



# 2023 WICPA ACCOUNTING & AUDITING CONFERENCE

YOUR SOURCE FOR KEY UPDATES & INSIGHTS ON TIMELY ISSUES

## HIGHLIGHTED TOPICS:



### THE FUTURE OF WORK: HOW AI & AUTOMATION CHANGE THE GAME

Explore recent developments in AI, cut through the hype to understand AI better and discuss how AI can be used to automate business



### ETHICS & DECISION MAKING

Discover underlying principles that can lead to an ethical culture in the workplace



### THE GREAT GASB/FASB: THE HITS KEEP ON COMING

Receive a high-level overview of the most impactful GASB/FASB pronouncements you need to have on your radar

THURSDAY, NOV. 9 | WICPA OFFICE & WICPA CPE LIVESTREAM

# 2023 WICPA ACCOUNTING & AUDITING CONFERENCE

## MATERIALS AT A GLANCE

The following materials are from the morning sessions of the 2023 WICPA Accounting & Auditing Conference held on Thursday, Nov. 9, including:

- Economic & Financial Market Outlook: 2023-2028
- ESG: Current State of Play: What Companies Need to Know Now
- The Great GASB/FASB: The Hits Keep on Coming

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# Sales Tax and **MORE**

## About us

We are a full service consulting and solutions firm

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State and local taxes are complex and the rules are constantly evolving. Many accounting professionals rely on STM to help navigate the ever-changing challenges of sales tax.

Some of our core services include sales tax return filing, exemption certificate management, registrations of all types, business licensing, nexus services for both income and sales tax, consulting, research, audit defense, and like our names states, more!

## Why STM?

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- Data Integrity
- Staff Accountant
- Notice Management
- Commitment to education
- Flexability & Creativity

# When Software **Just Isn't** Enough

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**Email**

[contact@salestaxandmore.com](mailto:contact@salestaxandmore.com)  
[bcurrey@salestaxandmore.com](mailto:bcurrey@salestaxandmore.com)





**Wisconsin Institute of CPA's  
Spring Conference**

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Through your contribution to the WICPA Educational Foundation, you can help us reach students and educators in high school and college to create awareness about the accounting profession.

As the end of 2023 draws near and you are thinking about tax planning, consider donating to the WICPA Educational Foundation.

*Questions?* Contact Tammy J. Hofstede, WICPA President and CEO at [tammy@wicpa.org](mailto:tammy@wicpa.org).

To contribute, visit [wicpa.org/EF](http://wicpa.org/EF).



WICPA Educational  
FOUNDATION

## **Join the WICPA Educational Foundation Board!**

The WICPA Educational Foundation  
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### **Some of the opportunities include:**

- Assisting in efforts to attract students to the profession.
- Providing strategic governance in accordance with the WICPA Educational Foundation mission.
- Acquiring new leadership skills.

The WICPA Educational Foundation plays a pivotal role in supporting programs to improve awareness and perceptions by educating students and educators about the exciting opportunities available to accounting professionals.

To apply, visit [wicpa.org/EFBoardApplication](http://wicpa.org/EFBoardApplication) through Feb. 28, 2024. ► **Questions?** Contact [tammy@wicpa.org](mailto:tammy@wicpa.org).

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The CPE Tracker is an easy to use tool created to keep track of all your CPE in one convenient location.

- Automatically tracks WICPA formal learning activities
- Add any non-WICPA CPE courses
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To get started, visit  
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## Join the WICPA Board of Directors!

The WICPA is seeking members  
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### Opportunities include:

- Staying up to date on professional issues
- Providing strategic governance in accordance with the WICPA strategic plan, mission and vision
- Acquiring new leadership and training skills

Applicants must be WICPA CPA members in good standing. A "CPA member" is defined as a WICPA member who has obtained a certificate as a CPA from the Accounting Examining Board of the State of Wisconsin, or from a similar legally constituted authority in any other state, possession or territory of the United States or the District of Columbia.



To apply, visit  
[wicpa.org/BoardApplication](http://wicpa.org/BoardApplication)  
through Nov. 15, 2023.

**Questions?**  
Contact [tammy@wicpa.org](mailto:tammy@wicpa.org).

8:10 – 9:10 a.m.

# Economic & Financial Market Outlook: 2023-2028

**Clare Zempel, CFA, CBE, *Principal, Zempel Strategic***



## WICPA Accounting and Auditing Conference

### The Economic and Market Outlook 2023 – 2028

2023 “Soft Landing” Likely Because Inflation Has Slowed Much  
Faster Than Spending

2024 Recession Possible Unless Fed “Eases” “Soon”

Clare Zempel, CFA, CBE  
Economist and Investment Strategist

WICPA Offices  
November 9, 2023

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## WICPA Accounting and Auditing Conference

### The Economic and Market Outlook 2023 – 2028

Slowdown/Recession Concerns Remain Relevant

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# Interest Rates and Recessions

(Inversion = 1-Year > 10-Year)

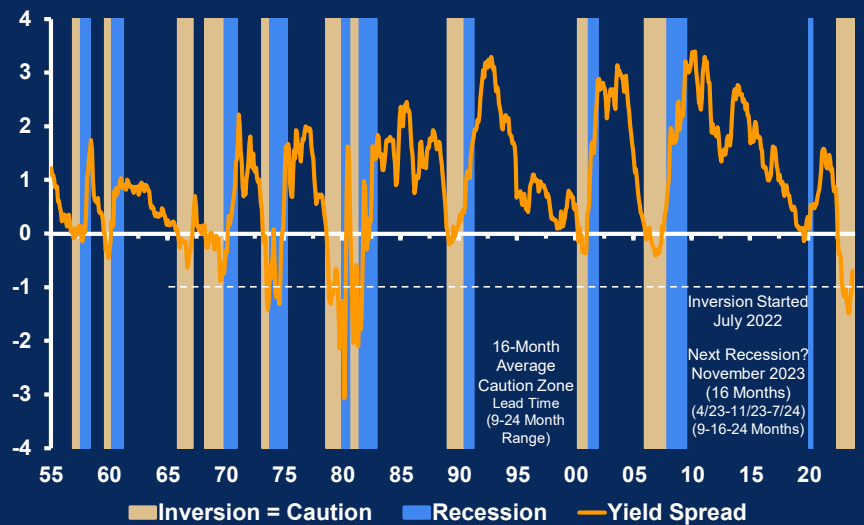
10 Recessions  
Since 1955

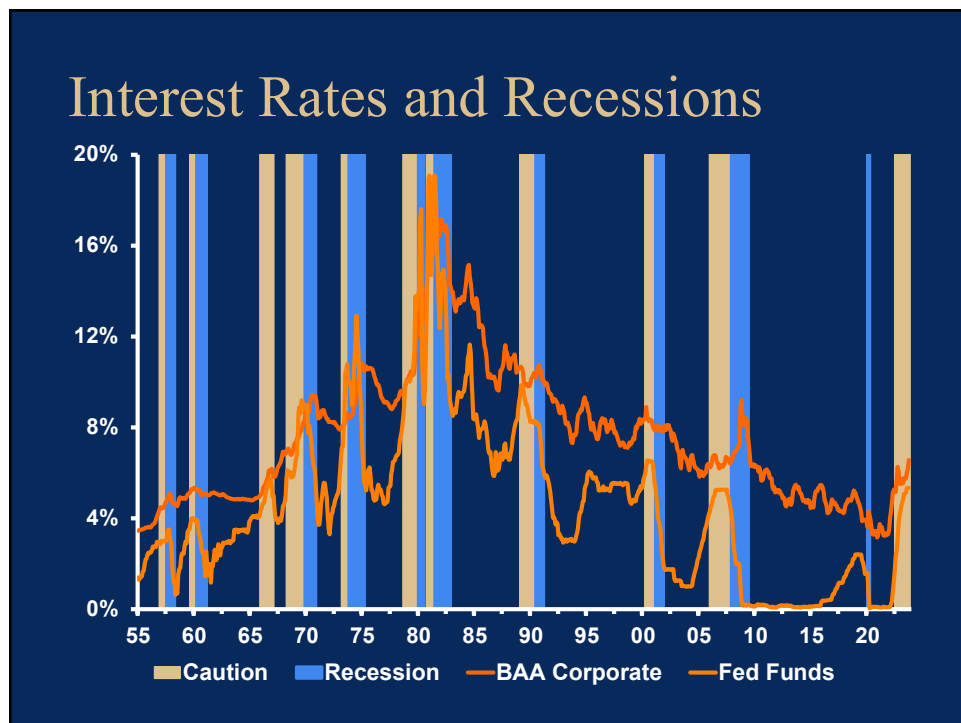
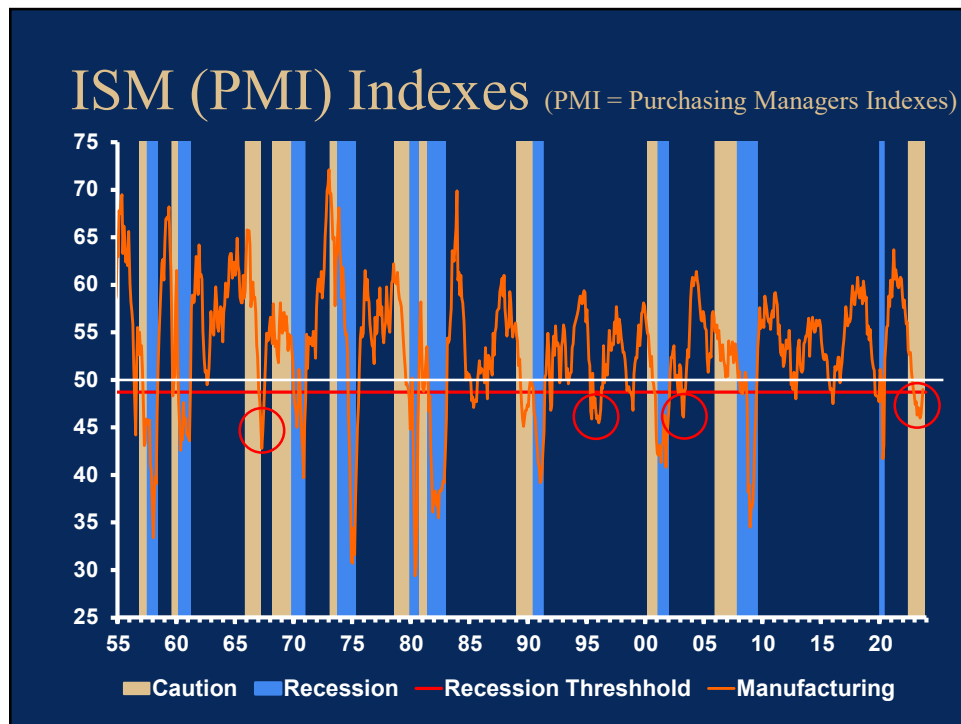


