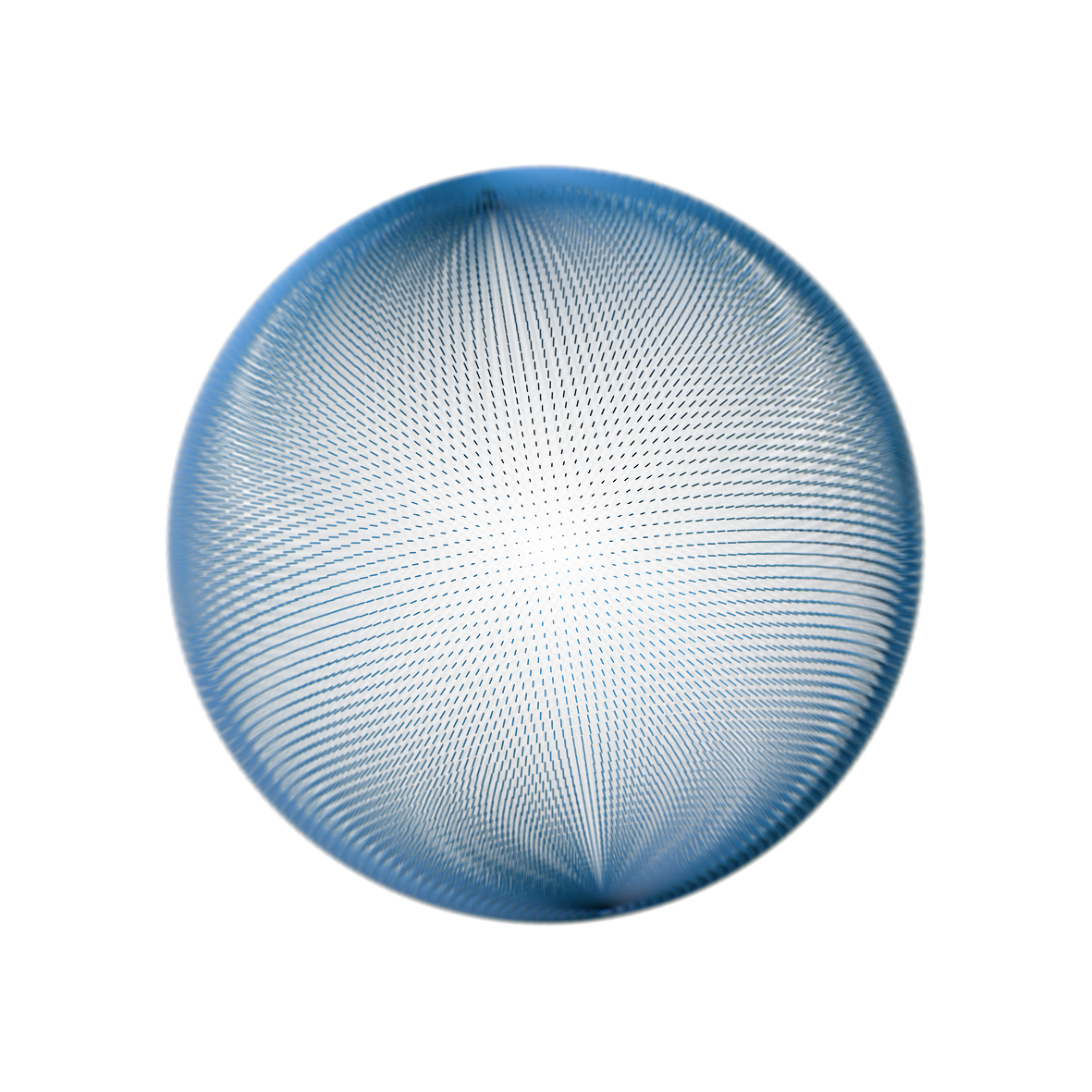
******Use of This Quarterly Update**

U.S. GAAP Checklist —   
Quarterly Update: Second Quarter

June 2022

The content of the U.S. GAAP Checklist has been revised to reflect updates to professional pronouncements from April 1, 2022, through June 30, 2022. This supplement describes the changes to the FASB Accounting Standards Codification (the “Codification”) issued as Accounting Standards Updates (ASUs) for the most recent quarter ended.

