



STANDARDS THAT WORK
FROM MAIN STREET TO WALL STREET

We are pleased to present the **2021 FASB Agenda Consultation Report**. The report summarizes the robust stakeholder feedback obtained during our 2021 agenda consultation project and how that feedback has influenced the Board's technical and research agendas and standard-setting process as of June 29, 2022.

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. The overall input we received has resulted in the following changes to our technical and research agendas:

Redefining the scope and direction of existing technical agenda projects

We used investor input to redefine and focus a path forward on our project on financial performance reporting, revising its objective and scope to focus on disaggregation of income statement expenses. Investor input also helped focus our long-term project to improve the transparency and usefulness of income tax disclosures by revising its objective and establishing a project scope that primarily focuses on income taxes paid and the rate reconciliation table.

Adding new projects to our technical agenda

Stakeholders from all professional backgrounds expressed strong interest in addressing emerging areas in financial reporting, including digital assets and the accounting for environmental credit programs. We also heard calls to update the accounting for software to better reflect advances in technology and development. Based on this feedback, we added the following projects to our technical agenda:

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

Adding new projects to our research agenda

Investor and other stakeholder feedback also helped reshape our research agenda. What we learn during the research phase helps us determine whether there's an achievable path forward on projects. This process

is already paying dividends as projects related to digital assets, environmental credit programs, and software costs that were added to the research agenda in response to ITC feedback have already moved to the technical agenda. The following projects are now included on our research agenda in response to feedback we received in the agenda consultation process:

- 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
- Statement of Cash Flows.

In addition, we received significant input on our existing research project on the accounting for and disclosure of intangibles that has helped shape the future direction of the project.

Feedback on our existing technical agenda

We also received extensive feedback on our existing technical agenda. In addition to helping us define the path forward on several projects, that feedback also contributed to the Board’s decision to deprioritize certain projects and remove them from our technical agenda.

Providing information to the Board on other potential projects

Unfortunately, not every area of feedback that we heard could be addressed due to finite resources and the need to prioritize matters of broad applicability. We did, however, have our staff provide an analysis of other suggestions and input we received for discussion at public Board meetings. The attached report summarizes those matters and their disposition.

We want to emphasize that the agenda consultation process does not end with the issuance of this report. We will continue to engage with and provide opportunities for you to share your views as we improve and develop standards in these and other areas. We will continue to monitor issues that are not currently prioritized. And, of course, we are always open to receiving agenda requests as part of our normal standard-setting process.

Successful standard setting begins with a focused and achievable agenda that reflects the priorities of our stakeholders. We thank you for sharing your views and look forward to continued dialogue about the accounting and financial reporting issues most important to you.



Richard R. Jones
Chair



Hillary Salo
Technical Director



THE AGENDA-SETTING PROCESS, INCLUDING THE BOARD'S AGENDA PRIORITIZATION PROCESS

The mission of the FASB is:

To establish and improve standards of financial accounting and reporting that foster financial reporting by nongovernmental entities that provides decision-useful information to investors and other users of financial reports.

The FASB accomplishes its mission through a comprehensive and independent process that encourages broad participation, objectively considers all stakeholder views, and is subject to oversight by the Financial Accounting Foundation's Board of Trustees. A key principle guiding the Board's work is to issue standards when the expected benefits of a change justify the perceived costs of that change.

FASB projects are categorized as either a research project or a technical agenda project. The FASB Chair is solely able to direct and set the research projects to gather information that can be used in deciding whether to add a project to the technical agenda in the future. However, at least a majority of the Board must approve any projects that are added to or removed from the technical agenda. Only projects on the technical agenda can result in standard setting. When considering whether to add a project to the technical agenda, the Board evaluates potential projects against the following three criteria to ensure consistent agenda prioritization decisions:



- **Is there an identifiable and sufficiently pervasive need to improve generally accepted accounting principles (GAAP)?** In other words, what improvement is needed? And what's the extent to which it affects users, preparers, auditors, and others?
- **Are there technically feasible solutions and are the expected benefits of those solutions likely to justify the perceived costs of a change?** What are the various alternative ways that an issue could be addressed? What are the expected benefits of the solutions, and can the solutions be implemented?
- **Does this issue have an identifiable scope?** Can the FASB effectively identify the scope of a potential project? Can the issue be sufficiently described?

Decisions about whether a project meets those criteria are a matter of judgment by the Board, which is based on research and analysis performed by the FASB staff as well as the diverse experiences of the Board members. The criteria help the Board to use its time and resources efficiently and effectively on projects that the Board will be able to complete in a timely manner. When considering the Board's first criterion (that is, there is an identifiable and sufficiently pervasive need to improve GAAP), there are three primary reasons for change:

- **To provide investors with better, more useful information that will directly influence their decisions and behavior**—The FASB's mission centers on standards that provide investors with decision-useful information, and the FASB is very focused on obtaining investor input at every stage of the standard-setting process, including in the agenda decision process. In meeting the FASB's mission, an investor's desire for more granular information must be balanced with the cost to provide that information. Therefore, an emphasis on cost-benefit analysis throughout the FASB's standard-setting activities is crucial. The FASB strives to clearly identify, understand, and communicate the types of investors that will benefit from any changes and how they will use that information.
- **To remove unnecessary cost and complexity from the system**—If a transaction is, by its nature, complex, the accounting also may be complex, which is necessary complexity. Conversely, unnecessary complexity and the cost that accompanies it should be minimized because it affects investors and preparers. Unnecessary complexity may convey a level of precision that can be misleading and can reduce the quality of compliance with a standard.
- **To maintain and improve the *FASB Accounting Standards Codification*[®]**—Ensuring that the Codification (which is the source of authoritative GAAP recognized by the FASB to be applied to nongovernmental entities) remains relevant to current transactions, addresses practice issues, and narrows unacceptable diversity in practice continues to be important.

