



# Welcome!

## AICPA & CIMA Conference: Key Developments and Themes for 2025

LIVE CPE WEBINAR

JANUARY 9, 2025

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# Objectives for today's webinar:

- Provide a summary of the key takeaways from the Conference
- Highlight key priorities of the SEC and FASB going into 2025
- Provide an overview of technical topics and trends discussed by accounting experts
- Discuss practical takeaways for public and private companies

## Webcast Reminders

- During this session, 4 polling questions must be answered to obtain CPE
- Feel free to ask questions using Zoom Q&A
- On-demand video is not eligible for CPE

### A follow-up email will include:

- CPE certificate & webinar evaluation form
- Access to today's recording and slides; An opt-in to receive future webinar invites; Presenter contact info



## Host & Moderator



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# Key themes that highlighted the conference agenda



Transition of regulatory tone as a result of change in political administration



Focus on quality financial reporting and quality audits



Emerging areas such as cybersecurity, climate reporting, cryptocurrency, and artificial intelligence



Lookback at accounting standards issued over the past year

- Segments
- DISE
- Expanded tax disclosures
- Accounting for software costs
- Government grants



Highlight on the future of standard setting

- Ongoing FASB Consultation
- EITF activities
- Recurring complex areas like complex financial instruments, revenue recognition

# Polling Question

# 1

## My financial reporting team's biggest priority in preparing for 2025 includes:

Select your response:

- A** Being ready for increased M&A and capital markets activity

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- B** Managing expanded reporting requirements including new accounting standards, Pillar II requirements, and climate reporting

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- C** Leveraging technology to increase efficiencies in financial reporting and manage bandwidth

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- D** Other

# SEC Update

**Key takeaways from SEC and  
Division of Corporate Finance**

# Little “r” Restatements | Clawback | Pay vs. Performance

## Little “r” Restatements

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Need to assess materiality even when you establish a little “r” restatement classification

## Clawback

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Clawback rule reminders (rule effective October 2, 2023 with policy requirement effective December 2, 2023)

## Pay vs. Performance

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Pay versus Performance (rule effective for fiscal years ending on or after December 16, 2022)

# Non-GAAP Measures

**Non-GAAP measures continues to be one of the areas receiving the most comment letters from the SEC**

## Broad areas of feedback include:

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### Prominence

Most directly comparable GAAP measure must be presented with equal or greater prominence

### Labeling

The non-GAAP measure should be adequately described, and each non-GAAP adjustment should be explained

### Exclusions

Exclusion of normal and recurring cash operation expenses is not permitted

- Mark downs on excess or obsolete inventory
- Losses incurred on purchase commitments

### Tailored Accounting

Changing the GAAP measurement and recognition principles

- Changing lease accounting from sales type to operating because it is a preferred accounting treatment is not permitted

# Segment Disclosures

## ASU 2023-07

**The new standard is required to be adopted for calendar year-end public companies beginning in the 2024 annual reporting cycle**

**SEC Staff clarified that although not required, entities are not precluded from presenting more than one measure of segment profitability in the segment footnote if:**

- The CODM uses the additional measure to assess performance and allocate resources
- All disclosure requirements under ASC 280 are met
- If it is a non-GAAP measure, all non-GAAP disclosure requirements are met

# Cybersecurity Disclosures

## Cybersecurity was a key topic at the conference following the first year of required reporting

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- The conversation focused on the materiality of cybersecurity incidents requiring a Form 8-K.
  - Multiple factors may lead to the determination of a material event
  - *Qualitative* and quantitative materiality matter
  - Ensure the inclusion of someone well-versed in the cybersecurity disclosure requirements on the Disclosure Committee
- For annual disclosures in the 10-K, ensure you are clearly and reasonably stating what the risk management process is for cybersecurity incidents so that an investor may understand the process.
  - Boilerplate disclosures were discouraged.
- SEC comment letters typically related to registrants not updating their risk factors after the cybersecurity incident, and not continuing to disclose the incident in future filings.
- Reminder that the new cybersecurity taxonomy (CYD) is available and XBRL tagging is required for the second year of required disclosures.