**UPDATING THE U.S. GAAP CHECKLIST**

Users of the U.S. GAAP Checklist who initiated a checklist prior to this update and determine that one or more of the ASUs issued affect the period under audit will need to do the following:

* Request the Deloitte engagement team to initiate a new checklist. This new checklist will supplement the previous checklist created.
* Using the list of updated guidance below, frame the checklist to include within its scope[[1]](#footnote-2) only the applicable updated guidance. To determine whether the guidance applies, users may view the updated guidance in the checklist by expanding the Codification tree to the Subsection level and clicking on the Subsection title (usually “General”). The updated guidance generally will appear as “pending content” in the Codification. Transition guidance is linked to pending content paragraphs. Section 15 of each respective ASC Topic within the Codification can be viewed to determine whether the guidance applies to the entity. The preparer may also consider Section 55 of each respective ASC Topic within the Codification for implementation guidance and illustrations.

Once the initiation and framing are complete, the new supplemental checklist will include only questions related to the updated guidance that was included within the scope of that checklist. For users of the U.S. GAAP Checklist that have yet to initiate a checklist prior to this update, the update to the Codification will be automatically incorporated into the newly initiated checklist.

See the [*Quick Reference Guide*](https://checklist.disclosureanalytics.deloitte.com/helpDocs/quickrefguide) for guidance on the Checklist offered through the Disclosure Analytics suite.

**ACCOUNTING GUIDANCE ISSUED DURING THE QUARTER**

One ASU was issued by the FASB (the “Board”) during the three-month period ending June 30, 2022:

* **[2022-03 —](https://fasb.org/Page/Document?pdf=ASU%202022-03.pdf&title=ACCOUNTING%20STANDARDS%20UPDATE%202022-03%E2%80%94Fair%20Value%20Measurement%20(Topic%20820):%20Fair%20Value%20Measurement%20of%20Equity%20Securities%20Subject%20to%20Contractual%20Sale%20Restrictions) *[Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions](https://fasb.org/Page/Document?pdf=ASU%202022-03.pdf&title=ACCOUNTING%20STANDARDS%20UPDATE%202022-03%E2%80%94Fair%20Value%20Measurement%20(Topic%20820):%20Fair%20Value%20Measurement%20of%20Equity%20Securities%20Subject%20to%20Contractual%20Sale%20Restrictions)***

On June 30, 2022, the FASB issued ASU 2022-03,[[2]](#footnote-3) which clarifies the guidance in Topic 820[[3]](#footnote-4) on the fair value measurement of an equity security that is subject to contractual restrictions that prohibit the sale of an equity security. The ASU also requires specific disclosures related to such an equity security, including (1) the fair value of such equity securities reflected in the balance sheet, (2) the nature and remaining duration of the corresponding restrictions, and (3) any circumstances that could cause a lapse in the restrictions.

ASU 2022-03 clarifies that a “contractual restriction prohibiting the sale of an equity security is a characteristic of the reporting entity holding the equity security” and is not included in the equity security’s unit of account. Accordingly, an entity should not consider the contractual sale restriction when measuring the equity security’s fair value (i.e., the entity should not apply a discount related to the contractual sale restriction, as stated in ASC 820-10-35-36B as amended by the ASU). The ASU also prohibits an entity from recognizing a contractual sale restriction as a separate unit of account.

ASU 2022-03’s amendments are effective as follows:

* For public business entities, fiscal years beginning after December 15, 2023, and interim periods within those fiscal years, with early adoption permitted.
* For all other entities, fiscal years beginning after December 15, 2024, and interim periods within those fiscal years, with early adoption permitted for both interim and annual financial statements that have not yet been issued or made available for issuance.

