**Fall National Meeting - Review of GAAP Exposures for Statutory Accounting:**

Pursuant to a 2014 direction from the SAPWG chair, there is a desire for the Statutory Accounting Principles (E) Working Group to be more proactive in considering FASB exposures that may be significant to statutory accounting and reporting. Historically, the SAPWG has commented on limited, key FASB exposures – mostly pertaining to insurance contracts and financial instruments. To ensure consideration of all FASB exposures, staff has prepared this memorandum to highlight the current exposures, comment deadlines, and to provide a high-level summary of the exposed item’s potential impact to statutory accounting. It is anticipated that this information would assist the Working Group in determining whether a comment letter should be submitted to the FASB on the issues. Regardless of the Working Group’s election to submit comments to the FASB on proposed accounting standards, under the NAIC Policy Statement on Statutory Accounting Principles Maintenance Agenda Process, issued US GAAP guidance noted in the hierarchy within Section V of the Preamble to the *Accounting Practices and Procedures Manual* must be considered by the Statutory Accounting Principles (E) Working Group.

FASB Exposures: [Exposure Documents and Public Comment Documents (fasb.org)](https://fasb.org/page/PageContent?pageId=/reference-library/exposure-documents-public-comment-documents-archive.html)

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| **Exposed FASB Guidance** | **Comment Deadline & Initial Staff Comments** |
| Proposed Accounting Standards Update—Segment Reporting (Topic 280)—Improvements to Reportable Segment Disclosures | December 20, 2022 |
| Proposed Accounting Standards Update—Business Combinations—Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement | December 27, 2022 |
| Proposed Statement of Financial Accounting Concepts No. 8—Conceptual Framework for Financial Reporting—Chapter 2: The Reporting Entity | January 16, 2023 |
| Proposed Statement of Financial Accounting Concepts No. 8—Conceptual Framework for Financial Reporting—Chapter 5: Recognition and Derecognition | February 21, 2023 |

**Proposed Accounting Standards Update—*Segment Reporting (Topic 280)—Improvements to Reportable Segment Disclosures***

***Information from FASB Exposure Draft:***

Investors, lenders, creditors, and other allocators of capital (collectively “investors”) have observed that segment information is critically important in understanding a public entity’s different business activities. That information enables investors to better understand an entity’s overall performance and assists in assessing potential future cash flows.

Feedback on the Post-Implementation Review (PIR) Report on FASB Statement No. 131, Disclosures about Segments of an Enterprise and Related Information, which was issued in 2012, indicated overall support from stakeholders for the management approach to segment reporting. That report stated that investors are generally satisfied with the segment note disclosures. A minority of investor survey respondents, approximately one-third, indicated that they are somewhat dissatisfied. Those investors were interested in exploring ways to require additional disclosures about segment information by public entities. Practitioner and academic survey respondents were interested in exploring additional guidance for determining and aggregating segments.

The Board is issuing this proposed Update to improve the disclosures about a public entity’s reportable segments and address requests from investors for additional, more detailed information about a reportable segment’s expenses. Investors have observed that although information about a segment’s revenue and measure of profit or loss is disclosed in an entity’s financial statements, there generally is limited information disclosed about a segment’s expenses.

The amendments in this proposed Update respond to requests from investors for additional information about a public entity’s reportable segments to understand the expense categories and amounts that are included within segment profit or loss.

**Staff Review and Commentary:**

Comment deadline is December 20, 2022

**Proposed Accounting Standards Update—*Business Combinations—Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement***

***Information from FASB Exposure Draft:***

The amendments in this proposed Update address the accounting for contributions made to a joint venture upon formation in a joint venture’s separate financial statements. The objectives of the proposed amendments are to (1) provide decision-useful information to investors and other allocators of capital (collectively, investors) in a joint venture’s financial statements and (2) reduce diversity in practice.

Generally accepted accounting principles (GAAP) do not provide specific authoritative guidance on how a joint venture, at its formation, should recognize and initially measure assets contributed and liabilities assumed (including the assets and liabilities of businesses contributed). Rather, GAAP explicitly provides that transactions between a corporate joint venture and its owners are outside the scope of Topic 845, Nonmonetary Transactions, and that the formation of a joint venture is outside the scope of Topic 805, Business Combinations. In the absence of specific guidance, practice has been influenced by various sources, including speeches given by the U.S. Securities and Exchange Commission (SEC) staff. As a result, there is diversity in practice in how a joint venture accounts for the contributions it receives upon formation—while some joint ventures initially measure their net assets at fair value at the formation date, other joint ventures account for their net assets at the venturers’ carrying amounts.