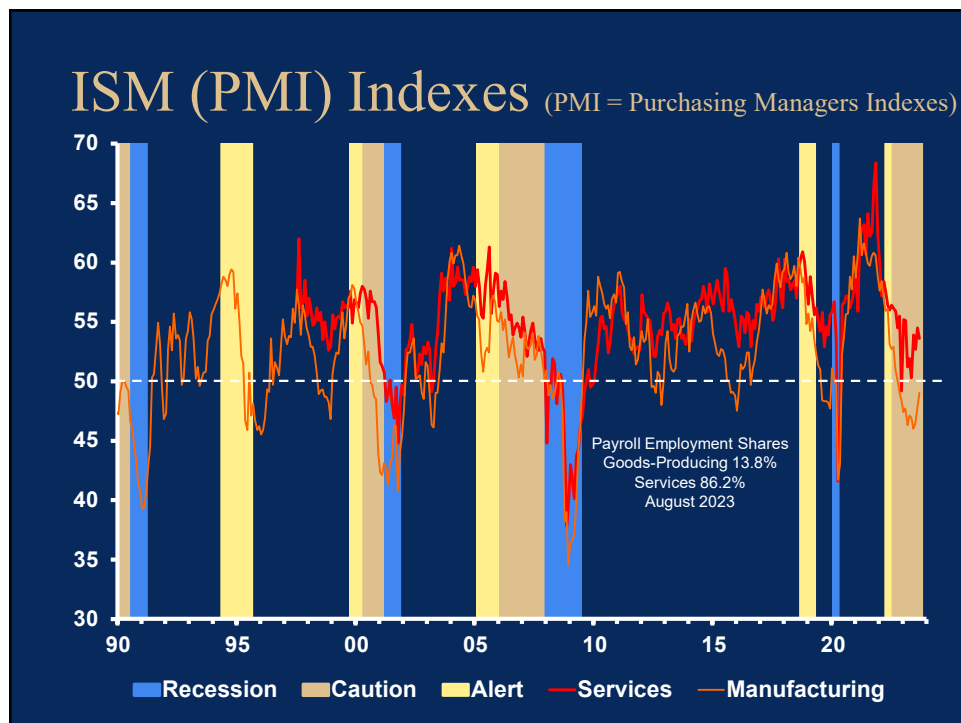
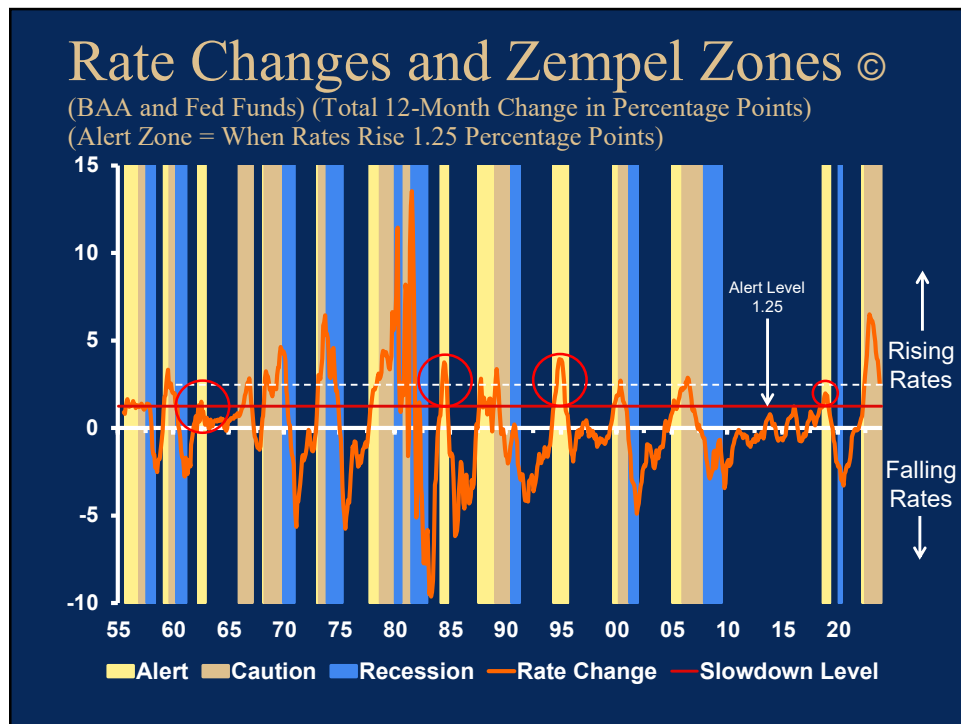
# Yield Spread and Caution Zones ©

(10-Year T-Note Yield Minus 1-Year T-Note Yield) (Percentage Points)

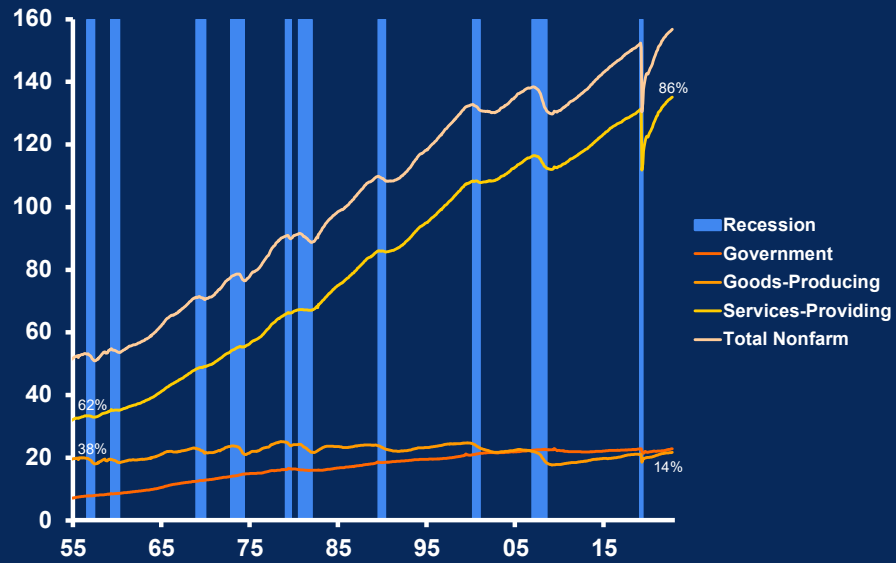
(Inversion = Caution Zone When Fed Funds Rate Is Rising)



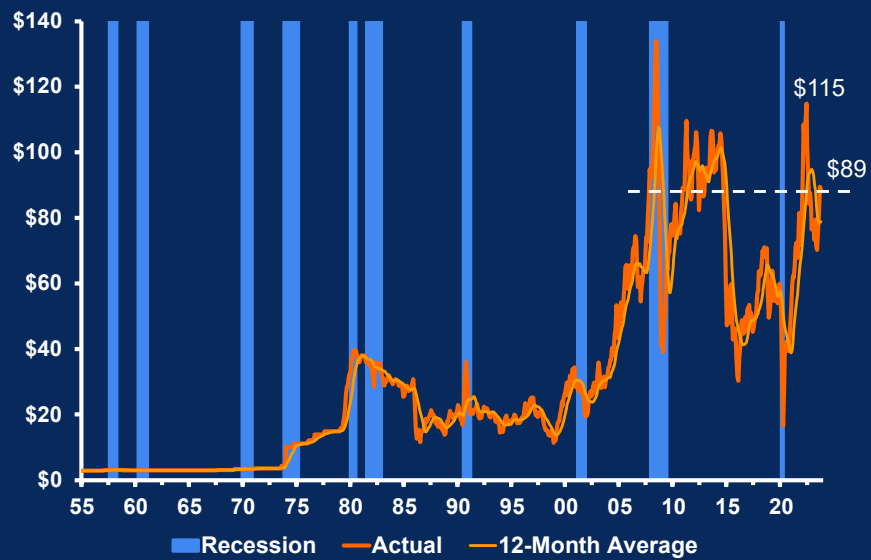




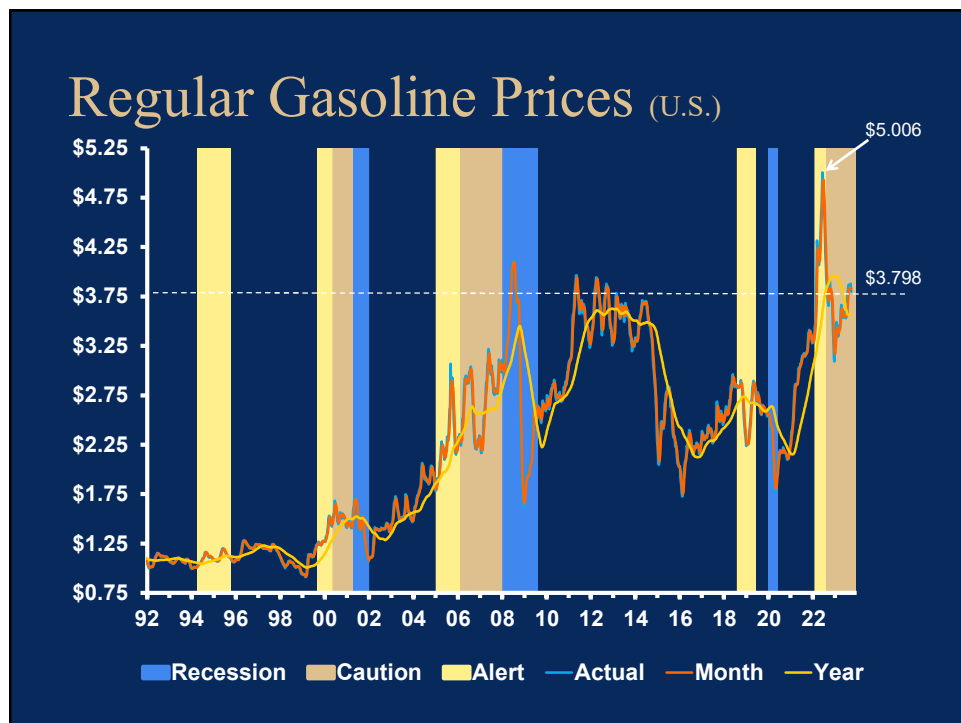
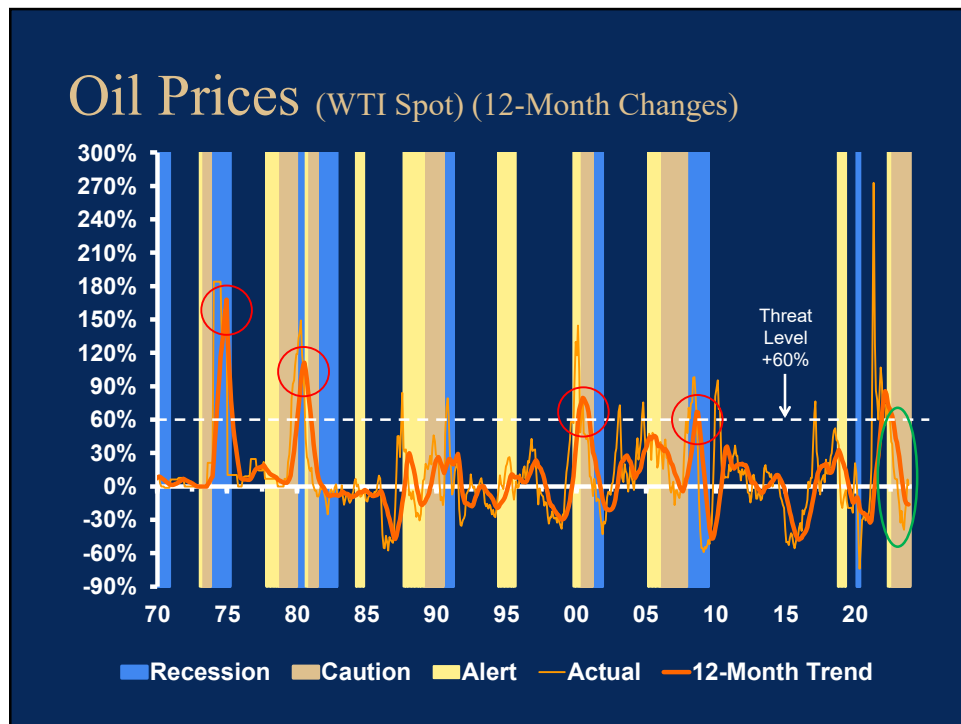
## Nonfarm Employment Levels (Millions)