For investment companies as defined in ASC 946, the amendments in ASU 2022-03 should be applied to equity securities with a contract containing a sale restriction that is executed or modified on or after the adoption date. For equity securities with a contract containing a sale restriction that was executed before the adoption date, investment companies should continue to apply the historical accounting policy for measuring such securities until the contractual restriction expires or is modified. If the historical accounting policy includes applying a discount to equity securities that are subject to contractual sale restrictions, investment companies should disclose in each period, until the contractual restrictions expire or are modified, (1) the fair value of such equity securities executed before the adoption date to which the entity continues to apply a discount, (2) the nature and remaining duration of the contractual sale restrictions, and (3) the circumstances that could cause a lapse in the restrictions.

All entities other than investment companies as defined in ASC 946 should apply the amendments in ASU 2022-03 prospectively and recognize in earnings on the adoption date any adjustments made as a result of adoption.

See Deloitte’s July 1, 2022, [*Heads Up*](https://dart.deloitte.com/USDART/home/publications/deloitte/heads-up/2022/fasb-fair-value) for a comprehensive summary of the amendments made by ASU 2022-03.

**Changes Reflected in the U.S. GAAP Checklist and Codification**

When the FASB amends the Codification with an ASU, each paragraph that was amended by the ASU is left unchanged (for entities that have not adopted the ASU), but is followed by a paragraph containing “pending content.” Upon adoption of an ASU, entities need to complete the amended subtopic using the pending content for each paragraph that has been adopted.

* [**2022-03 — *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions***](https://fasb.org/Page/Document?pdf=ASU%202022-03.pdf&title=ACCOUNTING%20STANDARDS%20UPDATE%202022-03%E2%80%94Fair%20Value%20Measurement%20(Topic%20820):%20Fair%20Value%20Measurement%20of%20Equity%20Securities%20Subject%20to%20Contractual%20Sale%20Restrictions)

As a result of this ASU, the following sections have been updated in the U.S. GAAP Checklist:

* [820-10-35, *Fair Value Measurement — Overall — Subsequent Measurement*](https://dart.deloitte.com/USDART/tree/vsid/C_1136349#b6d7e49f-3e26-11e6-8541-1fa8a315de14)
* [820-10-50, *Fair Value Measurement — Overall — Disclosure*](https://dart.deloitte.com/USDART/tree/vsid/C_1136352#f103b547-3e26-11e6-8541-03c382b305ad)
* [940-820-30*, Financial Services — Brokers and Dealers — Fair Value Measurement — Initial Measurement*](https://dart.deloitte.com/USDART/tree/vsid/C_1139586#74423fde-3e60-11e6-8541-db827da23232)

The following sections have not been updated in the U.S. GAAP Checklist because there are no questions in the U.S. GAAP Checklist related to background, scope, implementation, or transition guidance, but the sections were amended in the Codification to reflect the clarifications made in the ASU as described above:

* [820-10-55, *Fair Value Measurement — Overall — Implementation*](https://dart.deloitte.com/USDART/tree/vsid/C_1136355#c3ed31b2-3e26-11e6-8541-457452d2febd)
* [820-10-65*, Fair Value Measurement — Overall — Transition*](https://dart.deloitte.com/USDART/tree/vsid/C_2085826#b5f67e66-3e1e-11e6-8541-dd85ce6b668f)



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1. Users complete framing questions within the Checklist in the Deloitte Disclosure Analytics suite to include within its scope, Topics and Subtopics into the checklist based on what is applicable for the entity. [↑](#footnote-ref-2)
2. FASB Accounting Standards Update (ASU) No. 2022-03 — *Fair Value Measurement (Topic 820):* *Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*. [↑](#footnote-ref-3)
3. FASB Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*. [↑](#footnote-ref-4)