# Polling Question

# 2

**Regarding the new segment guidance, the most challenging aspect to implement is expected to be:**

Select your response:

- A** Identification and supporting data for significant segment expenses

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- B** Disclosure of how the CODM uses the disclosed measures of profit for resource allocations

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- C** Inclusion/exclusion of non-GAAP measures in addition to current single measure of profit

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- D** Not applicable (or Other)

# FASB Updates and Accounting Trends

# Overview of 2024 FASB Agenda

## New accounting pronouncements effective for fiscal calendar year ends as of December 31, 2024:

- Improvements to Reportable Segment Disclosures ASU 2023-07 (Covered previously)
- Improvements to Income Tax Disclosures ASU 2023-09:
  - Disaggregation by state/local; foreign tax effects; effects of changes in tax laws enacted; effects of cross border tax laws; tax credits; changes in valuation allowances; nontaxable/ nondeductible items and changes in unrecognized tax benefits; ALL SUBJECT TO 5% DISCLOSURE THRESHOLD
  - Cash taxes paid, subject to individual jurisdiction disclosure subject to a 5% threshold

## Disaggregation of Income Statement Expenses ASU 2024-03

(effective prospectively for annual periods beginning after December 15, 2026 and interim periods beginning after December 15, 2027 with early adoption and retrospective application permitted)

A functional or natural expense line item on the face of the income statement within income from continuing operations requires disaggregation as follows (tabular format):

Purchase of inventory	Depletion	Additional categories may need to be disclosed separately for the categories listed to the left: <ul style="list-style-type: none"> <li>– Certain expense reimbursements</li> <li>– Gains/losses and expenses already required to be disclosed by other US GAAP (ie warranty expenses and impairments of long-lived assets)</li> <li>– Changes in inventories, if applicable</li> <li>– Other adjustments, if applicable</li> </ul>	Selling expenses (disclose amount each reporting period) and description of the composition as defined by management (annually)
Depreciation	Employee compensation		
Intangible asset amortization			
Depreciation, depletion, and amortization for oil/gas producing activities			

# Overview of 2024 FASB Agenda

## Newly Proposed ASUs

- Targeted Improvements for the Accounting for Internal-use Software. Comments are due by January 27, 2025.
- Accounting for Government Grants by Business Entities. Comments are due by March 31, 2025.
- Hedge Accounting Improvements. Comments were due by November 24, 2025 and the FASB Staff is redeliberating on this issue based on stakeholder feedback.
- Derivatives Scope Refinements and Scope Clarification for a Share-Based Payment From a Customer in a Revenue Contract. Comments on the proposed ASU were due October 21, 2024 and the FASB plans to redeliberate the proposed guidance after reviewing stakeholder feedback.
- Interim Reporting (Topic 270) – Narrow Scope Improvements. Comments on the proposed ASU are due by March 31, 2025.
- Accounting for Environmental Credit Programs. Comments are due on this proposed guidance by April 15, 2025.

## Two EITF Consensus-for-Exposure Final and Proposed ASUs

- ASU 2024-04 Debt -Debt with Conversion and other Options (Subtopic 470-20) Induced Conversions of Convertible Debt Instruments
- Amended Proposed Guidance for Identifying the Accounting Acquirer in Acquisitions Involving VIEs

# Practical Insights

## Debt Modification

(EITF Proposed agenda item)

- Proposing updates to the application of the 10% test when there are multiple creditors
- If the existing debt is repaid in line with the contractual terms (or repurchased at market terms) and the new debt is issued at market terms following the entity's normal process, these will be viewed as separate transactions
- Eliminates scenarios in which there is a partial modification and partial extinguishment, which results in the debt syndicate not being presented at fair value

## Warrants

- The form of warrant is one of the most important things to consider, driving classification as equity or a liability marked to fair value
- All terms of the warrant need to be considered when concluding on classification. Under the existing model, features with little economic substance and low likelihood of occurrence are driving liability classification, which may not reflect the commercial intent

## Revenue Recognition

- Incentive programs (rebates, coupons) may result in a reduction of revenue rather than the presentation of a marketing expense depending on the intent of the program
- Coordination between accounting, advertising and marketing teams prior to establishing incentive programs will identify potential unforeseen revenue impacts in advance
- Contract modifications
  - Termination generally should be accounted for prospectively
  - Contracts issued through negotiations with new terms governing an existing customer relationship will likely be economically linked to the ongoing contract

# Other Items on the FASB Agenda

## FASB Invitation to Comment

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- Financial Key Performance Indicators for Business Entities. Comments due by April 30, 2025.
- Accounting for and Disclosure of Intangibles. Comments due by May 30, 2025.

