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

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

December 2021

The content of the U.S. GAAP Checklist has been revised to reflect updates to professional pronouncements from October 1, 2021, through December 31, 2021. 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 scope[[1]](#footnote-2) in 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 if 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 scoped into 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**

There were four ASUs issued by the FASB (the “Board”) during the three-month period ending December 31, 2021:

* **[2021-07 —](https://www.fasb.org/cs/ContentServer?c=Document_C&cid=1176178770358&d=&pagename=FASB%2FDocument_C%2FDocumentPage) *[Compensation—Stock Compensation (Topic 718): Determining the Current Price of an Underlying Share for Equity-Classified Share-Based Awards (a Consensus of the Private Company Council)](https://www.fasb.org/cs/ContentServer?c=Document_C&cid=1176178770358&d=&pagename=FASB%2FDocument_C%2FDocumentPage)***

This ASU was issued on October 25, 2021. The amendments in the ASU allows nonpublic entities to use, as a practical expedient, “the reasonable application of a reasonable valuation method” to determine the current price input of equity-classified share-based payment awards issued in exchange for goods or services. The ASU notes that a valuation performed in accordance with specified U.S. Treasury regulations related to Internal Revenue Code (IRC) Section 409A is an example of a reasonable valuation method under the practical expedient. The ASU further clarifies that an entity that wishes to apply the practical expedient must do so on a measurement-date-by-measurement-date basis. That means that the practical expedient must be applied to all share-based awards within the scope of the practical expedient that have the same underlying share and the same measurement date. An entity that elects the practical expedient is also required to disclose that election.

An entity that no longer meets the criteria to be a nonpublic entity would have to reverse the practical expedient’s effect in its historical financial statements. Consequently, before electing the practical expedient in the ASU, nonpublic entities that could become public entities should carefully consider the potential future costs of having to reverse the effect of this relief.

The guidance in ASU 2021-07 is effective for nonpublic entities for fiscal years beginning on or after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early application, including application in an interim period, is permitted for financial statements that have not yet been issued or made available for issuance as of October 25, 2021.

See Deloitte’s October 26, 2021, [*Heads Up*](https://dart.deloitte.com/USDART/home/publications/deloitte/heads-up/2021/fasb-equity-classified-share-based-payment#SL763104425-594971) for a comprehensive summary of the amendments made by ASU 2021-07.

* [**2021-08 *— Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers***](https://www.fasb.org/cs/ContentServer?c=Document_C&cid=1176178784700&d=&pagename=FASB%2FDocument_C%2FDocumentPage)

This ASU was issued on October 28, 2021. The amendments in this ASU addresses diversity in practice related to the accounting for revenue contracts with customers acquired in a business combination. This ASU amends Topic 805 to add contract assets and contract liabilities to the list of exceptions to the recognition and measurement principles that apply to business combinations and to "require that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Revenue from Contracts with Customers (Topic 606).” While primarily related to the accounting for contract assets and contract liabilities from revenue contracts with customers in a business combination, the amendments also apply to contract assets and contract liabilities from other contracts to which the provisions of Topic 606 apply, such as contract liabilities from the sale of nonfinancial assets within the scope of Subtopic 610-20, *Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets*.

To address stakeholder concerns “about the complexity of the guidance related to circumstances in which (a) the acquirer has to assess long-term, complex contracts that may have been previously modified or (b) the acquirer is unable to assess or rely on the acquiree’s accounting under Topic 606,” the Board decided to provide certain practical expedients. The first expedient “provides relief for contracts that have been previously modified before the acquisition date” by allowing an acquirer to reflect the aggregate effect of all modifications as of the acquisition date. The second expedient provides “relief for situations in which the acquirer does not have the appropriate data or expertise to analyze the historical periods in which the contract was entered into” by allowing an acquirer to determine the stand-alone selling price as of the acquisition date. Any practical expedients used by the acquirer should be applied (1) “on an acquisition-by-acquisition basis” and (2) “consistently to all contracts acquired in the same business combination.”

The ASU’s amendments are effective as follows:

* For public business entities — Fiscal years beginning after December 15, 2022, including interim periods within those fiscal years.
* For all other entities — Fiscal years beginning after December 15, 2023, including interim periods within those fiscal years.

The amendments should be applied prospectively to business combinations occurring on or after the effective date of the amendments. The ASU clarifies that early adoption of the amendments is permitted, including adoption in an interim period. An entity that early adopts in an interim period should apply the amendments (1) retrospectively to all business combinations for which the acquisition date occurs on or after the beginning of the fiscal year that includes the interim period of early application and (2) prospectively to all business combinations that occur on or after the date of initial application.

