Use of This Quarterly Update

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

December 2022

The content of the U.S. GAAP Checklist has been revised to reflect updates to professional pronouncements from October 1, 2022, through December 31, 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]](#endnote-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 typically 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 December 31, 2022:

* **[2022-05 — Financial Services—Insurance (Topic 944): Transition for Sold Contracts](https://techlib.deloitteresources.com?link=content/2_644754)**

On December 15, 2022, the FASB issued [**ASU 2022-05**](https://www.fasb.org/Page/Document?pdf=ASU%202022-05.pdf&title=ACCOUNTING%20STANDARDS%20UPDATE%202022-05%E2%80%94Financial%20Services%E2%80%94Insurance%20(Topic%20944):%20Transition%20for%20Sold%20Contracts), which provides an accounting policy election under which insurance entities can choose not to apply the amendments made by ASU 2018-12 in accounting for long-duration insurance contracts to certain contracts that are derecognized as a result of a sale or disposal before the effective date of [**ASU 2018-12**](https://dart.deloitte.com/USDART/home/accounting/fasb/fasb-codification/other-sources/accounting-standards-updates/2018/accounting-standards-update-no-2018-12), which requires retrospective transition.

The ASU amends the transition guidance for accounting for long-duration contracts as amended by ASU 2018-12 to allow an insurance entity to make an accounting policy election to exclude contracts from applying the amendments of ASU 2018-12 if the following conditions are met:

1. The insurance contracts must have been derecognized because of a sale or disposal of individual or a group of contracts or legal entities.
2. The entity has no significant continuing involvement with the derecognized contracts.

Insurance entities can apply this policy on a transaction-by-transaction basis. Insurance entities that apply the accounting policy election are to disclose a qualitative description of each sale or disposal transaction to which the accounting policy election was applied.

ASU 2022-05 is effective concurrently with an insurance entity’s adoption of ASU 2018-12 (as amended). Specifically, the effective dates are as follows:

* For public business entities that meet the definition of an SEC filer and are not smaller reporting companies, fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Early adoption is permitted.
* For all other entities, fiscal years beginning after December 15, 2024, and interim periods within fiscal years beginning after December 15, 2025. Early adoption is permitted

[**2022-06 — Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848**](https://fasb.org/Page/Document?pdf=ASU%202022-06.pdf&title=ACCOUNTING%20STANDARDS%20UPDATE%202022-06%E2%80%94Reference%20Rate%20Reform%20(Topic%20848):%20Deferral%20of%20the%20Sunset%20Date%20of%20Topic%20848)

On December 21, 2022, the FASB issued [**ASU 2022-06**](https://fasb.org/Page/Document?pdf=ASU%202022-06.pdf&title=ACCOUNTING%20STANDARDS%20UPDATE%202022-06%E2%80%94Reference%20Rate%20Reform%20(Topic%20848):%20Deferral%20of%20the%20Sunset%20Date%20of%20Topic%20848) to defer the sunset date of ASC 848 until December 31, 2024. The ASU became effective upon issuance.

The amendments apply to all entities, subject to meeting certain criteria, that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform.

See Deloitte’s December 21, 2022, [*Heads Up*](https://dart.deloitte.com/USDART/home/publications/deloitte/heads-up/2022/fasb-defers-asc-848) for a comprehensive summary of the amendments made by ASU 2022-06.

**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.

* **[2022-05 — Financial Services—Insurance (Topic 944): Transition for Sold Contracts](https://www.fasb.org/Page/Document?pdf=ASU%202022-05.pdf&title=ACCOUNTING%20STANDARDS%20UPDATE%202022-05%E2%80%94Financial%20Services%E2%80%94Insurance%20(Topic%20944):%20Transition%20for%20Sold%20Contracts)**

As a result of this ASU, a question and consideration points have been updated in the U.S. GAAP Checklist:

* [944-40-25](https://dart.deloitte.com/USDART/home/codification/industry/9xx/asc944-40-25)*, Financial Services—Insurance- Claim Costs and Liabilities for Future Policy Benefits—Recognition*

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:

* [944-40-65](https://dart.deloitte.com/USDART/tree/vsid/C_247415181#SL65671225-207641-336445)*, Financial Services—Insurance- Claim Costs and Liabilities for Future Policy Benefits—Transition*
* [**2022-06 — Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848**](https://fasb.org/Page/Document?pdf=ASU%202022-06.pdf&title=ACCOUNTING%20STANDARDS%20UPDATE%202022-06%E2%80%94Reference%20Rate%20Reform%20(Topic%20848):%20Deferral%20of%20the%20Sunset%20Date%20of%20Topic%20848)

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

* [848-40-25](https://techlib.deloitteresources.com?link=content/2_629213407/629213417), *Broad Transactions — Reference Rate Reform — Fair Value Hedges--Recognition*

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:

* [848-10-65](https://techlib.deloitteresources.com?link=content/2_629213356/629213375), *Broad Transactions — Reference Rate Reform — Overall-- Transition and Open Effective Date Information*

Notes

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.



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