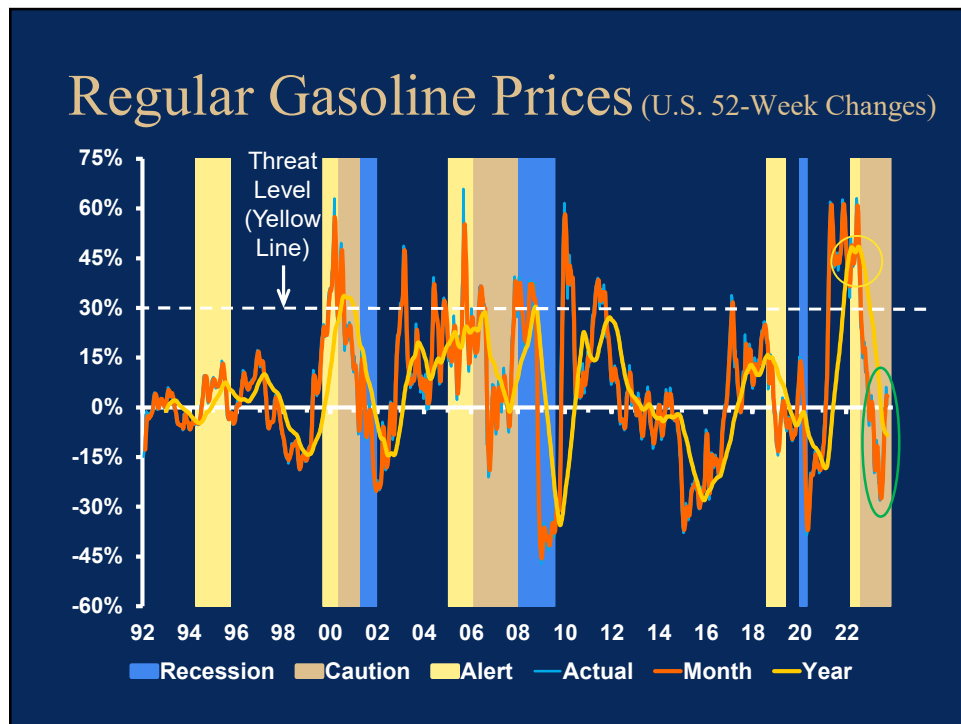


## Oil Prices (WTI Spot)









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### The Economic and Market Outlook 2023 – 2028

What Do “Best Indicators” Predict?

Yield Spread Remains Inverted – Implies Recession Risk  
 Rate-Changes Still High – Implies Sustained Slowdown  
 Energy-Prices Support Economic Expansion

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## WICPA Accounting and Auditing Conference

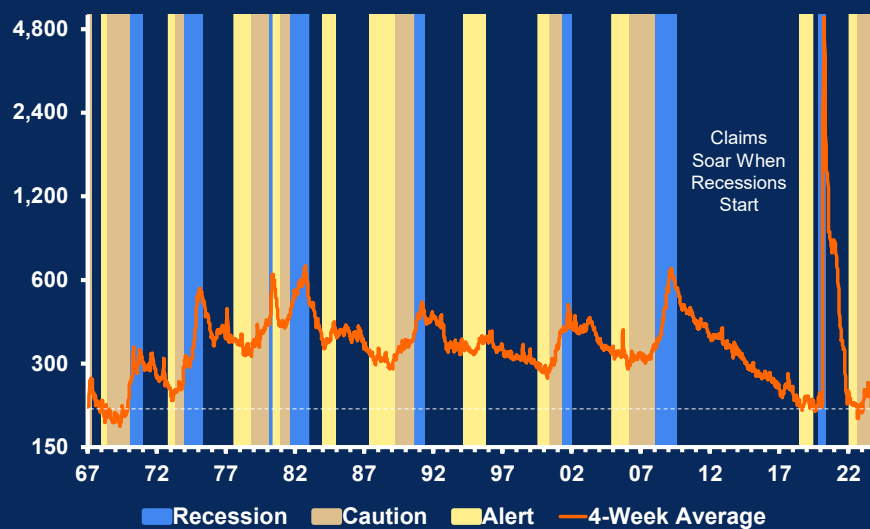
### The Economic and Market Outlook 2023 – 2028

Has Recession Started? No  
Why Not? Inflation Has Fallen Sharply Earlier Than Usual.

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### Jobless Claims and Zempel Zones ©

(Initial Unemployment Insurance Claims) (Log Scale) (Weekly) (Thousands)



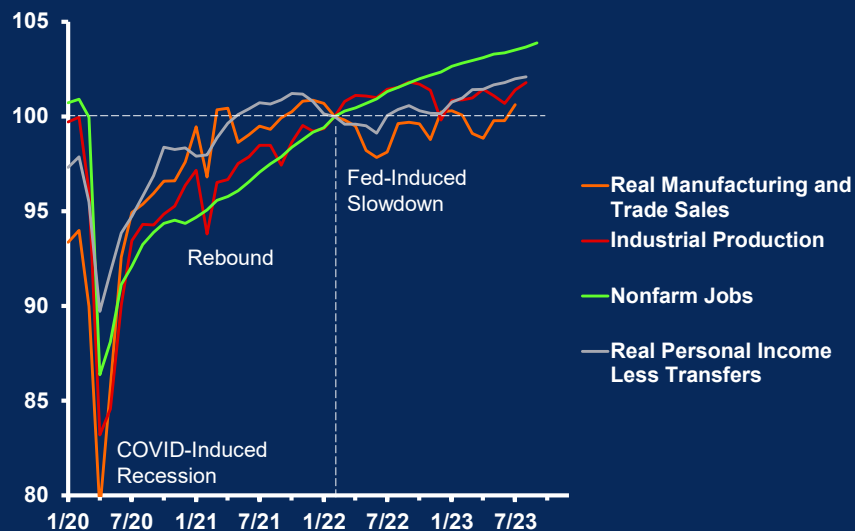
## New York Fed's Weekly Economic Index

<https://www.newyorkfed.org/research/policy/weekly-economic-index#/>



## NBER Recession Watch – Four Key Numbers

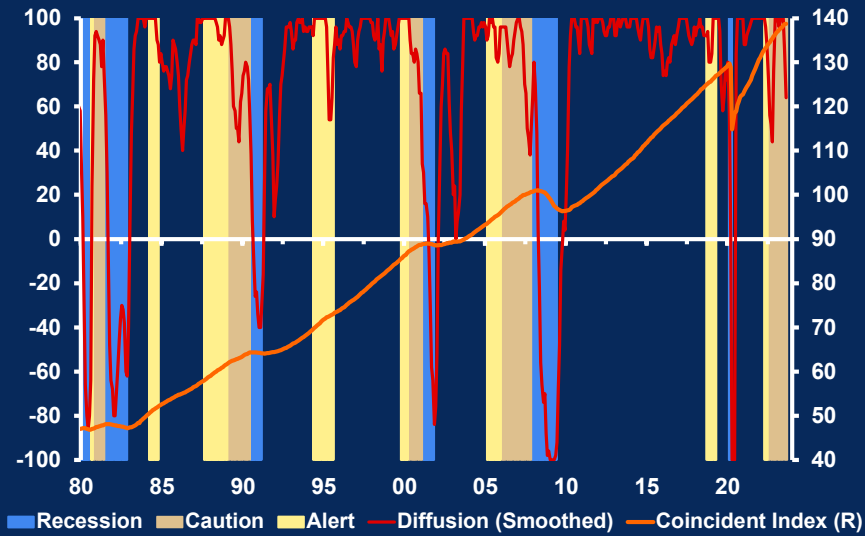
(NBER = National Bureau of Economic Research) (February 2022 = 100)



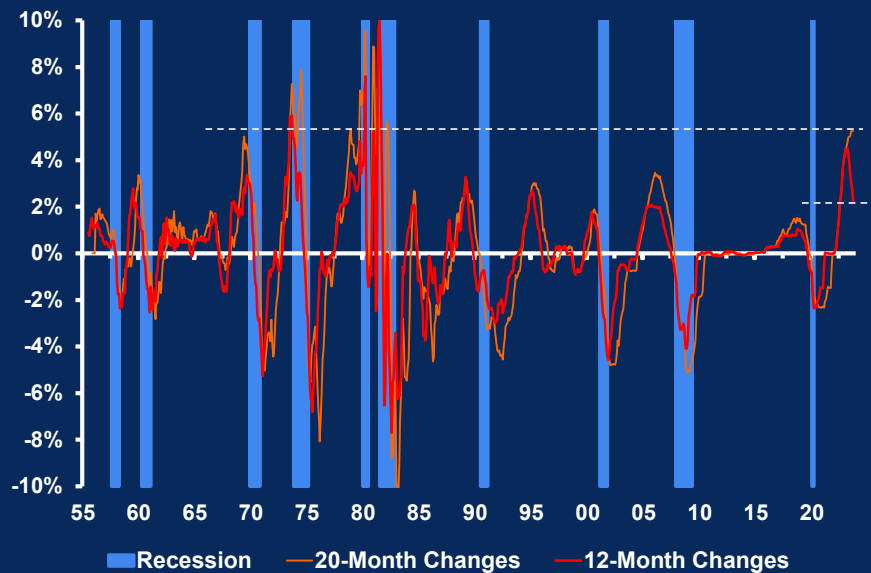


## U.S. Coincident and Diffusion Indexes

(Coincident Economic Activity Index) (Diffusion = States Improving Percentage)

