Use of This Quarterly Update

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

March 2023

The content of the U.S. GAAP Checklist has been revised to reflect updates to professional pronouncements from January 1, 2023, through March 31, 2023. 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**

Two ASUs were issued by the FASB (the “Board”) during the three-month period ending March 31, 2023:

* **[2023-01 —](https://fasb.org/Page/Document?pdf=ASU%202023-01%E2%80%94Leases%20(Topic%20842)%E2%80%94Common%20Control%20Arrangements.pdf&title=ACCOUNTING%20STANDARDS%20UPDATE%202023-01%E2%80%94Leases%20(Topic%20842):%20Common%20Control%20Arrangements)** **[Leases (Topic 842): Common Control Arrangements](https://fasb.org/Page/Document?pdf=ASU%202023-01%E2%80%94Leases%20(Topic%20842)%E2%80%94Common%20Control%20Arrangements.pdf&title=ACCOUNTING%20STANDARDS%20UPDATE%202023-01%E2%80%94Leases%20(Topic%20842):%20Common%20Control%20Arrangements)**

On March 27, 2023, the FASB issued [**ASU 2023-01**](https://fasb.org/Page/Document?pdf=ASU%202023-01%E2%80%94Leases%20(Topic%20842)%E2%80%94Common%20Control%20Arrangements.pdf&title=ACCOUNTING%20STANDARDS%20UPDATE%202023-01%E2%80%94Leases%20(Topic%20842):%20Common%20Control%20Arrangements), which amends certain provisions of ASC 842 that apply to arrangements between related parties under common control. Specifically, the ASU:

* Offers private companies, as well as not-for-profit entities that are not conduit bond obligors, a practical expedient that gives them the option of using the written terms and conditions of a common-control arrangement when determining whether a lease exists and the subsequent accounting for the lease, including the lease’s classification. The practical expedient may be applied on an arrangement-by-arrangement basis. If no written terms or conditions exist, an entity is prohibited from applying the practical expedient and must evaluate the enforceable terms and conditions to apply ASC 842.
* Amends the accounting for leasehold improvements in common-control arrangements to require that the leasehold improvements be amortized over the useful life of the leasehold improvements to the common control group regardless of the lease term as long as the lessee controls the use of the underlying asset through a lease. This update applies to all entities.

ASU 2023-01 is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted in any annual or interim period as of the beginning of the related fiscal year.

See Deloitte’s March 28, 2023, [*Heads Up*](https://dart.deloitte.com/USDART/home/publications/deloitte/heads-up/2023/fasb-asu-guidance-common-control-lease) for a comprehensive summary of the amendments made by ASU 2023-01.

* [**2023-02** **— Investments — Equity Method and Joint Ventures (Topic 323):** **Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method**](https://fasb.org/Page/Document?pdf=ASU%202023-02%E2%80%94Investments%E2%80%94Equity%20Method%20and%20Joint%20Ventures%20(Topic%20323)%E2%80%94Accounting%20for%20Investments%20in%20Tax%20Credit%20Structures%20Using%20the%20Proportional%20Amortization%20Method.pdf&title=ACCOUNTING%20STANDARDS%20UPDATE%202023-02%E2%80%94Investments%E2%80%94Equity%20Method%20and%20Joint%20Ventures%20(Topic%20323):%20Accounting%20for%20Investments%20in%20Tax%20Credit%20Structures%20Using%20the%20Proportional%20Amortization%20Method%20(a%20consensus%20of%20the%20Emerging%20Issues%20Task%20Force)) **(a consensus of the Emerging Issues Task Force)**

On March 29, 2023, the FASB issued [**ASU 2023-02**](https://fasb.org/Page/Document?pdf=ASU%202023-02%E2%80%94Investments%E2%80%94Equity%20Method%20and%20Joint%20Ventures%20(Topic%20323)%E2%80%94Accounting%20for%20Investments%20in%20Tax%20Credit%20Structures%20Using%20the%20Proportional%20Amortization%20Method.pdf&title=ACCOUNTING%20STANDARDS%20UPDATE%202023-02%E2%80%94Investments%E2%80%94Equity%20Method%20and%20Joint%20Ventures%20(Topic%20323):%20Accounting%20for%20Investments%20in%20Tax%20Credit%20Structures%20Using%20the%20Proportional%20Amortization%20Method%20(a%20consensus%20of%20the%20Emerging%20Issues%20Task%20Force)). The ASU expands the investments that are eligible to use the proportional amortization method to investments in tax equity structures beyond those in Qualified Affordable Housing Projects. The amendments permit entities to account for their investments in tax equity structures using the proportional amortization method, regardless of the tax credit program that the structure generates credit through, if the five conditions in paragraph 323-740-25-1 are met.

Those conditions include the following:

1. It is probable that the income tax credits allocable to the investor will be available.
2. The investor does not have the ability to exercise significant influence over the operating and financial policies of the underlying project.
3. Substantially all of the projected benefits are from income tax credits and other income tax benefits.
4. The investor’s projected yield based solely on the cash flows from the income tax credits and other income tax benefits is positive.
5. The investor is a limited liability investor in the limited liability entity for both legal and tax purposes, and the investor’s liability is limited to its capital investment.

In addition, the ASU modified the disclosure requirements for tax equity investments and also clarified the application of certain guidance that was previously only applicable to investments in Qualified Affordable Housing Projects. Lastly, the amendments made certain changes to the disclosure requirements for certain tax equity investments.