See Deloitte’s November 2, 2021, [*Heads Up*](https://dart.deloitte.com/USDART/home/publications/deloitte/heads-up/2021/fasb-asu-contract-assets-liabilities-revenue) for a comprehensive summary of the amendments made by ASU 2021-08.

* [**2021-09 *— Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities***](https://www.fasb.org/cs/ContentServer?c=Document_C&cid=1176178876155&d=&pagename=FASB%2FDocument_C%2FDocumentPage)

On November 11, 2021, the Board issued ASU 2021-09, which allows lessees that are not public business entities (PBEs) to make an accounting policy election by class of underlying asset, rather than on an entity-wide basis, to use a risk-free rate as the discount rate when measuring and classifying leases.

In addition, the ASU requires lessees to:

* Disclose their election, including the asset class(es) for which they have elected the accounting policy.
* Use the rate implicit in the lease instead of the risk-free rate when the former is readily determinable, regardless of whether the practical expedient has been elected.

Lessees that have not yet adopted Topic 842 as of November 11, 2021, should apply the transition requirements in ASC 842-10-65-1 when adopting ASU 2021-09. ASU 2021-09 should be adopted on the same date on which an entity adopts Topic 842.

Lessees that have adopted Topic 842 as of November 11, 2021, should apply the transition requirements below for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022.

* An entity should apply a modified retrospective transition method to leases affected by the amendments existing as of the beginning of the year of adoption by adjusting the lease liability and corresponding right-of-use (ROU) asset at the beginning of the fiscal year in which the ASU is adopted.
* When adopting the ASU, an entity is not permitted to:
* Remeasure and reallocate the consideration in the contract.
* Reassess the lease term or a lessee’s election to exercise a purchase option on the underlying asset.
* Remeasure the lease payments.
* Reassess lease classification.
* The following must be disclosed as of the beginning of the year of adoption:
* The applicable disclosures in ASC 250-10-50-1(a) and ASC 250-10-50-1(b)(3).
* The amount of the change in the lease liability and the corresponding ROU asset resulting from the adoption of the ASU.

Early adoption of ASU 2021-09 is permitted, as long as an entity does not adopt the ASU before adopting Topic 842.

See Deloitte’s November 12, 2021, [*Heads Up*](https://dart.deloitte.com/USDART/home/publications/deloitte/heads-up/2021/fasb-asu-lessees) for a comprehensive summary of the amendments made by ASU 2021-09.

* [**2021-10 *— Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance***](https://www.fasb.org/cs/ContentServer?c=Document_C&cid=1176178928778&d=&pagename=FASB%2FDocument_C%2FDocumentPage)

On November 17, 2021, the Board issued ASU 2021-10, which requires business entities to provide certain disclosures when they (1) have received government assistance and (2) use a grant or contribution accounting model by analogy to other accounting guidance (e.g., a grant model under IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, or ASC 958-605, *Not-For-Profit Entities — Revenue Recognition*).

The ASU created Topic 832 (on government assistance). Topic 832 requires the following annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy:

* Information about the nature of the transactions and the related accounting policy used to account for the transactions.
* The line items on the balance sheet and income statement that are affected by the transactions, and the amounts applicable to each financial statement line item.
* Significant terms and conditions of the transactions, including commitments and contingencies.

The guidance in ASU 2021-10 is effective for all entities for fiscal years beginning after December 15, 2021. Entities may apply the ASU’s provisions either (1) prospectively to all transactions within the scope of ASC 832 that are reflected in the financial statements as of the adoption date and all new transactions entered into after the date of adoption or (2) retrospectively. Early adoption is permitted.

See Deloitte’s December 3, 2021, [*Heads Up*](https://dart.deloitte.com/USDART/home/publications/deloitte/heads-up/2021/fasb-government-assistance) for a comprehensive summary of the amendments made by ASU 2021-10.