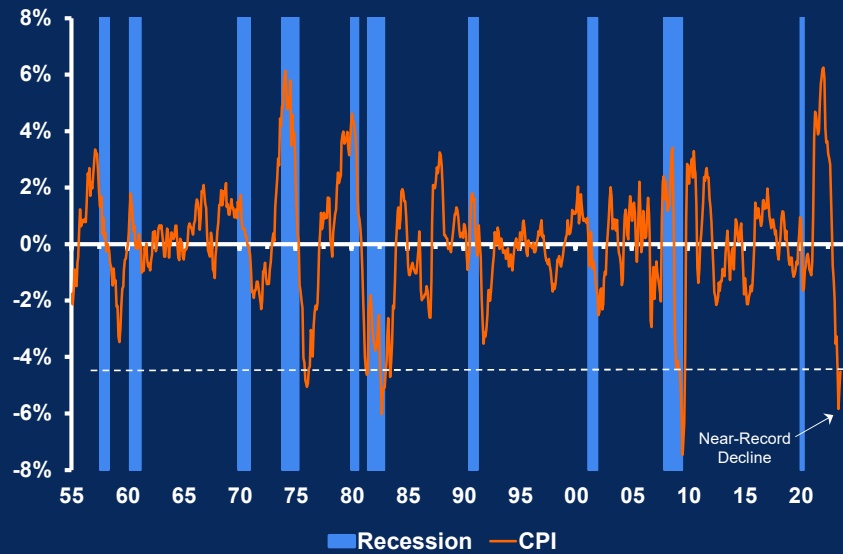


## Fed Funds Changes (Percentage-Points)



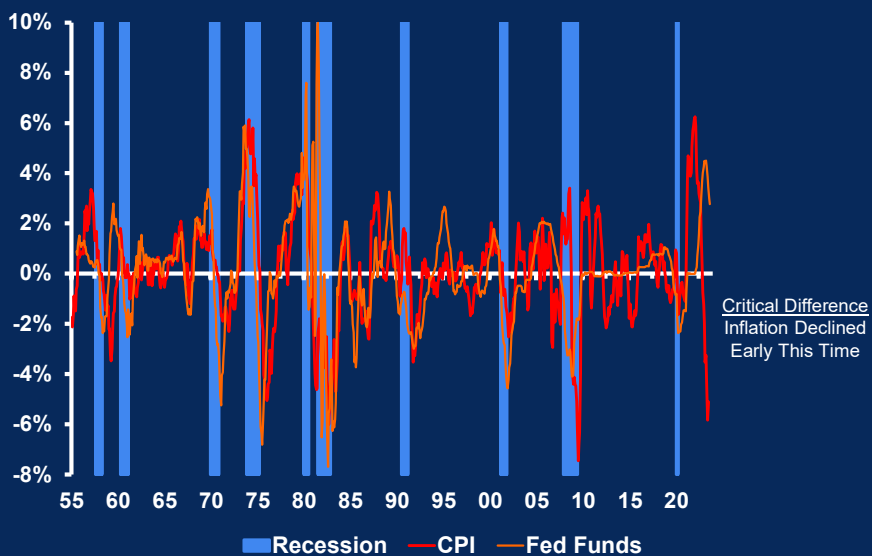
## CPI Inflation Rate Changes

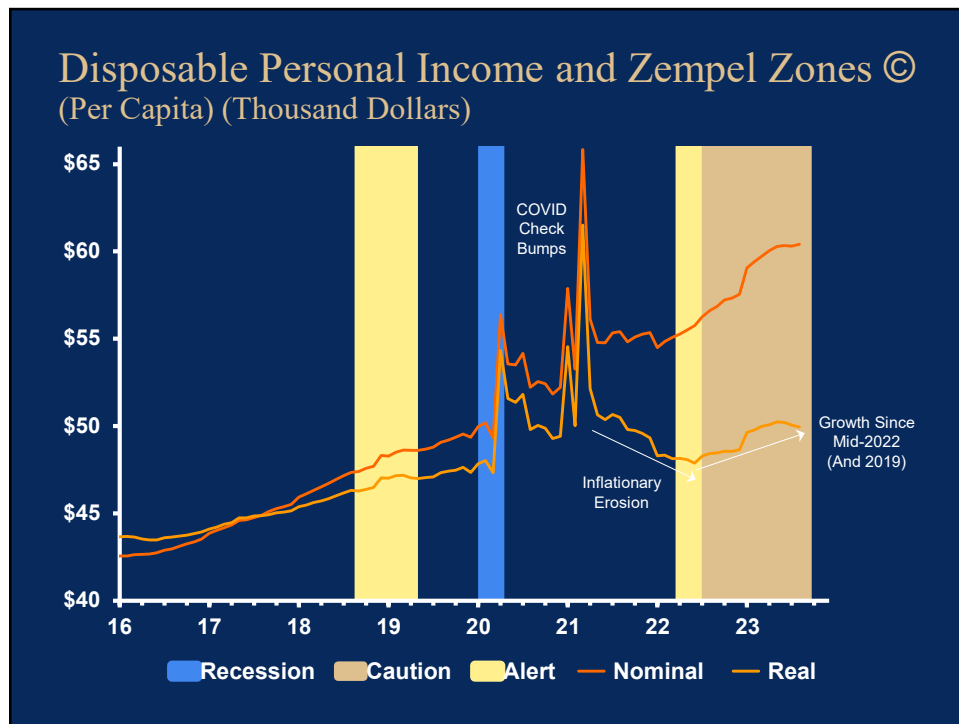
(12-Month Changes) (Percentage-Points)




## Fed Funds and CPI Changes

(12-Month Changes) (Percentage-Points)







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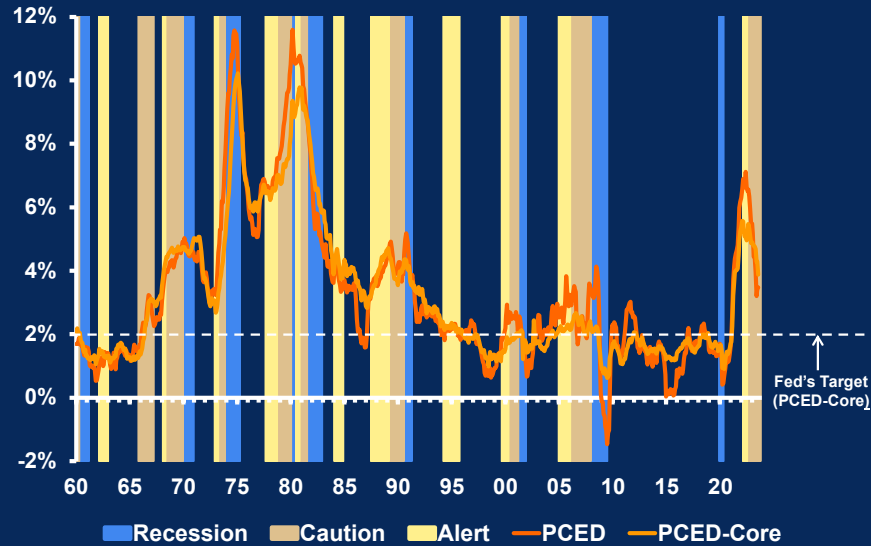
### The Economic and Market Outlook 2023 – 2028

What Causes Inflation?  
Why Did Inflation Peak Early?  
Should Federal Reserve Policy Ease?

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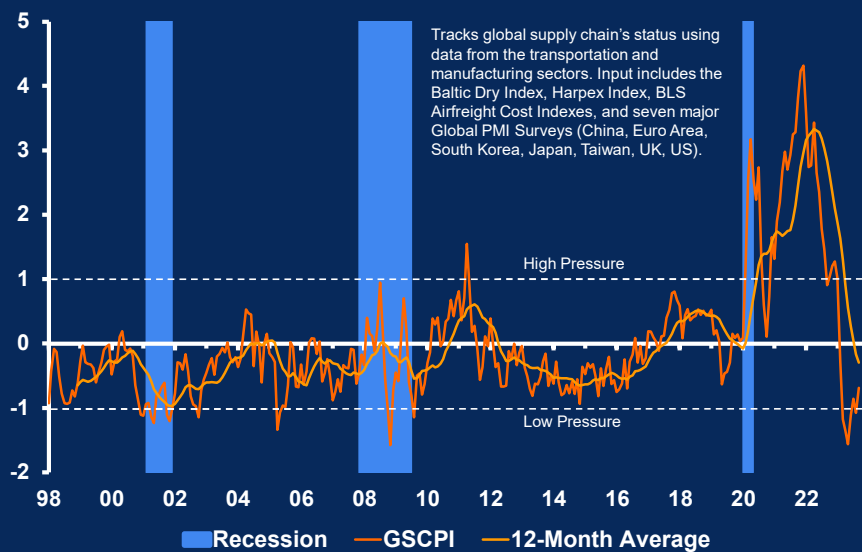
## PCED Inflation and Zempel Zones ©

(PCED = Personal Consumption Expenditure Deflator) (12-Month Changes)



## Global Supply Chain Pressure Index

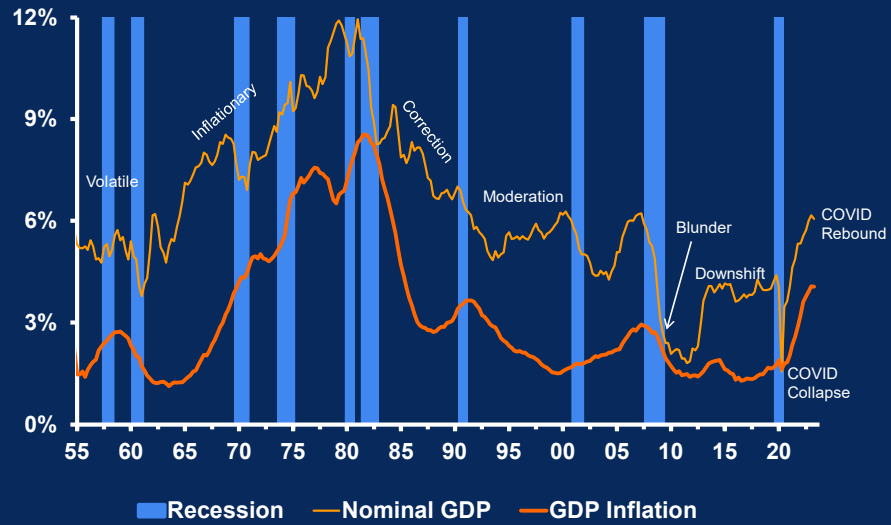
(GSCPI) (Monthly) (New York Fed)



