 of 14 amendments included in ASU 2023-06 relate to the additions of existing Master Glossary terms to ASC 270-10 (adds “Change in the Reporting Entity”) and ASC 470-10 and ASC 860-30 (adds “Public Business Entity”).			

As noted in the table, some of the revised disclosure requirements in ASC 470-10 and ASC 860-30 only apply to public business entities, as defined in the Master Glossary as shown below.

Public Business Entity: A public business entity is a business entity meeting any one of the criteria below. Neither a not-for-profit entity nor an employee benefit plan is a business entity.

- a. It is required by the U.S. Securities and Exchange Commission (SEC) to file or furnish financial statements, or does file or furnish financial statements (including voluntary filers), with the SEC (including other entities whose financial statements or financial information are required to be or are included in a filing).
- b. It is required by the Securities Exchange Act of 1934 (the Act), as amended, or rules or regulations promulgated under the Act, to file or furnish financial statements with a regulatory agency other than the SEC.
- c. It is required to file or furnish financial statements with a foreign or domestic regulatory agency in preparation for the sale of or for purposes of issuing securities that are not subject to contractual restrictions on transfer.
- d. It has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market.
- e. It has one or more securities that are not subject to contractual restrictions on transfer, and it is required by law, contract, or regulation to prepare U.S. GAAP financial statements (including notes) and make them publicly available on a periodic basis (for example, interim or annual periods). An entity must meet both of these conditions to meet this criterion.

An entity may meet the definition of a public business entity solely because its financial statements or financial information is included in another entity's filing with the SEC. In that case, the entity is only a public business entity for purposes of financial statements that are filed or furnished with the SEC.

Refer to Appendix A for a discussion of the referred disclosures not incorporated into the Codification and, therefore, not included in the amendments in ASU 2023-06.

Effective date and transition

For entities subject to the SEC's existing disclosure requirements and for entities required to file or furnish financial statements with or to the SEC in preparation for the sale of or for purposes of issuing securities that are not subject to contractual restrictions on transfer, the effective date for each amendment will be on the date that the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited.

For all other entities, the amendments are effective two years later. The Board did not prohibit early adoption for these entities once the corresponding amendment becomes effective for entities subject to SEC disclosure requirements.

As articulated in BC43 of ASU 2023-06, the Board did not use the Master Glossary definition of *public business entity* to distinguish between entities that would have a deferred effective date and those that would not get a deferral.

All amendments should be applied prospectively. If the SEC has not removed the applicable requirement from Regulation S-X or Regulation S-K by June 30, 2027, the pending amendments will be removed and

will not become effective for any entity. The Board noted that it would continue to monitor activity from the SEC related to removing the disclosure requirements and could revisit effective date information in the future if necessary.

Appendix A: Referred disclosures not incorporated into the Codification

The table below lists those disclosures referred to the FASB by the SEC that were not incorporated into the Codification. Although the FASB did not incorporate these disclosures into U.S. GAAP, they remain required disclosures for SEC registrants given that they are still included in either Regulation S-X or Regulation S-K.

Referred disclosures not incorporated into the Codification	
SEC regulation	SEC disclosure requirement
S-K Item 201(d)	Requires that an entity disclose the formula, if any, for calculating the number of shares available for issuance under an equity compensation plan.
S-X Rule 4-07	Requires that discounts on shares (or any unamortized balance) be shown separately as a deduction from equity accounts either on the face of the balance sheet or in the notes to financial statements.
S-K Item 101(c)(1)(vii)	Not applicable. After referral and in August 2020, the SEC adopted amendments to make the disclosures in S-K Item 101(c) more principles-based and removed the requirement to disclose the name of any customer that represents more than 10 percent of an entity's consolidated revenues.
S-X Rule 4-08(f)	Requires that an entity disclose any significant changes in the authorized or issued amounts of bonds, mortgages, or similar debt since the date of the latest balance sheet.
S-X Rule 4-08(k)(1)	Requires that amounts of related-party transactions should be stated on the face of the balance sheet, statement of comprehensive income, or statement of cash flows.
S-K Item 101(c)	Not applicable. After referral and in August 2020, the SEC adopted amendments to make the disclosures in S-K Item 101(c) more principles-based and removed the requirement to disclose each class of similar products or services that contributed 10 percent or more to consolidated revenue.
S-X Rule 10-01(b)(3)	Requires supplemental disclosure of the separate results of the combined entities for periods prior to the combination when a combination between entities under common control occurs in an interim period.

Referred disclosures not incorporated into the Codification	
SEC regulation	SEC disclosure requirement
S-X Rule 3A-03(b)	Requires an entity newly included in, or excluded from, consolidated financial statements to be disclosed by name if it has a material effect on the financial statements.
S-X Rule 3-20(d)	Addresses how an entity should determine the functional currency of a reporting entity and how to translate the functional currency financial statements of a reporting entity into a reporting currency that is different from the functional currency.
S-X Rule 4-08(k)(2)	Requires disclosure in separate financial statements of any intra-entity profits or losses resulting from transactions with related parties.

Other referred disclosures not included in ASU 2023-06

The FASB considered a referred SEC disclosure about debt in default in accordance with Rule 4-08(c) of Regulation S-X as part of its project on the balance-sheet classification of debt, but that project was removed from the Board's technical agenda in April 2021 for reasons unrelated to the referred disclosure. The disclosure was not included in the amendments under ASU 2023-06.

In addition, the FASB incorporated referred SEC disclosures on income taxes in accordance with Rule 4-08(h) of Regulation S-X into its project on income tax disclosures.

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