The amendments are effective for public business entities for fiscal years beginning after December 15, 2023, and for all other entities for fiscal years beginning after December 15, 2024. Early adoption is permitted for all entities in any interim period. The amendments must be applied on either a modified retrospective or a retrospective basis (except for certain provisions related to the matters amended that were previously only applicable to investments in Qualified Affordable Housing Projects).

See Deloitte’s December 2022 [EITF Snapshot](https://dart.deloitte.com/USDART/home/publications/deloitte/eitf-snapshot/2022/dec) for a comprehensive summary of the amendments made by ASU 2023-02.

**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.

* **[2023-01 — Leases (Topic 842): Common Control Arrangements](https://fasb.org/Page/Document?pdf=ASU%202023-01%E2%80%94Leases%20(Topic%20842)%E2%80%94Common%20Control%20Arrangements.pdf&title=ACCOUNTING%20STANDARDS%20UPDATE%202023-01%E2%80%94Leases%20(Topic%20842):%20Common%20Control%20Arrangements)**

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

* [842-10-30*, Leases — Overall — Initial Measurement*](https://dart.deloitte.com/USDART/home/codification/broad-transactions/asc842-10-30)
* [842-20-35*, Leases — Lessee- Subsequent Measurement*](https://dart.deloitte.com/USDART/home/codification/broad-transactions/asc842-20-35)
* [842-20-50*, Leases — Lessee- Disclosure*](https://dart.deloitte.com/USDART/home/codification/broad-transactions/asc842-20-50)

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:

* [842-10-15*, Leases — Overall — Scope and Scope Exceptions*](https://dart.deloitte.com/USDART/home/codification/broad-transactions/asc842-10-15)
* [842-10-55*, Leases — Overall — Implementation Guidance and Illustrations*](https://dart.deloitte.com/USDART/home/codification/broad-transactions/asc842-10-55)
* [842-10-65*, Leases — Overall — Transition and Open Effective Date Information*](https://dart.deloitte.com/USDART/home/codification/broad-transactions/asc842-10-65)
* [**2023-02 — Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method**](https://fasb.org/Page/Document?pdf=ASU%202023-02%E2%80%94Investments%E2%80%94Equity%20Method%20and%20Joint%20Ventures%20(Topic%20323)%E2%80%94Accounting%20for%20Investments%20in%20Tax%20Credit%20Structures%20Using%20the%20Proportional%20Amortization%20Method.pdf&title=ACCOUNTING%20STANDARDS%20UPDATE%202023-02%E2%80%94Investments%E2%80%94Equity%20Method%20and%20Joint%20Ventures%20(Topic%20323):%20Accounting%20for%20Investments%20in%20Tax%20Credit%20Structures%20Using%20the%20Proportional%20Amortization%20Method%20(a%20consensus%20of%20the%20Emerging%20Issues%20Task%20Force)) **(a consensus of the Emerging Issues Task Force)**

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

* [323-740-25*, Investments — Equity Method and Joint Ventures — Income Taxes — Recognition*](https://dart.deloitte.com/USDART/home/codification/assets/32x/asc323-740-25)
* [323-740-30*, Investments — Equity Method and Joint Ventures —Income Taxes — Initial Measurement*](https://dart.deloitte.com/USDART/home/codification/assets/32x/asc323-740-30)
* [323-740-35*, Investments — Equity Method and Joint Ventures — Income Taxes — Subsequent Measurement*](https://dart.deloitte.com/USDART/home/codification/assets/32x/asc323-740-35)
* [323-740-45*, Investments — Equity Method and Joint Ventures — Income Taxes — Other Presentation*](https://dart.deloitte.com/USDART/home/codification/assets/32x/asc323-740-45)
* [323-740-50*, Investments — Equity Method and Joint Ventures — Income Taxes — Disclosure*](https://dart.deloitte.com/USDART/home/codification/assets/32x/asc323-740-50)
* [270-10-50*, Interim Reporting — Overall — Disclosure*](https://dart.deloitte.com/USDART/home/codification/presentation/asc270-10-50)

* [740-10-25](https://dart.deloitte.com/USDART/home/codification/expenses/asc740-10-25?nav=srl)*[, Income Tax- Overall — Recognition](https://dart.deloitte.com/USDART/home/codification/expenses/asc740-10-25?nav=srl)*
* [810-10-25*, Consolidation — Overall — Recognition*](https://dart.deloitte.com/USDART/home/codification/broad-transactions/asc810-10-25)

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:

* [323-740-05*, Investments — Equity Method and Joint Ventures — Income Taxes- Background*](https://dart.deloitte.com/USDART/home/codification/assets/32x/asc323-740-05)
* [323-740-15*, Investments —Equity Method and Joint Ventures — Income Taxes — Scope*](https://dart.deloitte.com/USDART/home/codification/assets/32x/asc323-740-15)
* [323-740-55*, Investments — Equity Method and Joint Ventures — Income Taxes- Implementation*](https://dart.deloitte.com/USDART/home/codification/assets/32x/asc323-740-55)
* [323-740-65*, Investments — Equity Method and Joint Ventures — Income Taxes — Transition*](https://dart.deloitte.com/USDART/home/codification/assets/32x/asc323-740-65)



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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)