OVERVIEW OF THE 2021 AGENDA CONSULTATION PROCESS

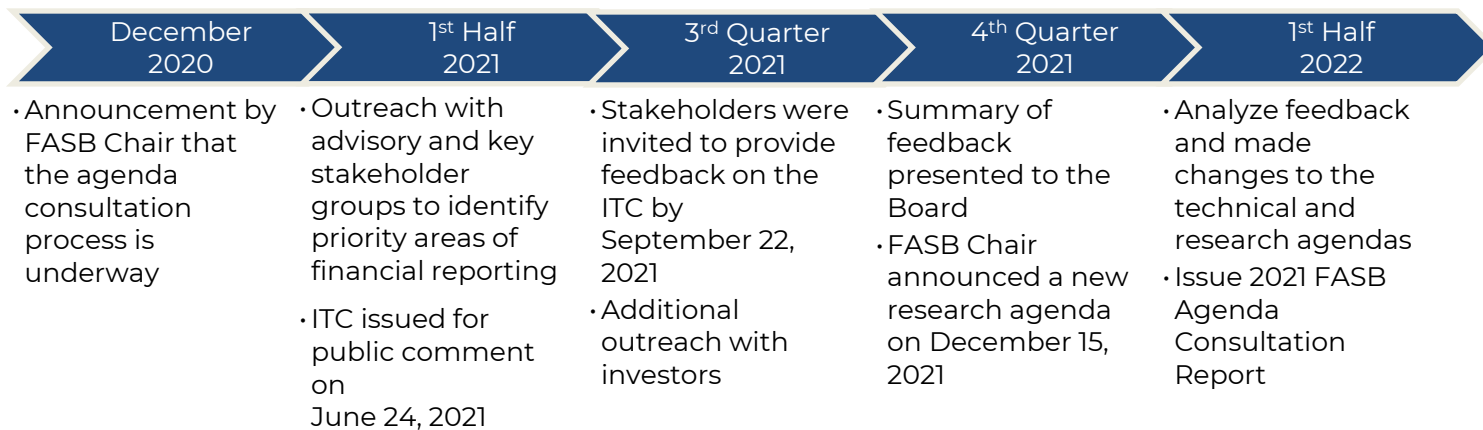
In December 2020, FASB Chair Richard Jones announced that the FASB would undertake an agenda consultation process to assist the Board in deciding where to focus its standard-setting efforts going forward. To begin the 2021 Agenda Consultation process, the FASB staff sought input from numerous stakeholder groups and FASB advisory groups, including the Investor Advisory Committee (IAC), the Financial Accounting Standards Advisory Council (FASAC), the Emerging Issues Task Force (EITF), the Not-for-Profit Advisory Committee (NAC), the Private Company Council (PCC), and the Small Business Advisory Committee (SBAC). That input was critical for identifying priority areas of improvement to financial reporting.

Additionally, throughout the first half of 2021, the FASB staff and Board members met with more than 200 stakeholders, over 70 of which were investors and other allocators of capital (collectively referred to as investors), to identify priority areas of improvement to financial reporting. In addition to investors, a cross-section of stakeholders participated in that preliminary outreach, including preparers, practitioners, and academics. Preparer representatives were from public companies, private companies, and not-for-profit entities (NFPs). During those outreach meetings, stakeholders identified more than 40 topics of potential improvement for the Board to consider as part of its standard-setting efforts. The feedback received was diverse, thoughtful, and insightful.

On the basis of input received from these stakeholders, the FASB staff developed the Invitation to Comment, *Agenda Consultation*, which was issued on June 24, 2021, with comments due on September 22, 2021. The purpose of the Invitation to Comment (ITC) was to solicit broad stakeholder feedback about the future standard-setting agenda of the FASB. The feedback received throughout this process was, and will continue to be, essential in ensuring that the FASB continues to allocate its finite resources to achievable standard-setting projects to fulfill its mission to improve financial accounting and reporting standards and address topics that are of the highest priority to its stakeholders. Through the ITC, the FASB staff requested feedback on the following:

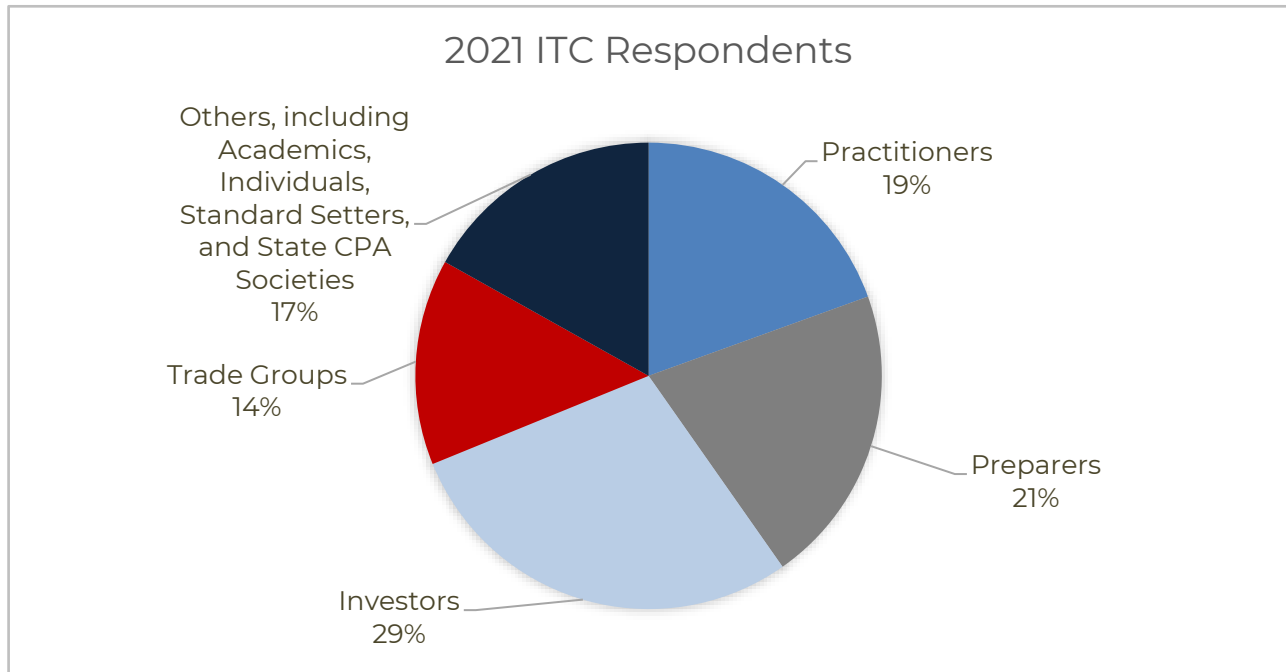
- Whether the financial reporting topics described in the ITC are areas that may require significant improvement.
- The priority and urgency of addressing each topic.
- Potential solution(s) the FASB should consider, along with the perceived costs and expected benefits, including:
 - For investors, how a potential solution would directly influence their decisions and behaviors
 - For preparers and practitioners, the feasibility of a potential solution.
- Whether other financial reporting topics beyond those described in the ITC be considered by the FASB and the priority and urgency of those topics.

The following provides an overview of the 2021 Agenda Consultation process:



FEEDBACK RECEIVED IN RESPONSE TO THE INVITATION TO COMMENT

The FASB received 522 total responses to the 2021 ITC. 445 of these responses 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. The following diagram provides a breakdown of those 77 respondents who broadly addressed topics in the ITC*:



Investors were the highest category of the 77 responses received, followed by preparers and practitioners. Trade groups represented the views of practitioners and both private and public company preparers in a wide variety of industries including asset management, biopharmaceutical, banking, cryptocurrency, insurance, materials, real estate, software, and telecommunications.