## Other FASB Topics

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- Proposed ASU – Measurement of Credit Losses for Accounts Receivable and Contract Assets for Private Companies and Certain Not-for-Profit Entities

## Research Project

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- Statement of Cash Flows

# Polling Question

# 3

**Which new accounting standard do you expect will have the most impact on you or your team?**

Select your response:

- A** Accounting for software costs

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- B** Disaggregated income statement expenses and disclosures

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- C** Expanded segment disclosures

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- D** Not applicable (or other)

# Emerging Issues and Other Topics

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# Technology and Accounting

## Adoption of Artificial Intelligence

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- Overview of the need for AI
  - Practical use cases of AI and how it can transform the accounting and finance function
  - Accuracy and efficiency benefits
  - Ensuring timely adoption
  - Adoption challenges
- Focus on establishing governance around the use of AI
- Concerns around AI's impact on the workforce for accounting and audit professionals
- Initial steps toward AI adoption

## Technology's Role in the Future of the Accounting Profession

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- How technology is being used to streamline the record-to-report process
  - Financial reporting automation
  - Automation of repetitive processes
- Accountants can become strategic business advisors
- Emphasis on leveraging technology in accounting to attract future talent
  - New CPA exam questions
  - Data science and analytics

# Sustainability Reporting

## ESG Reporting: Key Developments

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- **EU CSRD (Starting FY 2025)**
  - Broad scope (beyond climate), includes “double materiality”
  - Limited assurance requirements
- **California GHG Law (Reporting 2026)**
  - Mandatory parent-level GHG disclosures
  - Limited assurance, enforcement poised but uncertain
- **U.S. SEC Climate Rule**
  - Final rule on hold, but existing climate disclosures remain mandatory

## Next Steps for Preparers

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- **Map Requirements:**
  - Identify all global obligations (EU, CA, SEC)
- **Strengthen Data & Controls:**
  - Prepare for assurance and audits
- **Integrate Climate Risk:**
  - Embed in enterprise risk management
- **Elevate Governance:**
  - Ensure board/committee oversight and clear accountability.

# Internal Controls and Risk Assessment

## ESG Reporting: Key Developments

- **Materiality Assessments**  
Consider qualitative factors in addition to quantitative totals. Evaluating control deficiencies also requires examining entity-level controls to see if small errors or overrides indicate deeper issues.
- **Maintain Objectivity**  
Both management and auditors must avoid bias or preconceptions that dismiss potentially significant control weaknesses.
- **Documentation & Rigor**  
Thoroughly record, analyze, and address control issues to determine if they rise to a material weakness.
- **Consultation & Early Engagement**  
Proactive communication with the SEC OCA and auditors helps ensure transparent resolution and timely remediation of ICFR concerns.

## Next Steps for Preparers

- **Revenue Recognition**  
Maintain strong internal controls and ensure open communication between sales and marketing and accounting teams
- **Statement of Cash Flows**  
Ensure a well controlled process to identify non-recurring events and non-cash transactions
- **Segment Reporting**  
Year end adoption of ASU 2023-07 is imminent. Ensure controls are updated

# OECD Pillar II

## ● Pillar Two Overview

- OECD-led global minimum tax (15%) for large MNEs (€750M+ revenue).
- Patchwork adoption: rules vary by jurisdiction, creating compliance complexity.

## ● Core Mechanisms

- QDMTT: Domestic top-up tax to reach 15% locally.
- IIR: Parent-level top-up if local jurisdiction doesn't impose QDMTT.
- UTPR: Backstop rule to tax under-taxed income when QDMTT/IIR don't apply.

## ● Safe Harbors & Transitional Relief

- Temporary Country-by-Country (CBC) safe harbor; requires high data accuracy.
- Relief is temporary—full compliance prep is essential.

## ● Accounting & Disclosure

- Treated as current tax (no deferred tax), but disclosures may be needed if material.
- SEC urges robust discussion of potential impacts, even if estimates are uncertain.

## ● Controls & Audit Implications

- New/expanded data and systems demands, heightened internal controls.
- Auditors will seek earlier, more detailed information on jurisdictional tax data.

## ● Preparation & Collaboration

- Ongoing legislative changes require continuous monitoring.
- Effective compliance demands cross-functional coordination (tax, finance, IT).
- Engage auditors early to manage timeline and reduce surprises.

# Practical Implications for Year End

## Cybersecurity

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- Cybersecurity risk factor updates if an incident occurred
- State the company's cybersecurity risk management process
- Cybersecurity XBRL will be required for some filers

## Non-GAAP Measures

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- Prominence
- Labeling
- Exclusion of normal and recurring cash operating expenses is not permitted
- Tailored Accounting

## Technology Adoption

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- Inventory current reporting processes and bottlenecks as opportunities for automation
- Understand where your company may have outgrown current solutions and where AI could create the most impact

## Segment Reporting

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- Significant segment expenses
- CODM Disclosures
- Inclusion of non-GAAP measures

# Polling Question

# 4

## What is the status of your internal control programs heading into year-end?

Select your response:

- A** It's early - Still implementing controls and updating processes

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- B** Lots to do - Need to get through testing and maybe some remediation

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- C** Business as usual - Wrapping up documentation and testing

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- D** Not applicable - Not an area where we are currently focused

**Thank you for  
joining us today.**

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and Q&A**



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