To reduce diversity in practice and provide decision-useful information to a joint venture’s investors, the Board decided to require that a joint venture apply a new basis of accounting upon formation. By applying a new basis of accounting, a joint venture, upon formation, would recognize and initially measure its assets and liabilities at fair value (with certain exceptions that are consistent with the business combinations guidance).

The amendments in this proposed Update do not amend the definition of a joint venture (or a corporate joint venture), the accounting by an equity method investor for its investment in a joint venture, or the accounting by a joint venture for contributions received after its formation.

**Staff Review and Commentary:**

Comment deadline is December 27, 2022

**Proposed Statement of Financial Accounting Concepts No. 8—Conceptual Framework for Financial Reporting—Chapter 2: The Reporting Entity**

The Financial Accounting Standards Board (FASB or Board) issued its first Concepts Statement in 1978 and issued six more by 2000. In 2004, the International Accounting Standards Board (IASB) and the FASB (the Boards) began a joint project to revise and converge their conceptual frameworks. The result of that joint project was FASB Concepts Statement No. 8, Conceptual Framework for Financial Reporting—Chapter 1, The Objective of General Purpose Financial Reporting, and Chapter 3, Qualitative Characteristics of Useful Financial Information. In late 2010, the Boards decided to postpone further action on their respective conceptual frameworks until after the completion of several joint projects and ultimately agreed to discontinue the effort to work on their frameworks on a joint basis.

In January 2014, the FASB reactivated its Conceptual Framework project. This proposed Concepts Statement, which would become Chapter 2 of Concepts Statement 8, describes a reporting entity.

This chapter of Concepts Statement 8 would be similar to the rest of the framework in that it establishes concepts that the Board would use in developing standards of financial accounting and reporting. In particular, this chapter would provide the Board with a framework for matters relating to the identification of a reporting entity. This chapter would provide the Board with a framework for developing standards that meet the objective of financial reporting and enhance the understandability of information for existing and potential investors, lenders, donors, and other resource providers of a reporting entity.

**Staff Review and Commentary:**

Comment deadline is January 16, 2023

**Proposed Statement of Financial Accounting Concepts No. 8—*Conceptual Framework for Financial Reporting—Chapter 5:* Recognition and Derecognition**

The Financial Accounting Standards Board (FASB or Board) issued its first Concepts Statement in 1978 and issued six more by 2000. In 2004, the International Accounting Standards Board (IASB) and the FASB (the Boards) began a joint project to revise and converge their conceptual frameworks. The result of that joint project was FASB Concepts Statement No. 8, Conceptual Framework for Financial Reporting—Chapter 1, The Objective of General Purpose Financial Reporting, and Chapter 3, Qualitative Characteristics of Useful Financial Information. In late 2010, the Boards decided to postpone further action on their respective conceptual frameworks until after the completion of several joint projects and ultimately agreed to discontinue the effort to work jointly on their frameworks.

In January 2014, the FASB reactivated its conceptual framework project. This Exposure Draft, which would become Chapter 5 of Concepts Statement 8, addresses matters relating to the recognition and derecognition of an item in financial statements.

Paragraph 105-10-05-3 of the FASB Accounting Standards Codification® states that FASB Concepts Statements are not authoritative. Some standards are inconsistent with the Concepts Statements. This Concepts Statement or other Concepts Statements do not override authoritative standards. If accounting for a transaction or event is not specified in authoritative generally accepted accounting principles (GAAP), an entity first must consider accounting principles for similar transactions or events within authoritative GAAP and then consider nonauthoritative guidance from other sources (including Concepts Statements).

This chapter of Concepts Statement 8 would be similar to the rest of the framework in that it establishes concepts that the Board would use in developing standards of financial accounting and reporting. In particular, this chapter would provide the Board with a framework for conceptual matters relating to the recognition and derecognition of an item in financial statements. This chapter would provide the Board with a framework for developing standards in meeting the 2 objective of financial reporting that enhances the understandability of information to existing and potential investors, lenders, donors, and other resource providers of a reporting entity.

**Staff Review and Commentary:**

Comment deadline is February 21, 2023

**NAIC staff recommend that ASU be reviewed under the SAP Maintenance Process as detail in *Appendix F—Policy Statements.* Additionally*,* NAIC staff do not believe a response on the invitation to comment is warranted at this time.**

https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/National Meetings/A. National Meeting Materials/2022/Fall - December/Meeting/M - Review of GAAP Exposures.docx