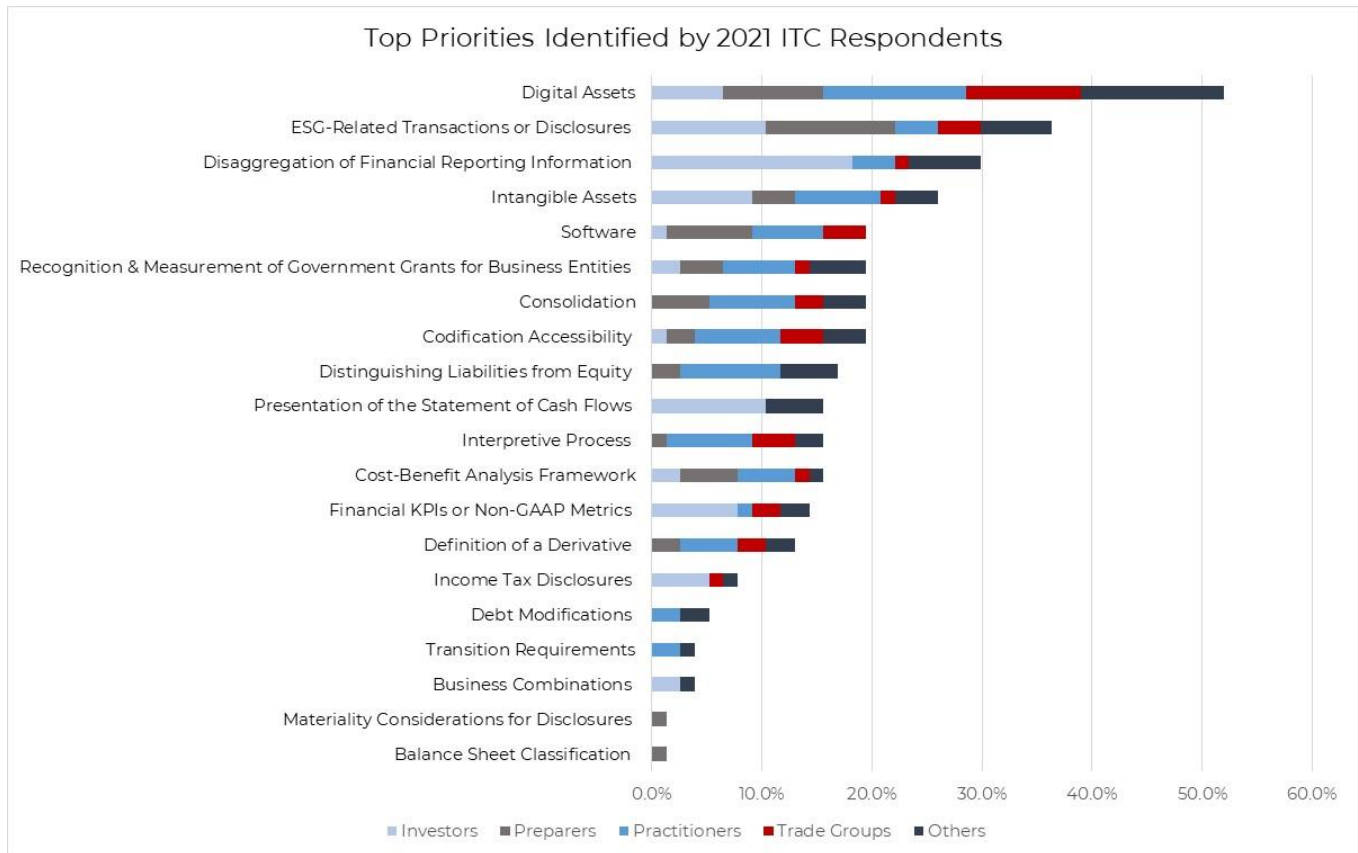


Notably, investor response to the 2021 Agenda Consultation was over 300% greater than investor response the FASB received to the 2016 Agenda Consultation.*

* The 445 respondents who solely commented on digital assets are not included in the diagram and the investor statistic. Those 445 respondents were from various stakeholder types, including academics, holders of digital assets, individuals, investors and other financial statement users, practitioners, and preparers.

Respondent Prioritization by Topic

The following diagram provides an illustration of the topics that the 77 respondents who broadly addressed the ITC identified as top priority, in order of most frequently identified to least frequently identified:

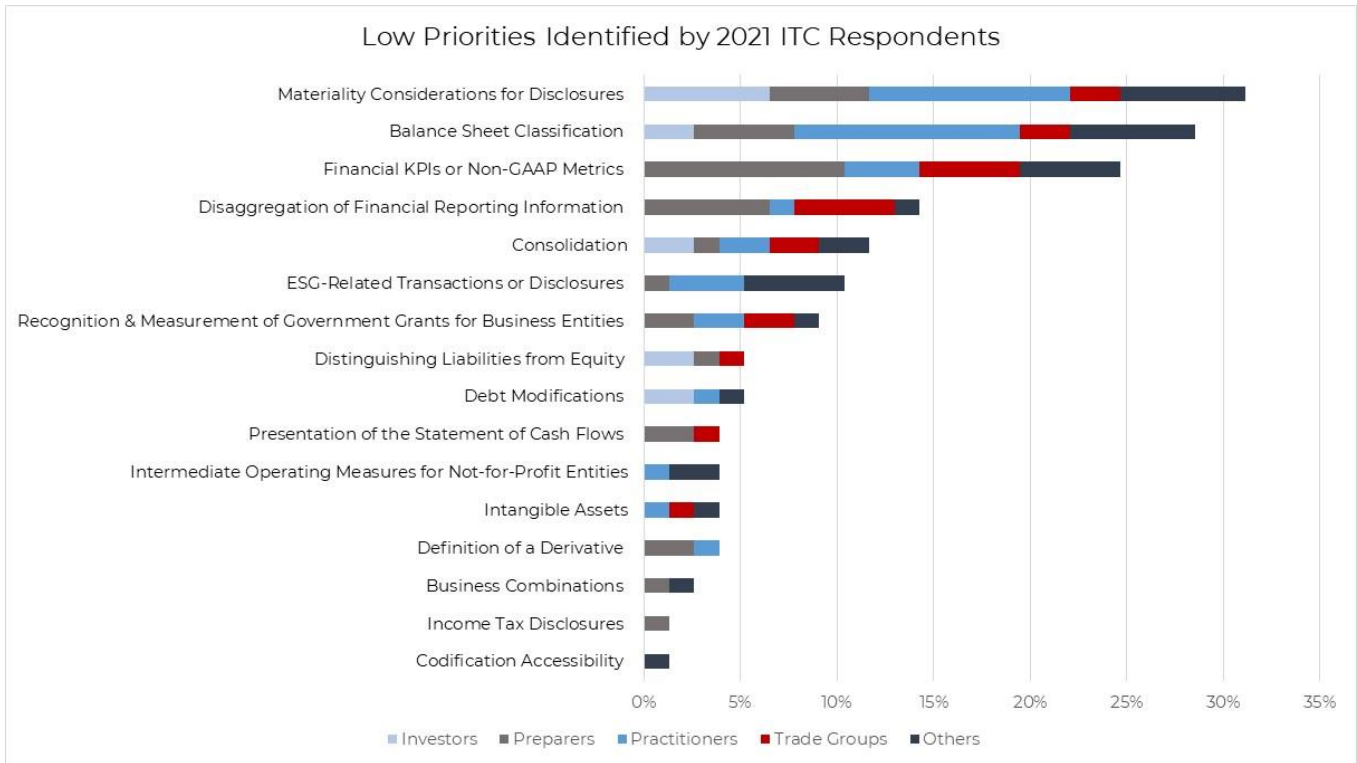


The top priority topics identified by investors were:

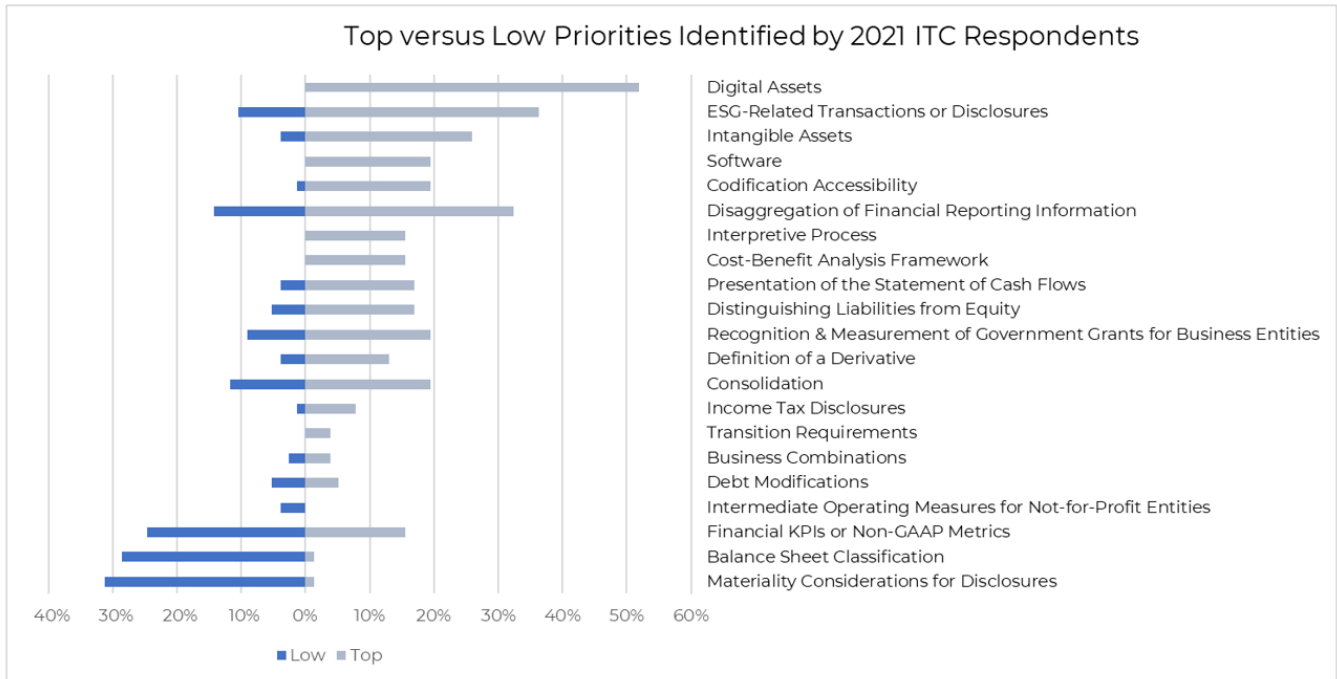
- 1. Disaggregation of Financial Reporting Information**
- 2. Statement of Cash Flows**
- 3. ESG-Related Transactions or Disclosures**
- 4. Intangible Assets**
- 5. Financial KPIs or Non-GAAP Metrics**
- 6. Digital Assets**
- 7. Income Tax Disclosures.**

All of those topics are included in the FASB's technical or research agenda.

The following diagram provides an illustration of the topics that the 77 respondents who broadly addressed the ITC identified as low priority for the Board, in order of most frequently identified to least frequently identified:



The following diagram provides a side-by-side comparison of those 77 respondents' overall views on the top and low priority topics:



CHAPTER 1—DISAGGREGATION OF FINANCIAL REPORTING INFORMATION

Chapter 1 of the ITC solicited feedback on areas raised by investors during the development of the ITC. Specifically, investors cited a general need for greater disaggregation and granularity of financial reporting information—in the (a) income statement, (b) statement of cash flows, or (c) notes to financial statements. Investors explained that disaggregated information is needed to better enable investors to understand a company’s performance and assess its future operating results, cash flows, and risks (such as those related to earnings, legislation, income taxes, foreign currencies, and reputation).

The following provides an overview of feedback received on disaggregated financial reporting information and how the Board has considered that feedback to date:

Topic	Overview of Feedback*	FASB Consideration of Feedback
Performance Reporting—Disaggregation of Performance Information	Respondents, primarily investors, stated that that greater disaggregation and granularity of financial reporting information should be the Board’s top priority. They need additional insight into the details of the costs reflected in a company’s income statement captions. Other respondents stated that increased costs and complexity may result from greater disaggregation requirements.	On February 16, 2022, the Board revised the project objective of the Disaggregation—Income Statement Expenses project (formerly known as Financial Performance Reporting—Disaggregation of Performance Information) to improving the decision usefulness of business entities’ income statements through the disaggregation of certain expense captions. The Board focused the project’s scope on (a) selling, general, and administrative expenses, (b) cost of services and other cost of revenues, and (c) cost of tangible goods sold.
Income Tax Disclosures	Respondents, primarily investors, stated that income tax disclosures lack sufficient decision-useful information and recommended that the Board consider requiring additional disclosures, such as income taxes by jurisdiction. Other respondents said that increased costs and complexity may result from additional income tax disclosure requirements.	On March 31, 2022, the Board revised the project objective of the Targeted Improvements to Income Tax Disclosures project (formerly known as the Disclosure Framework: Disclosure Review—Income Taxes project) to improving the transparency and decision usefulness of income tax disclosures. The Board focused the project’s scope on (a) income taxes paid and (b) the rate reconciliation table. On May 11, 2022, the Board directed the staff to develop disclosure solutions for (a) disaggregating income taxes paid by jurisdiction and (b) defining categories and providing further detail of individual reconciling items in the income tax rate reconciliation disclosure.
Presentation of the Statement of Cash Flows	Respondents, primarily investors, stated that both greater disaggregation and transparency of a company’s cash flows are needed to better understand and analyze a company’s operating results.	On June 29, 2022, the FASB Chair added a project to the FASB research agenda to explore targeted improvements to the statement of cash flows to provide additional decision-useful information for investors and other allocators of capital.

* This is a high-level summary of the feedback received. For a more detailed discussion of the feedback, see the [Feedback Summary](#).