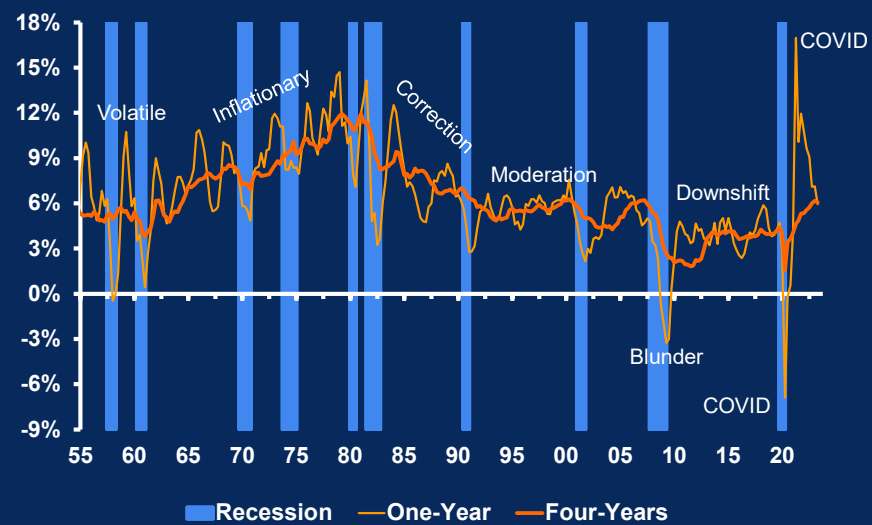


# GDP Growth and Inflation

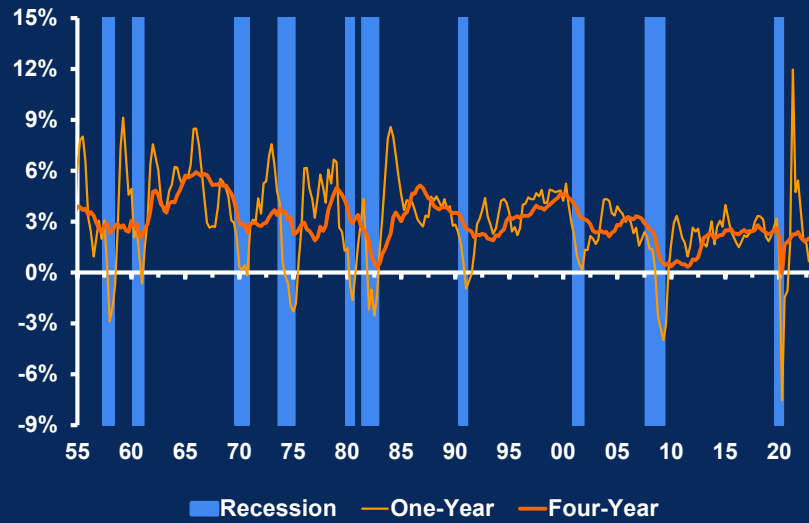
(Four-Year Growth Rates)



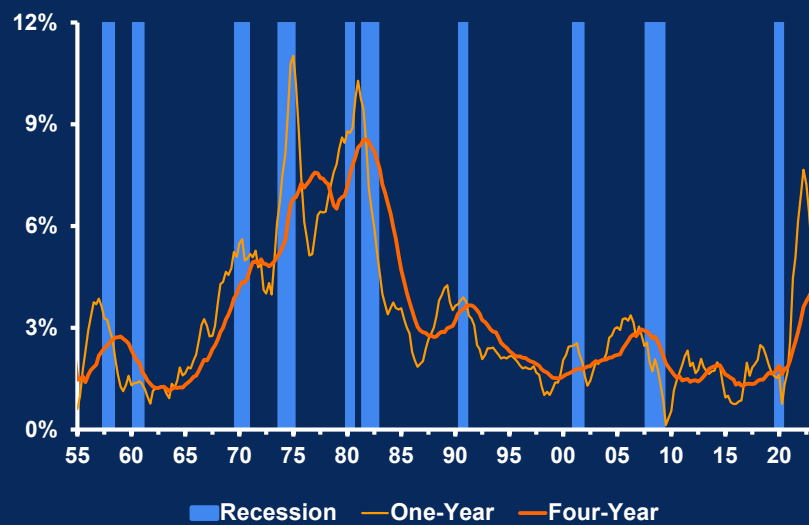
# Nominal GDP Growth Rates



## Real GDP Growth Rates

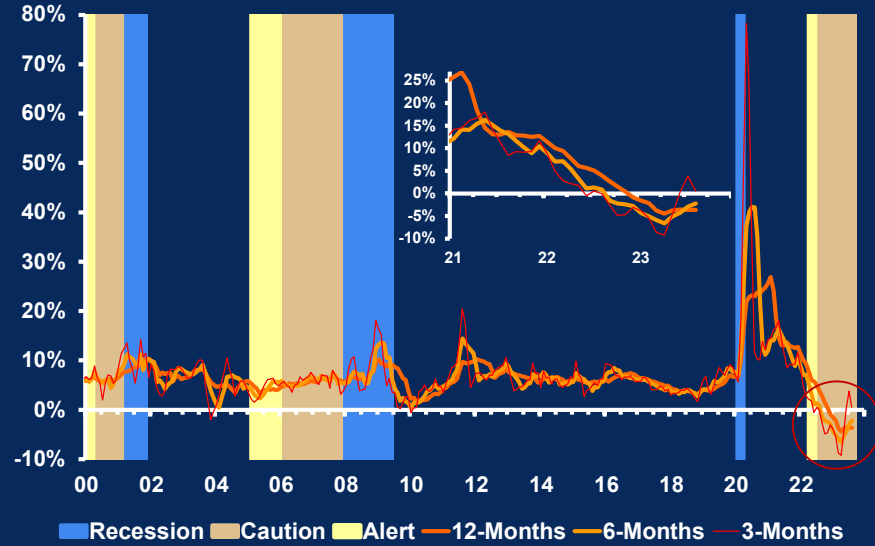


## GDP Inflation Rates



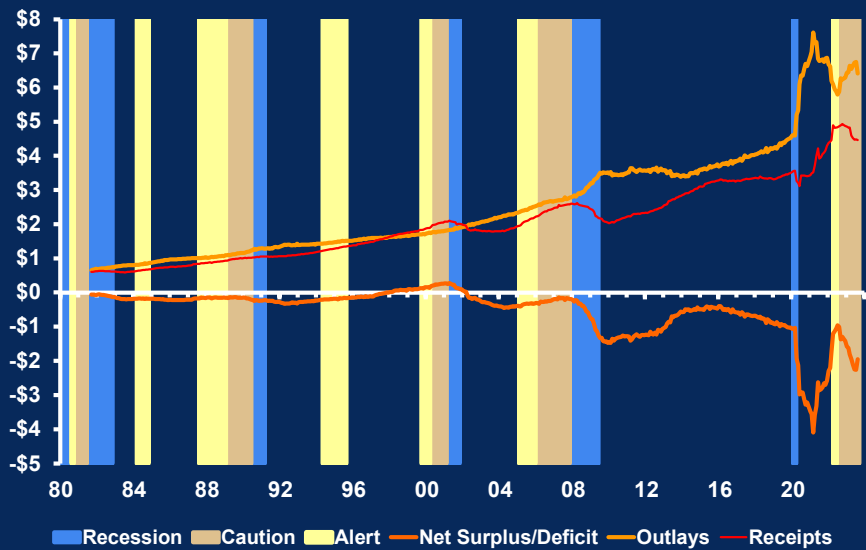
## M2 Growth and Zempel Zones ©

(M2 Money Stock) (Monthly)

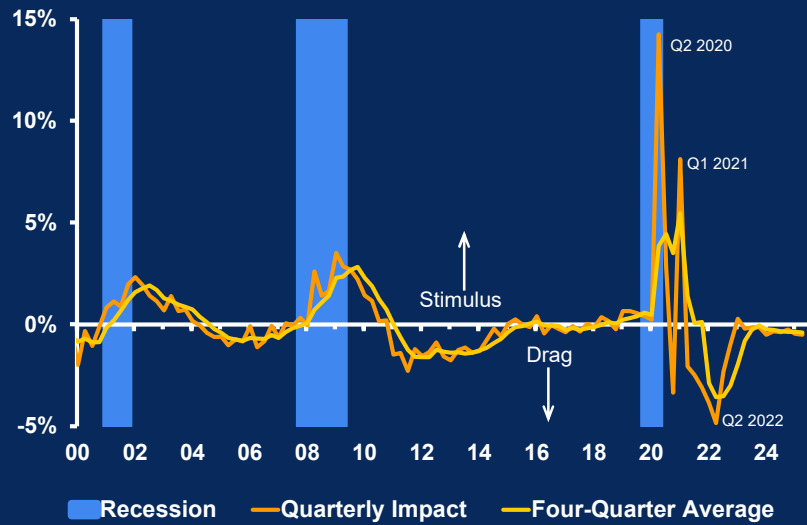


## Federal Budget and Zempel Zones ©

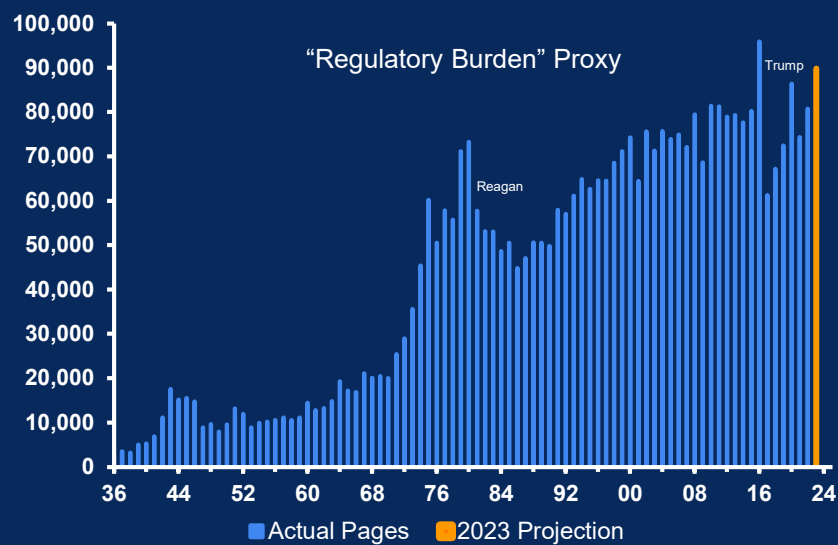
(Trillions) (Monthly) (12-Month Totals)