**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.

* [**2021-07 — *Compensation — Stock Compensation (Topic 718): Determining the Current Price of an Underlying Share for Equity-Classified Share-Based Awards (a Consensus of the Private Company Council)***](https://www.fasb.org/cs/ContentServer?c=Document_C&cid=1176178770358&d=&pagename=FASB%2FDocument_C%2FDocumentPage)

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

* [718-10-30, *Compensation—Stock Compensation — Overall — Initial Measurement*](https://dart.deloitte.com/USDART/home/codification/expenses/71x/asc718-10-30#e492bd91-3e26-11e6-8541-6b032964143c)
* [*718-10-50, Compensation—Stock Compensation — Overall — Disclosure*](https://dart.deloitte.com/USDART/home/codification/expenses/71x/asc718-10-50#e59d4fc5-3e26-11e6-8541-11982bcb03a4)

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:

* [718-10-65, *Compensation—Stock Compensation — Overall — Transition*](https://dart.deloitte.com/USDART/home/codification/expenses/71x/asc718-10-65#e9cd3324-3e25-11e6-8541-771471cb4e34)
* [**2021-08 *— Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers***](https://www.fasb.org/cs/ContentServer?c=Document_C&cid=1176178784700&d=&pagename=FASB%2FDocument_C%2FDocumentPage)

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

* [805-20-25, *Business Combinations — Identifiable Assets and Liabilities, and Any Noncontrolling Interest — Recognition*](https://dart.deloitte.com/USDART/home/codification/broad-transactions/asc805-20-25#0aeccfce-3e26-11e6-8541-dd8b302000dd)
* [805-20-30, *Business Combinations — Identifiable Assets and Liabilities, and Any Noncontrolling Interest — Initial Measurement*](https://dart.deloitte.com/USDART/home/codification/broad-transactions/asc805-20-30#104315b5-3e26-11e6-8541-35c2845a8b66)
* [805-20-50, *Business Combinations — Identifiable Assets and Liabilities, and Any Noncontrolling Interest — Disclosure*](https://dart.deloitte.com/USDART/home/codification/broad-transactions/asc805-20-50#b2b4a0b6-3e26-11e6-8541-6783cd36ca3c)

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* [805-20-65, *Business Combinations — Identifiable Assets and Liabilities, and Any Noncontrolling Interest — Transition*](https://dart.deloitte.com/USDART/home/codification/broad-transactions/asc805-20-65#479c5074-3e24-11e6-8541-d5600c7bb7b3)
* [**2021-09 *— Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities***](https://www.fasb.org/cs/ContentServer?c=Document_C&cid=1176178876155&d=&pagename=FASB%2FDocument_C%2FDocumentPage)

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

* [842-20-30, *Leases — Lessee — Initial Measurement*](https://dart.deloitte.com/USDART/home/codification/broad-transactions/asc842-20-30#e05535f4-3e5d-11e6-8541-dd598511eec5)
* [842-20-50, *Leases — Lessee — Disclosure*](https://dart.deloitte.com/USDART/home/codification/broad-transactions/asc842-20-50#f4b4aa5c-3e5d-11e6-8541-a76ff661a872)
* [842-40-50, *Leases — Sale and Leaseback Transactions — Disclosure*](https://dart.deloitte.com/USDART/home/codification/broad-transactions/asc842-40-50#a61b9418-3e5b-11e6-8541-fbf78a047cea)

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:

* [842-10-65, *Leases — Overall — Transition*](https://dart.deloitte.com/USDART/home/codification/broad-transactions/asc842-10-65#7d296af1-3e54-11e6-8541-313c4ba6b6b9)
* [**2021-10 — *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance***](https://www.fasb.org/cs/ContentServer?c=Document_C&cid=1176178928778&d=&pagename=FASB%2FDocument_C%2FDocumentPage)

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

* [832-10-50, *Government Assistance — Overall — Disclosure*](https://dart.deloitte.com/USDART/home/codification/broad-transactions/asc832-10-50)

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:

* [832-10-05, *Government Assistance — Overall — Background*](https://dart.deloitte.com/USDART/home/codification/broad-transactions/asc832-10-05#8ac46c04-48e2-11ec-a232-ef2f77b8cfbc)
* [832-10-15, *Government Assistance — Overall — Scope*](https://dart.deloitte.com/USDART/home/codification/broad-transactions/asc832-10-15#8f857698-48e2-11ec-a232-871e4292bfce)
* [832-10-65, *Government Assistance — Overall — Transition*](https://dart.deloitte.com/USDART/home/codification/broad-transactions/asc832-10-65#91022b8f-48e2-11ec-a232-7dba685516fb)



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1. Users complete framing questions within the Checklist in the Deloitte Disclosure Analytics suite to scope Topics and Subtopics into the checklist based on what is applicable for the entity. [↑](#footnote-ref-2)