CHAPTER 2—EMERGING AREAS IN FINANCIAL REPORTING

Chapter 2 of the ITC solicited feedback on the following emerging areas that may require the Board to maintain and improve the relevance of GAAP (in alphabetical order):

- Definition of a derivative
- Digital assets
- ESG-related transactions, such as renewable energy credits and emissions allowances
- Financial key performance indicators (KPIs) or non-GAAP metrics
- Intangible assets, including software
- Recognition and measurement of government grants for business entities.

Respondents stated that these emerging areas should be considered by the Board because either (a) no specific topical authoritative guidance exists or (b) current GAAP results in accounting that does not reflect the underlying economics for those areas (or certain aspects thereof). The following provides an overview of feedback received on Chapter 2 areas and how the Board has considered that feedback to date:

Topic	Overview of Feedback*	FASB Consideration of Feedback
Definition of a Derivative	Respondents, primarily practitioners and preparers, stated that the definition of a derivative is too broad and it would be beneficial for the Board to consider whether certain transactions should not be accounted for as derivatives under Topic 815, Derivatives and Hedging, including ESG-linked features embedded in financial instruments. In contrast, other respondents highlighted that the derivative guidance is longstanding and stated that it does not present immediate or pervasive concerns.	On December 15, 2021, the FASB Chair added a project to the FASB research agenda to explore (a) the accounting for, and disclosure of, financial instruments with ESG-linked features and (b) a broader reconsideration of the definition of a derivative. On May 11, 2022, the Board directed the staff to continue pre-agenda research on financial instruments with ESG-linked features. That research will be considered at a future decision-making meeting, and the Board will decide whether to add a project on accounting for financial instruments with ESG-linked features to its technical agenda. The staff is continuing to research other issues related to the definition of a derivative and will bring the results of that research back to the Board at a future meeting.
Digital Assets	Respondents across all stakeholder types recommended that the Board add a project to its technical agenda on the accounting for digital assets (with many comments focused on bitcoin). Most respondents stated that adding a project that would permit or require entities to measure certain digital assets at fair value should be a top priority for the Board.	On December 15, 2021, the FASB Chair added a project to the FASB research agenda to explore the accounting for and disclosure of exchange-traded digital assets and exchange-traded commodities. On May 11, 2022, the results of that research project were presented to the Board, and the Board added a project to its technical agenda to improve the accounting for, and disclosure of, certain digital assets. The Board will determine the project's scope at a future meeting. The Board decided not to add a project on the accounting for exchange-traded commodities to its technical agenda.

* This is a high-level summary of the feedback received. For a more detailed discussion of the feedback, see the [Feedback Summary](#).

Topic	Overview of Feedback*	FASB Consideration of Feedback
Digital Assets (continued)		However, the FASB Chair decided that this topic would remain on the research agenda and be informed by the progress on the Accounting for and Disclosure of Digital Assets project.
ESG-Related Transactions, such as Renewable Energy Credits and Emissions Allowances	Respondents cited a lack of clarity on the accounting for ESG-related transactions, such as renewable energy credits, emissions allowances, and carbon offsets. Respondents stated that the lack of guidance in GAAP for those items results in significant diversity in practice. Other respondents noted that ESG-related transactions do not present widespread challenges at this time.	On December 15, 2021, the FASB Chair added a research project to explore the accounting for regulatory credits. On May 25, 2022, the results of that research project were presented to the Board, and the Board added a project to its technical agenda on regulatory credits (to be referred to as environmental credits). The preliminary scope of the project is the accounting for environmental credit programs by participants in (a) compliance programs and (b) voluntary programs (such as self-mandated “net zero emission”). The scope also includes the accounting by creators of environmental credits.
Financial Key Performance Indicators (KPIs) or Non-GAAP Metrics	Respondents, particularly investors, stated that defining KPIs in GAAP could provide investors with a common starting point for widely used KPIs that could result in better comparability. Other respondents, across all stakeholder types, stated that management is best equipped to determine its KPIs to be reported as non-GAAP items; therefore, standardization of KPI definitions is not necessary. Those respondents recommended that the Board not prioritize a project on financial KPIs.	On May 25, 2022, the Board decided not to add a project to its technical agenda on financial KPIs. In response to investor feedback, the FASB Chair added a project, Financial Key Performance Indicators for Business Entities, to the research agenda. This project will (a) be informed by the progress on the Disaggregation—Income Statement Expenses project and (b) explore standardizing the definitions of financial KPIs as well as any interactions with the regulatory framework.
Intangible Assets	While many respondents, across all stakeholder types, acknowledged that there can be a significant difference between the book value and market capitalization for many companies, respondents were mixed about whether that gap needs to be reduced and/or whether reducing the gap is consistent with the objective of financial reporting. Overall, respondents stated that the Board should perform research to better understand the information needs of users as it relates to intangibles, while also considering the costs and challenges associated with preparing that information.	As part of the Accounting for and Disclosure of Intangibles research project, the staff is researching alternatives to improve the accounting for and/or disclosure of intangible assets, including internally developed intangibles and research and development. On June 22, 2022, the Board discussed the pre-agenda research performed to date. Board members provided suggestions on and observations about the focus and prioritization for continued research efforts.
Software Costs	Respondents, primarily preparers and practitioners, stated that the shift in how companies develop software and the increased prevalence of software costs incurred by companies have created a pervasive need for the Board to update the accounting for software costs. Furthermore, respondents said that the current	On December 15, 2021, the FASB Chair clarified that software costs will be considered as part of the Accounting for and Disclosure of Intangibles research project. On April 13, 2022, the Board discussed pre-agenda research performed to date and provided the staff with direction to

Topic	Overview of Feedback*	FASB Consideration of Feedback
Software Costs (continued)	distinction in accounting guidance between how a company accounts for software developed for internal use and how it accounts for software developed to be sold, leased, or otherwise marketed may no longer be relevant considering the evolution of the software industry.	continue pre-agenda research. On June 22, 2022, the Board discussed pre-agenda research on the accounting for and disclosure of software costs and decided to add a project to its technical agenda to (a) modernize the accounting for software costs and (b) enhance transparency about an entity's software costs. The scope of the project is the accounting for costs to internally develop or acquire software.
Recognition and Measurement of Government Grants for Business Entities	Some respondents stated the lack of specific authoritative guidance in GAAP on accounting for government grants by business entities has led to significant diversity in practice. Other respondents stated that there is not a pervasive need to provide guidance because business entities are able to apply other guidance, such as IAS 20, <i>Accounting for Government Grants and Disclosure of Government Assistance</i> , by analogy.	On December 15, 2021, the FASB Chair added a project on Accounting for Government Grants, Invitation to Comment, to the FASB research agenda. Specifically, the objective of the research project is to solicit feedback on whether the requirements in IAS 20 represent a workable solution for improving GAAP. On June 13, 2022, the FASB staff issued the Invitation to Comment, <i>Accounting for Government Grants by Business Entities</i> , to solicit broad stakeholder feedback on the recognition, measurement, and presentation requirements of IAS 20.