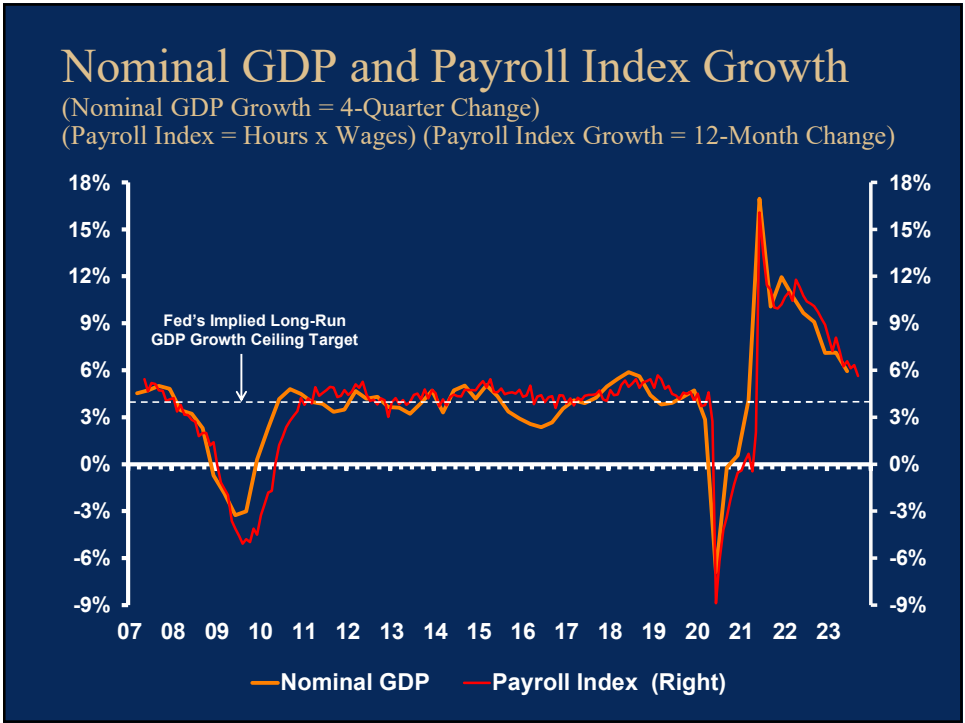
## Hutchins Center Fiscal Impact Measure (GDP Growth Contributions)



## Federal Register Page Count (Actual Annual Totals in 1936-2022)

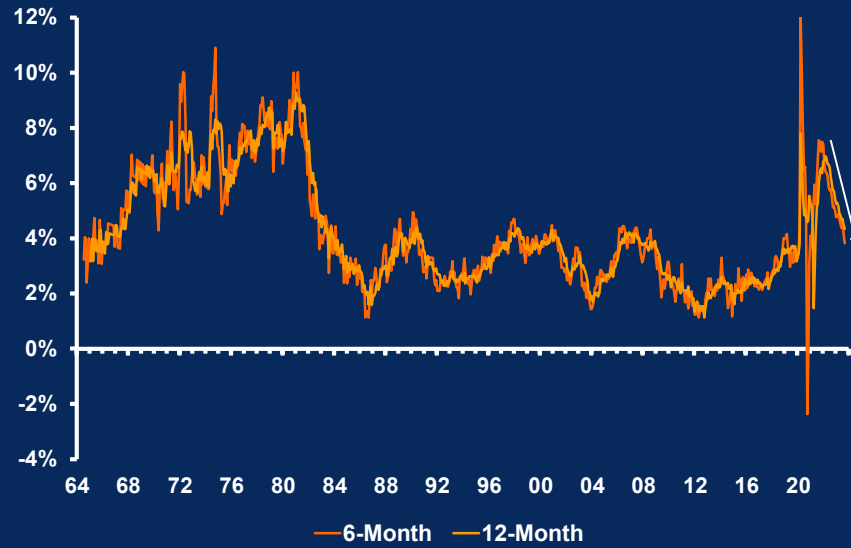




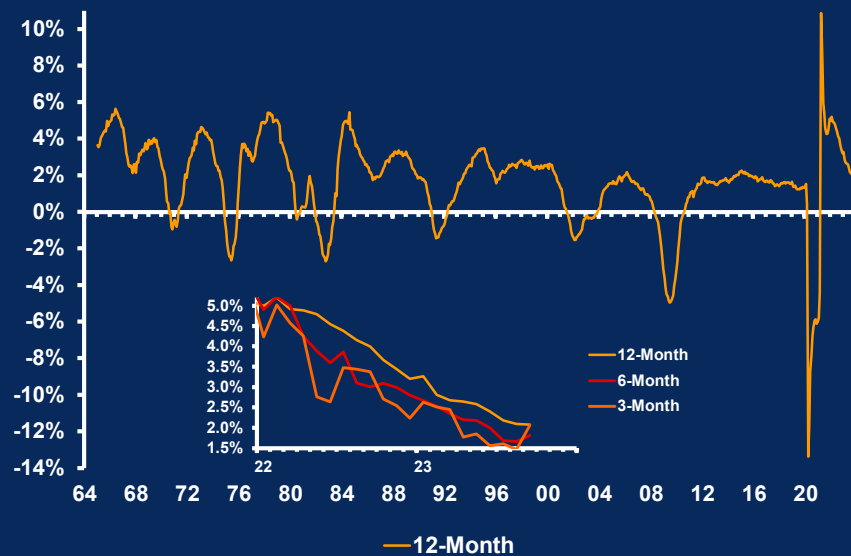


## Average Hourly Earnings Growth

(Private Production and Nonsupervisory Employees)



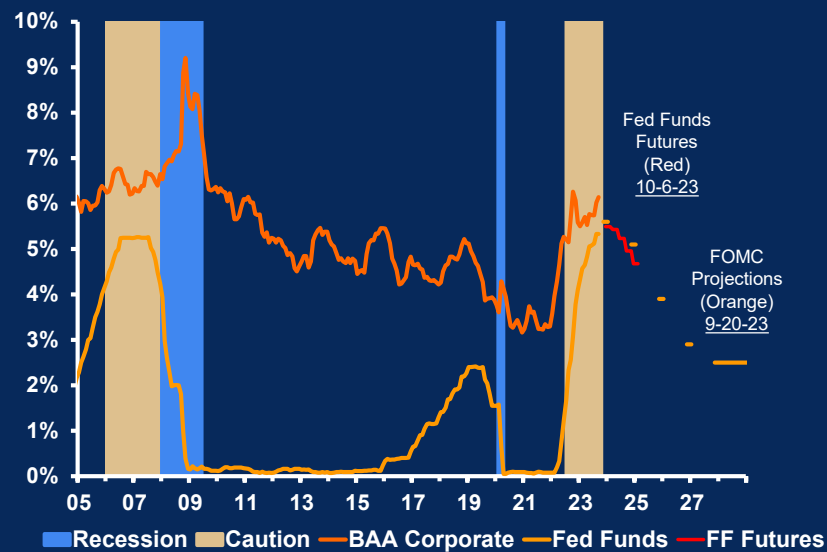
## Nonfarm Employment Growth



## Payroll Index Growth (Payroll Index = Hours x Wages)



## Interest Rate Prospects





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### The Economic and Market Outlook 2023 – 2028

Inflation Has Peaked – Fed's Target Achievable Soon  
Monetary Policy Remains Restrictive  
Fiscal Policy Remains Restrictive  
Political Prospects Unpromising  
No Recession If Inflation Falls Further + Fed Eases  
Fed's Rate Hawkishness Risks Recession Next Year

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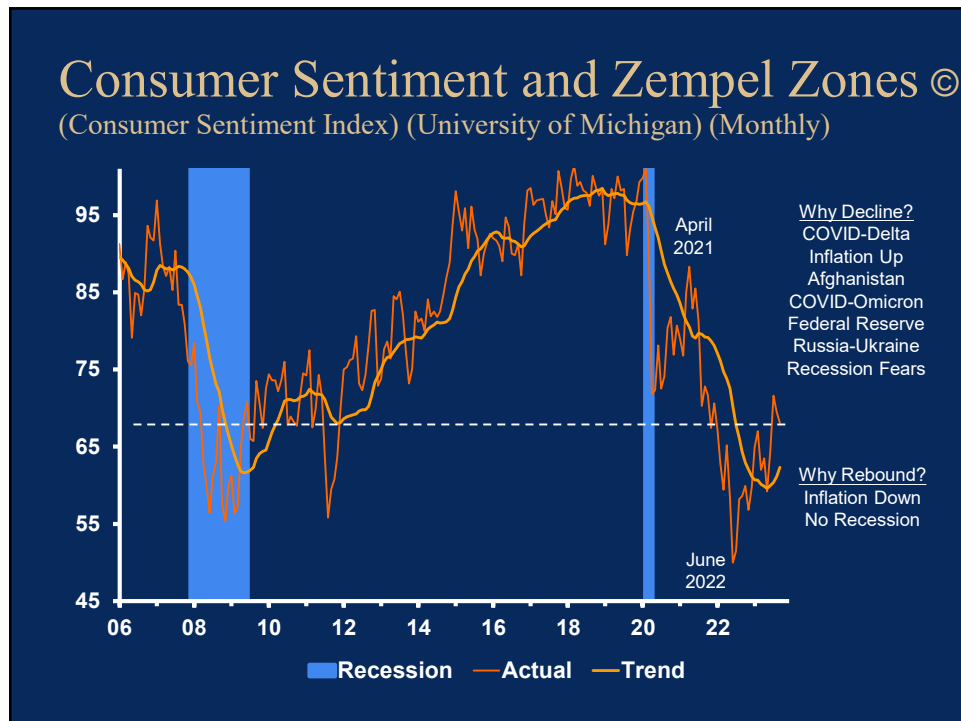
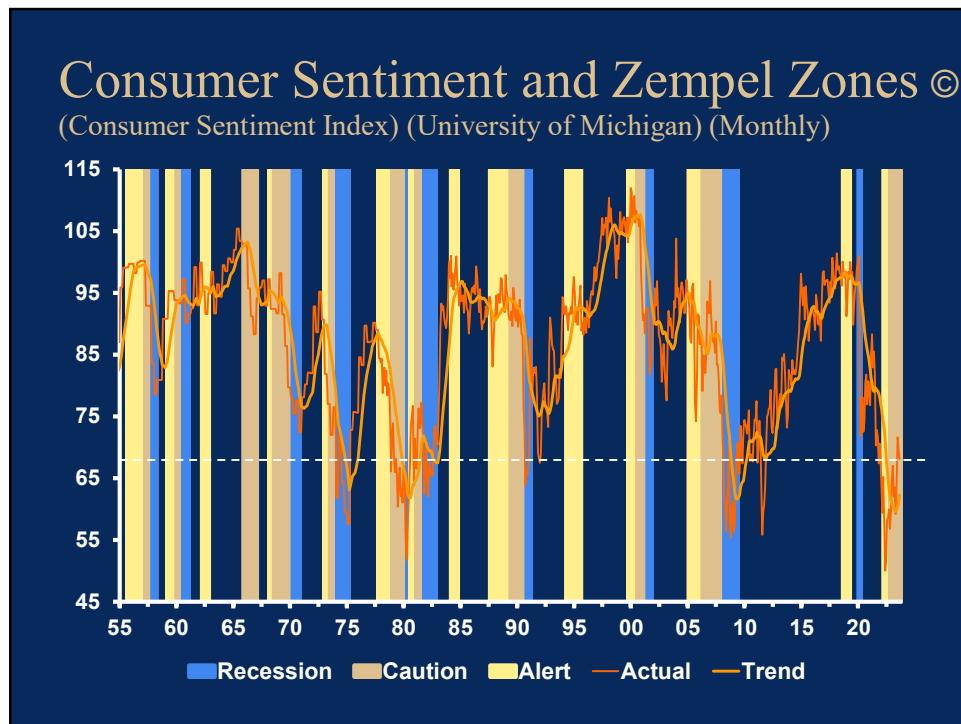


## WICPA Accounting and Auditing Conference

### The Economic and Market Outlook 2023 – 2028

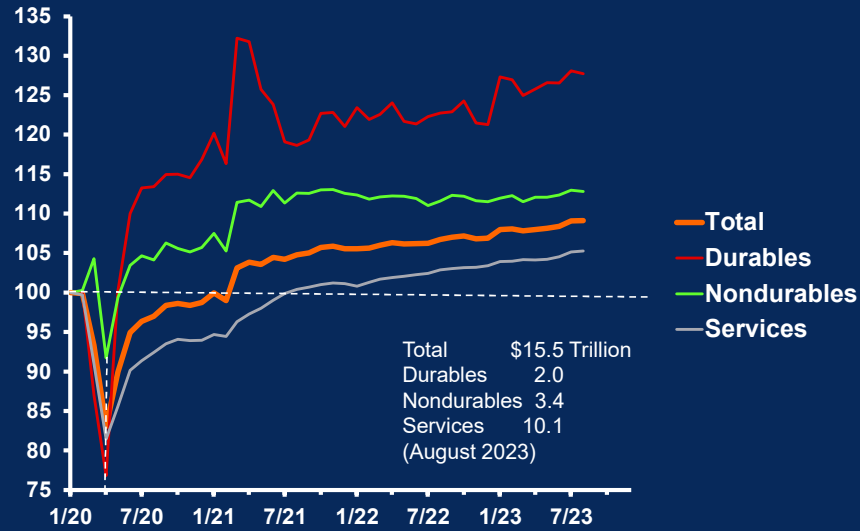
Economic Sector Performances  
Overall Prospects Remain Positive But Not Robust

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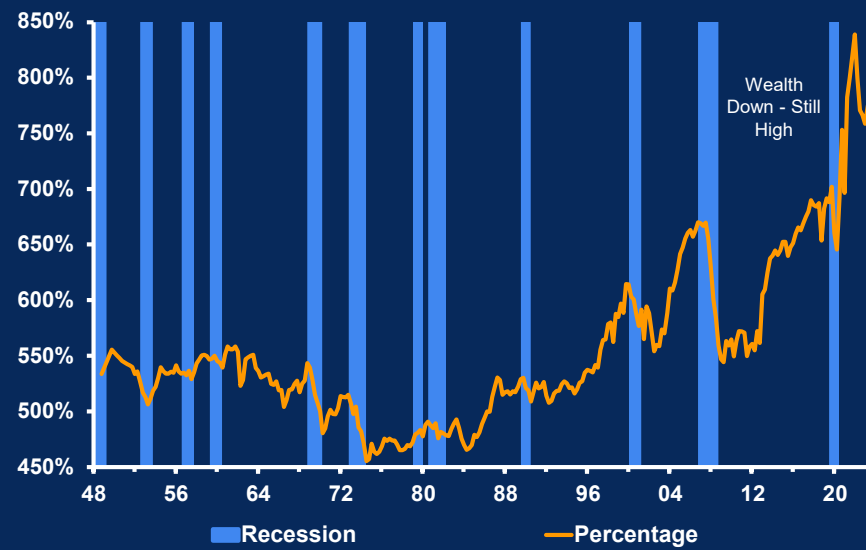
## Real Personal Consumption Indexes

(January 2020 = 100)

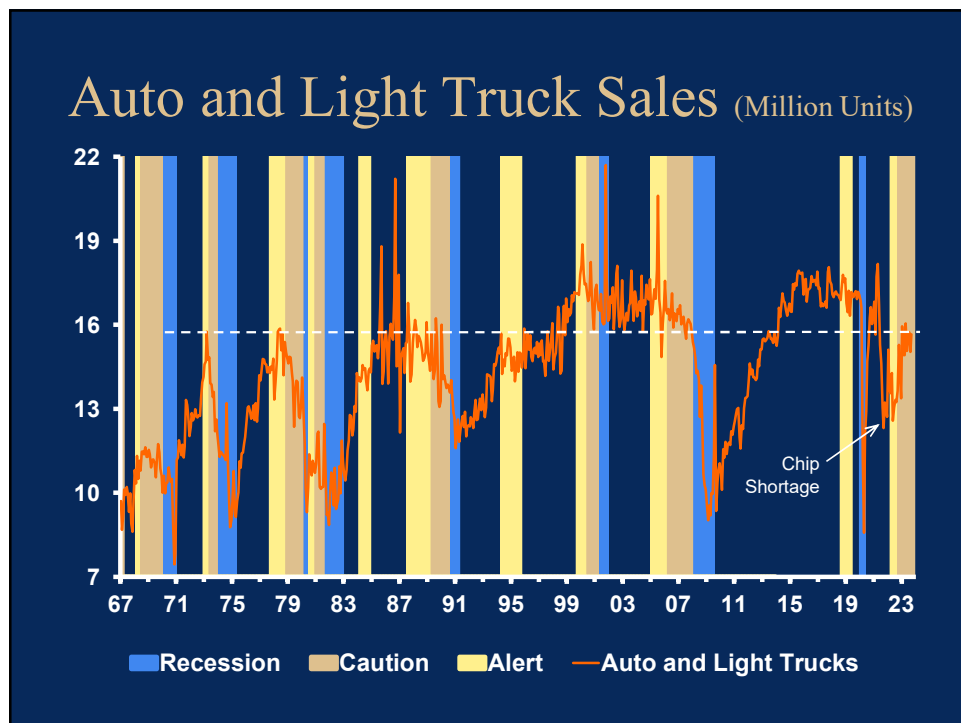
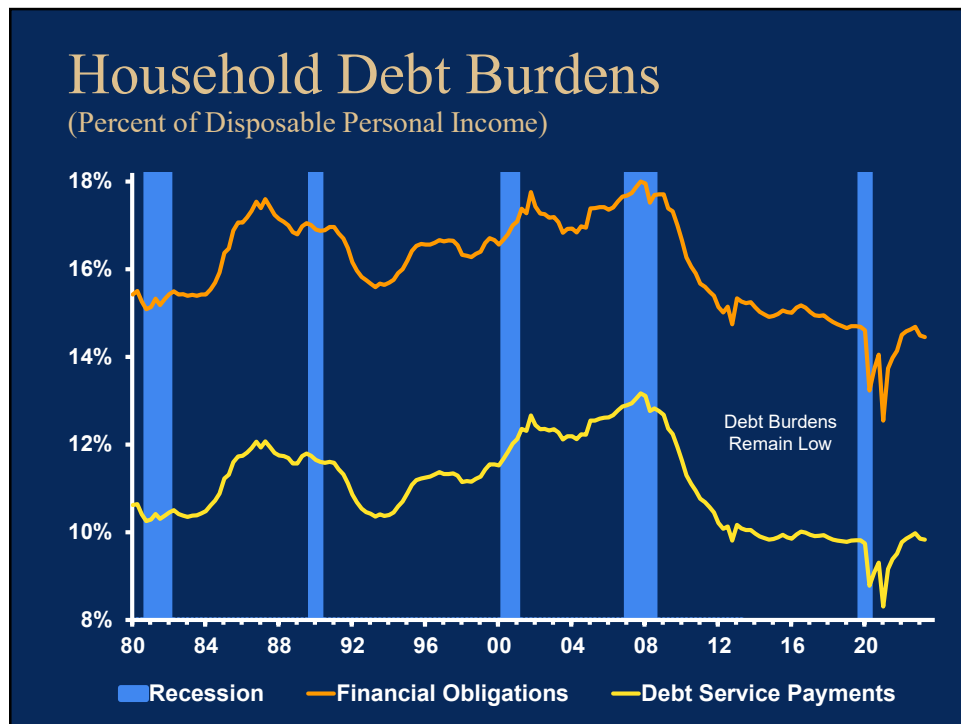


## Net Worth (Percentage of DPI)

(Households and Nonprofit Organizations)

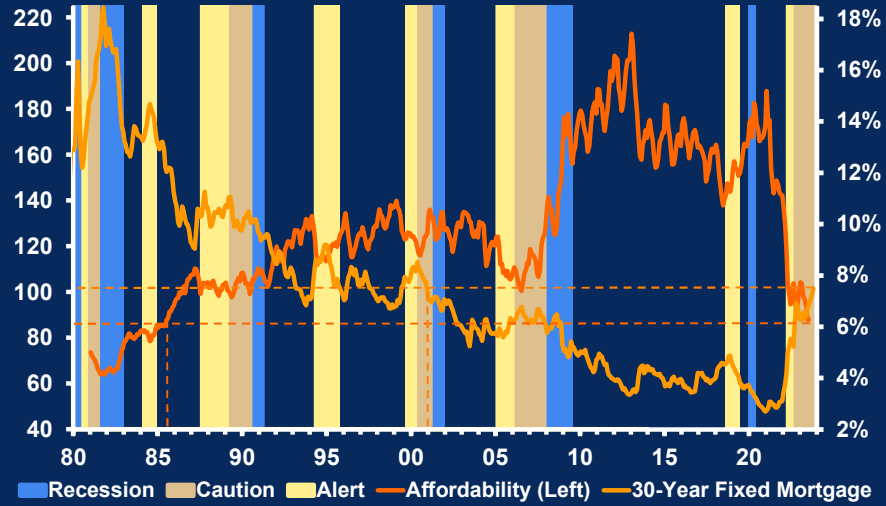




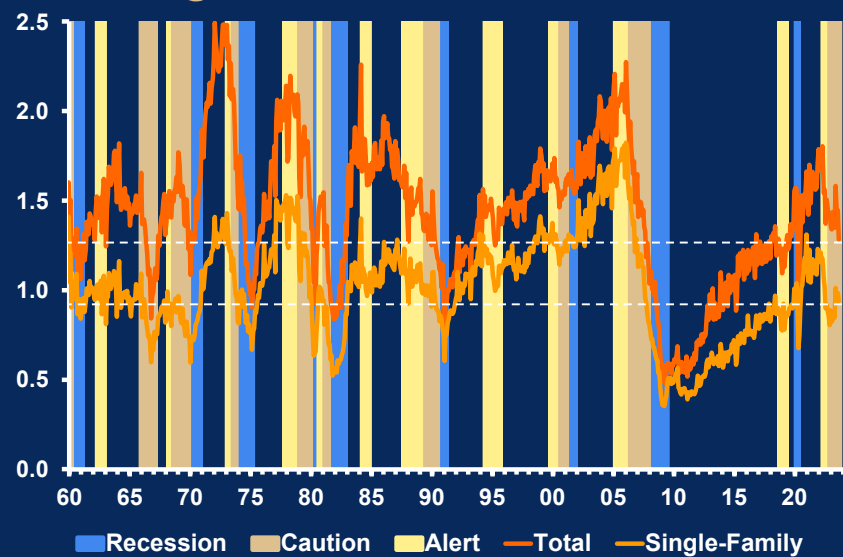


## Mortgage Rate and Affordability

(National Fixed-Rate Average) (Fixed-Rate Affordability Index)