CHAPTER 3—REDUCTION OF UNNECESSARY COMPLEXITY IN CURRENT GAAP

Chapter 3 of the ITC solicited feedback on the following areas of GAAP that were identified during the development of the ITC as areas of unnecessary cost and complexity (in alphabetical order):

- Balance sheet classification
- Consolidation
- Debt modifications
- Distinguishing liabilities from equity
- Materiality considerations for disclosures.

Overall, respondents stated that although these areas could use minor improvements, they should not be prioritized over the issues described in Chapters 1 and 2. The following provides an update of how the Board has considered the feedback received:

Topic	Overview of Feedback*	FASB Consideration of Feedback
Balance Sheet Classification	A majority of respondents, including investors, noted that a project on balance sheet classification would not provide sufficient benefit to investors and that there is not an urgent need for classification improvements at this time.	On May 25, 2022, the Board decided not to add a project to its technical agenda on balance sheet classification.
Consolidation	Most respondents commenting on this topic stated that the project on the technical agenda to reorganize the consolidation guidance for business entities was not a top priority. However, certain respondents stated that the consolidation guidance for business entities is complex and difficult to apply. Those respondents broadly recommended that the Board prioritize a project to consider whether a single consolidation model could be developed for business entities that would apply to all entities (that is, no separate models for variable interest entities and voting interest entities). However, other respondents stated that the complexity in the consolidation guidance is driven by the complexity of the associated transactions; therefore, the cost associated with amending the guidance may not justify the benefits.	On April 20, 2022, the Board removed the project on reorganizing the consolidation guidance from its technical agenda. The FASB Chair added a project, Consolidation for Business Entities, to the FASB research agenda to explore whether a single consolidation model could be developed for business entities.
Debt Modifications	Debt modifications was not identified by the majority of respondents as a priority topic for the Board. While some respondents stated that the guidance for debt modifications is well understood and operable, other respondents stated that evaluating whether a change in the terms of a debt agreement should be accounted for as a modification or an extinguishment can be challenging, particularly for entities for which debt modifications are uncommon.	On May 25, 2022, the Board decided not to add a project to its technical agenda on debt modifications.

* This is a high-level summary of the feedback received. For a more detailed discussion of the feedback, see the [Feedback Summary](#).

Topic	Overview of Feedback*	FASB Consideration of Feedback
Distinguishing Liabilities from Equity	Overall, the feedback from stakeholders was mixed on whether the Board should continue work on the Distinguishing Liabilities from Equity Phase 2 project, which was intended to improve and align the two existing indexation models in Topic 480, Distinguishing Liabilities from Equity, and Subtopic 815-40, Derivatives and Hedging—Contracts in Entity’s Own Equity. Many respondents stated that the current guidance is challenging to apply, while other respondents stated that guidance is longstanding and does not present immediate or pervasive concerns. While some respondents offered suggested solutions, several respondents noted that any changes to the guidance should not alter current accounting outcomes.	On April 13, 2022, the Board discussed the results of staff research performed since the last public meeting on the Phase 2 project, including feedback received on the liabilities and equity guidance in response to the 2021 ITC. On the basis of this research, the Board decided to deprioritize improvements to the liabilities and equity guidance and removed the Phase 2 project from its technical agenda.
Materiality Considerations for Disclosures	A majority of respondents, including all investor respondents, indicated that it would not be helpful if each Codification Topic repeated the materiality guidance in the overall objective to GAAP, which states, “The provisions of the Codification need not be applied to immaterial items.” It was generally agreed that disclosures are not required for immaterial items.	On May 25, 2022, the Board decided not to add a project to its technical agenda on materiality considerations for disclosures.

CHAPTER 4—IMPROVEMENTS TO FASB STANDARD-SETTING PROCESSES

Chapter 4 of the ITC solicited feedback on the following areas associated with the FASB standard-setting processes:

- Improving the understandability and navigability of the Codification
- Developing a transparent and thorough cost-benefit analysis framework, including using innovative ways to perform outreach
- Establishing a new interpretive process to respond to stakeholder questions that do not require amendments to the Codification but that would be published and retrievable
- Standardizing language used to describe transition requirements of new guidance.

A majority of respondents supported the FASB making enhancements to standard-setting processes. However, many respondents stated that those enhancements are not urgent and should be addressed after projects on the technical areas identified as top priority are completed. However, some respondents stated that of the identified potential improvements, improving the Board's cost-benefit analysis framework should be prioritized.

The following provides an update of how the feedback is being considered:

Topic	Overview of Feedback*	FASB Consideration of Feedback
Codification Accessibility	Some respondents supported improving Codification accessibility. Those respondents emphasized that the Codification can be challenging to navigate. Furthermore, those respondents suggested that nonauthoritative guidance such as the basis for conclusions to Accounting Standards Updates be accessible through the Codification.	The FASB is taking this feedback into consideration and is evaluating improvements with the Financial Accounting Foundation. The Content Vision and Enablement (CVE) Initiative is expected to be completed in 2022 and, among other improvements, will enhance the navigability of the Codification.
Cost-Benefit Analysis Framework	Respondents highlighted that the cost-benefit analysis is a key aspect of the standard-setting process. Those respondents recommended a more transparent and thorough cost-benefit analysis framework.	Throughout all stages of a project, the FASB's due process is specifically designed to generate feedback about expected benefits and perceived costs of a proposed change to GAAP. The FASB is currently evaluating its procedures for considering expected benefits and perceived costs in the standard-setting process, including methods to provide more transparency to stakeholders of procedures performed to support the cost-benefit evaluation.
Interpretive Process	Respondents recommended that the Board establish an interpretive process that would not require Codification amendments in order to reduce the time required to provide guidance. Suggestions included creating a public interpretive process, utilizing the Emerging Issues Task Force (EITF) as an interpretation committee, and creating a public and more transparent process for responding to technical inquiries.	The FASB is currently researching various methods that could contribute to an improved interpretive process, including evaluating the policies and procedures of other international standard setters' interpretative bodies.

* This is a high-level summary of the feedback received. For a more detailed discussion of the feedback, see the [Feedback Summary](#).

Topic	Overview of Feedback*	FASB Consideration of Feedback
Transition Requirements	Some respondents provided feedback that transition requirements are often complex and difficult to apply and that standardization of transition guidance would be helpful. However, other respondents stated that significant effort should not be spent on standardizing transition requirements language.	The FASB is currently researching different options to improve the consistency of transition requirements and the language used to describe transition and effective date requirements across standards. The research also will be informed by our ongoing post-implementation review process.

FEEDBACK ON THE FASB'S TECHNICAL AGENDA*

Beyond the feedback requested in Chapter 3, respondents were asked to provide feedback on the prioritization of projects on the FASB's technical agenda. This included feedback on whether current projects should remain on the technical agenda or whether the objective and/or scope of those projects need refinement. During the first half of 2022, the Board considered that feedback, and the following is a summary of that feedback and, if applicable, actions taken by the Board.

Recognition and Measurement Projects

Identifiable Intangible Assets and Subsequent Accounting for Goodwill

The objective of this project was to revisit the subsequent accounting for goodwill and identifiable intangible assets broadly for all entities. This would have included improving the decision usefulness of the information and rebalancing the cost-benefit factors.

Approximately 20 percent of total respondents who broadly addressed the ITC recommended that the Board prioritize completion of this project, while a few respondents recommended that the Board either remove or redefine the project. No investor respondents identified this project as top priority. The Board deliberated aspects of the accounting for identifiable intangible assets and goodwill during the first half of 2022.

At its June 15, 2022 meeting, the Board discussed the future direction of the project and decided to deprioritize and remove the project from its technical agenda.

Improving the Accounting for Asset Acquisitions and Business Combinations (Phase 3 of the Definition of a Business Project)

The objective of the Phase 3 project was to improve the accounting for asset acquisitions and business combinations by narrowing certain differences between the recognition of assets and businesses. Fifteen percent of respondents who broadly addressed the ITC stated that Phase 3 should be a top priority for the Board. Over one-third of those respondents recommended that the Board redefine the scope of the project to more fully align the accounting for asset acquisitions with the accounting for business combinations, including the guidance for in-process research and development (IPR&D). No investor respondents identified Phase 3 as top priority.

At its June 15, 2022 meeting, on the basis of research performed and feedback received to date, the Board decided to deprioritize the project and to remove it from its technical agenda.

Leases (Topic 842)—Lease Modifications

The objective of this project was to consider whether targeted improvements to Topic 842, Leases, related to lease modification accounting are warranted. Approximately 7 percent of respondents who broadly addressed the ITC stated that the lease modification project should be a top priority for the Board, while a few respondents stated that the Board should not pursue this project.

The Board discussed feedback received as part of the ITC on (a) lease modification guidance and (b) other areas of Topic 842 at its June 22, 2022 meeting. The Board decided to deprioritize the project and to remove it from its technical agenda. The Board directed the staff to continue monitoring the ongoing application of the modification guidance as part of the Board's post-implementation review efforts.

Presentation and Disclosure Project

Segment Reporting

The objective of this project is to undertake improvements to the segment aggregation criteria and disclosures to provide users with more decision-useful information about the reportable segments of a

* Not included are (a) projects on the Board's active technical agenda for which substantive feedback was not received and (b) recently completed projects for which a final Accounting Standards Update has subsequently been issued.

public company. Six percent of respondents who broadly addressed the ITC provided mixed feedback on whether the Segment Reporting project should be prioritized, deprioritized, removed, or redefined.

Along with discussing two technical issues as part of its initial deliberations on this project, at its April 6, 2022 meeting, the Board discussed the ITC feedback on segment reporting. At this time, the staff is drafting a proposed Accounting Standards Update that is expected to be issued in the second half of 2022.

Research Project

Hedge Accounting—Phase 2

The objective of this research project is to seek stakeholder feedback that could bring further alignment of hedge accounting with risk management activities beyond the targeted improvements made to the hedge accounting model in Accounting Standards Update No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, and consider changes to the definition of a derivative. Approximately 10 percent of respondents cited this research project as an area that the Board should address as a priority. Respondents identified additional targeted improvements to various areas in fair value, cash flow, and net investment hedging in order to align hedge accounting more closely with an entity's risk management activities.

At its June 29, 2022 meeting, the Board discussed the ITC feedback on Topic 815. Board members provided suggestions on, and observations about, the focus and prioritization for continued research efforts.

Post-Implementation Review Projects

The post-implementation review (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 FASB's standard-setting process, which 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 improvements the Board should address. Currently, the Board is reviewing credit losses, leases, and revenue recognition. Certain respondents who broadly addressed the ITC stated that the FASB's PIR initiatives are efficient and effective and encouraged the Board to continue to prioritize its PIR efforts on credit losses, leases, and revenue recognition.

OTHER FINANCIAL REPORTING TOPICS

In response to the ITC, respondents identified seven other financial reporting topics that should be considered by the Board. These topics were not categorized as a top priority on the basis of overall feedback from the ITC but, rather, were categorized as a top priority by a limited number of respondents to the ITC.

The following table provides an overview of these topics and the feedback received. On the basis of that feedback and the need to focus FASB resources on higher priority projects, on May 25, 2022, the Board decided not to add projects to its technical agenda on the following topics at this time (in alphabetical order):

Topic	Overview of Feedback
Accounting for the Sale of a Business	One preparer respondent recommended that the Board improve the guidance for accounting for the sale of a business. Specifically, that preparer recommended that the Board provide additional guidance for a seller specific to (a) consideration received and determining the gain or loss and (b) transition service arrangements (TSAs).
Backwards Tracing for Income Taxes	One financial services respondent stated that considering the possibility of a change in the U.S. federal corporate income tax rate, the Board should proactively consider any tax matters identified by stakeholders. That respondent requested that the Board provide an option to allow “backwards tracing” to minimize amounts “stranded” in accumulated other comprehensive income (AOCI) upon a tax rate change.
Definition of Participating Interest in Transfers and Servicing of Financial Assets	One financial services respondent suggested that the Board reconsider the participating interest definition in Topic 860, Transfers and Servicing, specifically as it relates to the sharing of contractual interest payments among participating interest holders.
Equity Method of Accounting	One practitioner respondent recommended that the equity method of accounting should be a top priority for the Board. That practitioner stated that the current guidance is often difficult to apply because it requires adjustments to accounting basis differences that develop over time. Additionally, that practitioner recommended both a near-term project and a long-term project. The near-term project would consider allowing entities to elect the fair value option for equity method investments when the investment’s fair value becomes readily determinable and a long-term project would broadly reconsider the equity method of accounting.
Fair Value Disclosures	Two financial services respondents suggested that the Board consider eliminating certain fair value measurement disclosures required by Topic 820, Fair Value Measurement, and Topic 825, Financial Instruments. They stated that certain of those disclosure requirements are costly to provide and have limited benefits.
Recognition of Market Risk Benefits	One trade group respondent suggested that the Board prioritize responding to a substantive technical inquiry related to the implementation of the recognition and measurement guidance, specifically for market risk benefits (MRBs), within the guidance issued in Accounting Standards Update No. 2018-12, <i>Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts</i> . The staff provided a response to that technical inquiry in December 2021.
Stock Buybacks	One user respondent recommended that the accounting and reporting of stock buybacks should be a top priority for the Board. That respondent recommended that the Board perform research on stock buyback transactions and modify existing recognition, measurement, presentation, and disclosure requirements.

LOOKING AHEAD

The FASB will continue to consider the feedback received as part of the 2021 ITC during its deliberations on technical and research agenda projects. Additionally, the FASB will continue to engage with all stakeholder types to ensure that its areas of focus fulfill its primary mission of improving financial accounting and reporting standards for investors and addressing topics that are of the highest priority to its stakeholders.



Thank you to all stakeholders for your participation and feedback. For more information or additional questions, please contact Aarika Friend at afriend@fasb.org or Christopher Roberge at ceroberge@fasb.org.

FASB's Technical Agenda as of June 29, 2022

Project Name	Project Description
Standard Setting—Recognition and Measurement Projects	
Accounting for and Disclosure of Digital Assets	The objective of this project is to improve the accounting for and disclosure of certain digital assets.
Accounting for and Disclosure of Software Costs	The objective of this project is to (a) modernize the accounting for software costs and (b) enhance the transparency about an entity's software costs.
Accounting for Environmental Credit Programs	The objective of this project is to improve the recognition, measurement, presentation, and disclosure requirements for participants in compliance and voluntary programs that result in the creation of environmental credits and for the nongovernmental creators of environmental credits.
Codification Improvements (next phase)	The objective of this project is to provide regular updates and improvements to the <i>FASB Accounting Standards Codification</i> [®] on the basis of feedback received from stakeholders.
Codification Improvements—Amendments to Remove References to the Concepts Statements	The objective of this project is to provide regular updates and improvements to the <i>FASB Accounting Standards Codification</i> [®] on the basis of feedback received from stakeholders.
Codification Improvements—Hedge Accounting	The objective of this project is to make Codification improvements related to issues discussed at the February 14, 2018 and March 28, 2018 Board meetings, as well as other issues raised by stakeholders.
EITF 21-A, Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method	The objective of this project is to consider whether the proportional amortization method of accounting should be expanded to investments in tax credit structures beyond low-income housing tax credit (LIHTC) investments.
Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions	The objective of this project is to reduce diversity in practice on measuring the fair value of equity securities that are subject to contractual sale restrictions. The project was previously limited to the effect of underwriter restrictions on fair value measurement.
Financial Instruments—Credit Losses (Topic 326)—Acquired Financial Assets	The objective of this project is to consider (a) expanding the scope of the purchased credit deteriorated (PCD) accounting model to all loans acquired in a business combination and (b) modifying the presentation of expected credit losses for acquired financial assets that meet the definition of PCD.
Financial Instruments—Insurance (Topic 944): Transition for Sold Contracts	The objective of this project is to improve the transition provisions in Accounting Standards Update No. 2018-12, <i>Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts (LDTI)</i> , to remove the requirement to apply LDTI to contracts that have been derecognized because of a sale or disposal of contracts or legal entities before the effective date of LDTI.
Joint Venture Formations	The objectives of this project (formerly known as Accounting by a Joint Venture for Nonmonetary Assets Contributed by Investors) are to (a) reduce

	diversity in practice in the accounting for contributions made to a joint venture upon formation in a standalone joint venture's financial statements and (b) provide useful financial reporting information to financial statement users.
Reference Rate Reform—Deferral of the Sunset Date of Topic 848 and Amendments to the Definition of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap Rate	The objectives of this project are to defer the sunset date of the relief in Topic 848, Reference Rate Reform, and amend the definition of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap Rate.
Reference Rate Reform—Fair Value Hedging	The objective of this project is to monitor reference rate reform initiatives around the world to identify areas of GAAP that may need to be amended in response to those initiatives.
Standard Setting—Presentation and Disclosure Projects	
Disaggregation—Income Statement Expenses	The objective of this project (formerly known as Financial Performance Reporting—Disaggregation of Performance Information) is to improve the decision usefulness of business entities' income statements through the disaggregation of certain expense captions.
Disclosure Improvements in Response to the SEC's Release on Disclosure Update and Simplification	The objective of this project is to determine whether and how SEC disclosure requirements referred to the Board as part of the SEC's Disclosure Update and Simplification Initiative should be incorporated into the Codification.
Disclosure of Supplier Finance Program Obligations	The objective of this project is to develop disclosure requirements that enhance transparency about the use of supplier finance programs.
Interim Reporting—Narrow-Scope Improvements	The objective of this project (formerly known as Disclosure Framework: Disclosures—Interim Reporting) is to improve the Codification guidance in Topic 270, Interim Reporting, by clarifying when the guidance in Topic 270 is applicable and improving the navigability of the required interim disclosures.
Segment Reporting	The objective of this project is to undertake improvements to segment disclosures to provide users with more decision-useful information about the reportable segments of a public entity.
Targeted Improvements to Income Tax Disclosures	The objective of this project (formerly known as Disclosure Framework: Disclosure Review—Income Taxes) is to improve the transparency and decision usefulness of income tax disclosures.
Framework Projects	
Conceptual Framework: Measurement Conceptual Framework: The Reporting Entity	The objective of the Conceptual Framework projects is to develop an improved Conceptual Framework that provides a sound foundation for developing future accounting standards. Such a framework is essential to fulfilling the Board's goal of developing standards that are principles based, internally consistent, and that lead to financial reporting that provides the financial accounting and reporting information capital providers need to make investment decisions. The new FASB framework will build on the existing framework.
Post-Implementation Review (PIR) Projects	
Credit Losses	The objective of the PIR projects is to determine whether a standard is accomplishing its stated purpose, to evaluate the standard's implementation
Leases	
Revenue Recognition	

	and continuing compliance costs and related benefits, and to provide feedback to improve the standard-setting process.
Research Projects	
Accounting for and Disclosure of Intangibles	This research project will consider potential ways to improve the accounting for and disclosure of intangibles, including internally developed intangibles and research and development.
Accounting for Exchange-Traded Commodities	This research project will explore accounting for and disclosure of exchange-traded commodities.
Accounting for Financial Instruments with Environmental, Social, and Governance (ESG)-Linked Features	This research project will explore accounting for and disclosure of financial instruments with ESG-linked features.
Accounting for Government Grants, Invitation to Comment	This research project will solicit feedback on whether the requirements in IAS 20, <i>Accounting for Government Grants and Disclosure of Government Assistance</i> , should be incorporated into GAAP.
Consolidation for Business Entities	This research project will explore whether a single consolidation model could be developed for business entities.
Financial Key Performance Indicators for Business Entities	This research project will explore standardizing the definitions of financial key performance indicators and will (a) be informed by the progress of the Disaggregation—Income Statement Expenses project and (b) consider interactions with the regulatory framework.
Hedge Accounting—Phase 2	This research project will seek stakeholder feedback that could bring further alignment of hedge accounting with risk management activities beyond the targeted improvements made to the hedge accounting model in Accounting Standards Update No. 2017-12, <i>Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities</i> , and consider changes to the definition of a derivative.
Statement of Cash Flows	This research project will explore improvements to the statement of cash flows to provide additional decision-useful information for investors and other allocators of capital.

The views expressed in this report are those of the FASB staff. Official positions of the FASB are reached only after extensive due process and deliberations.

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