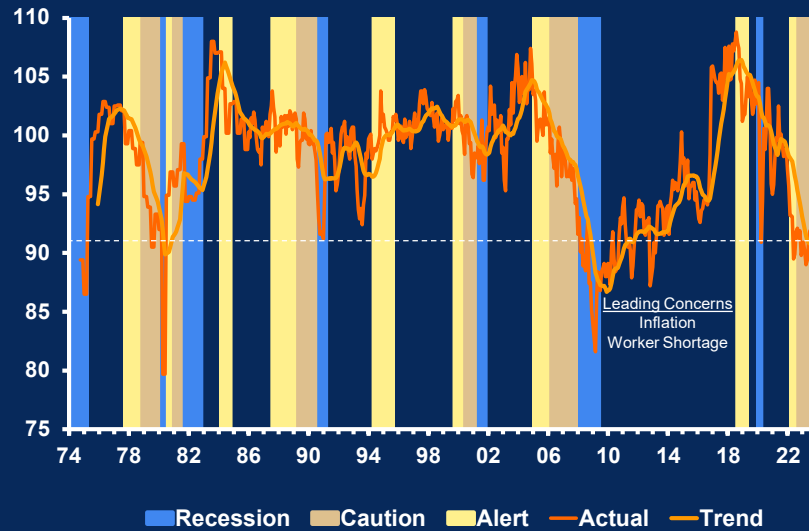


## Housing Starts (Million Units)



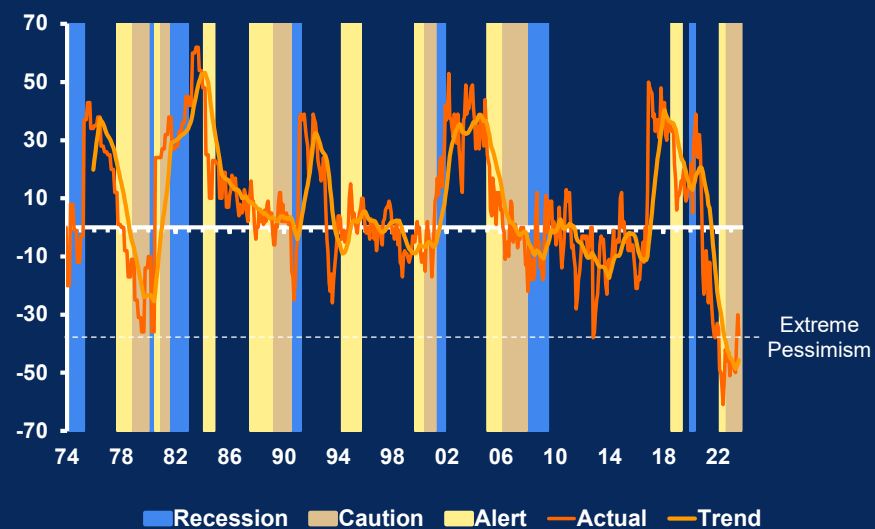
## NFIB Optimism and Zempel Zones ©

(Small Business Optimism Index) (Monthly Since 1986)



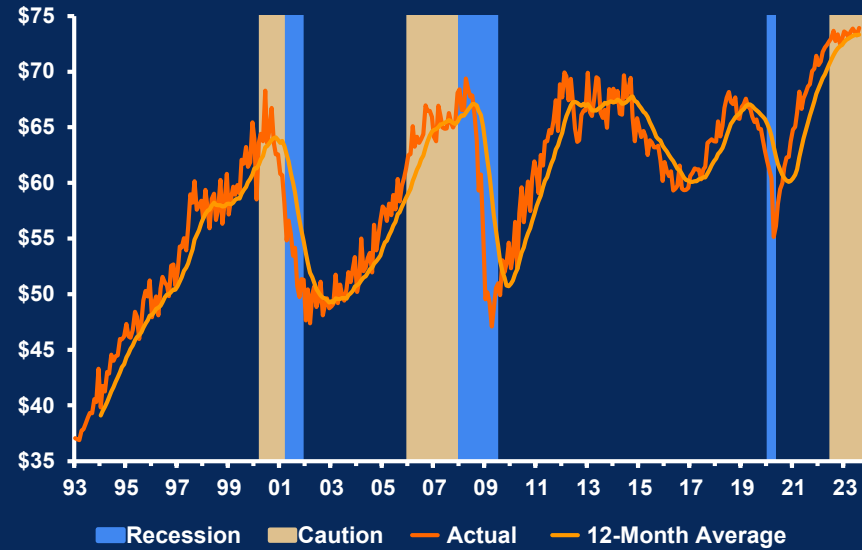
## NFIB Outlook and Zempel Zones ©

(NFIB = National Federation of Independent Business) (Small Business Economic Trends)  
(Net Percent "Better" Minus "Worse" Six Months from Now) (Monthly Since 1986)



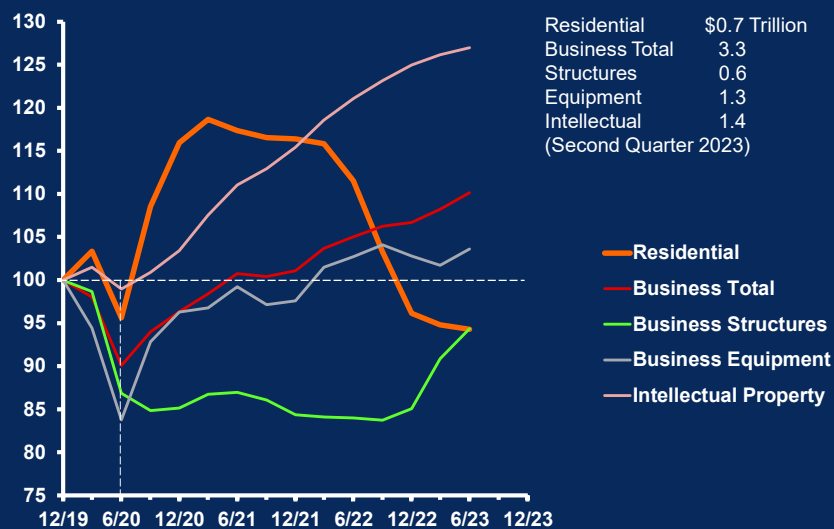
## New Non-Defense Capital Goods Orders

Excluding Aircraft (Monthly) (Current Dollars) (Billions)



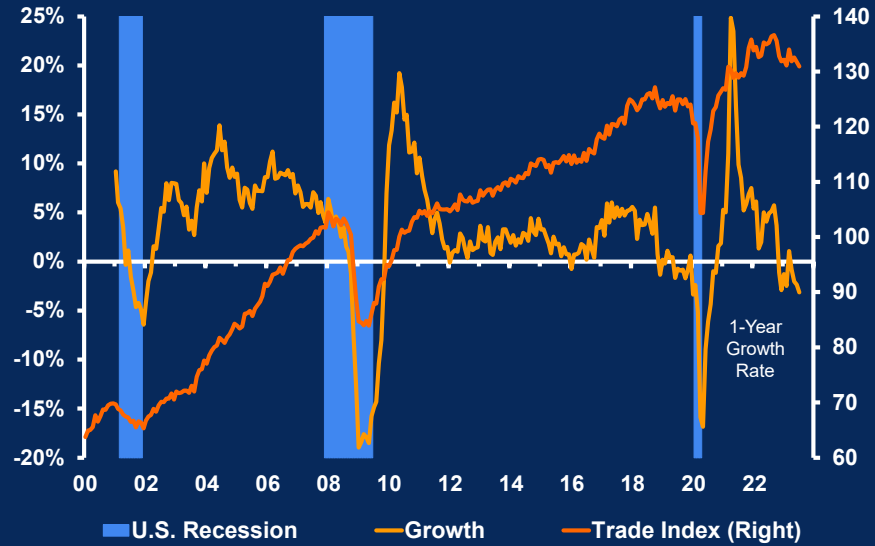
## Real Investment Indexes

(Quarterly) (December 2019 = 100)



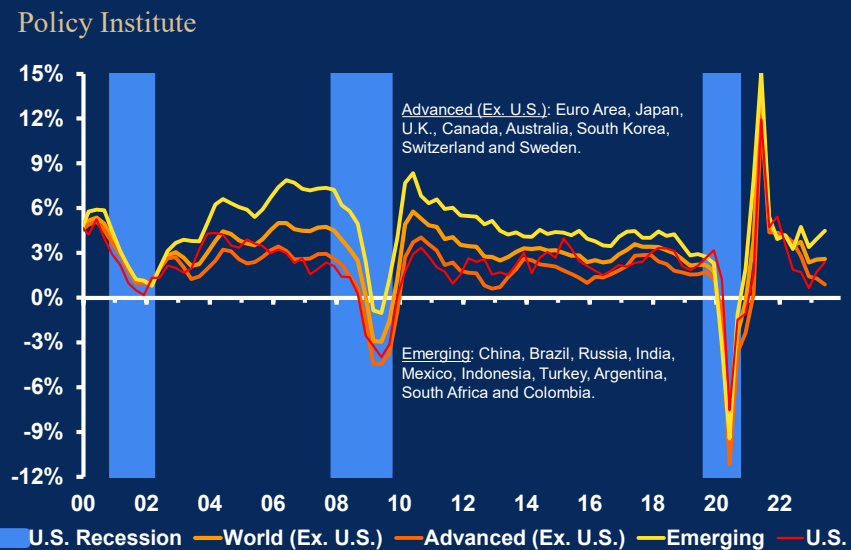
# World Trade Volume Index

(CPB Netherlands Bureau for Economic Policy Analysis) (2010 = 100)



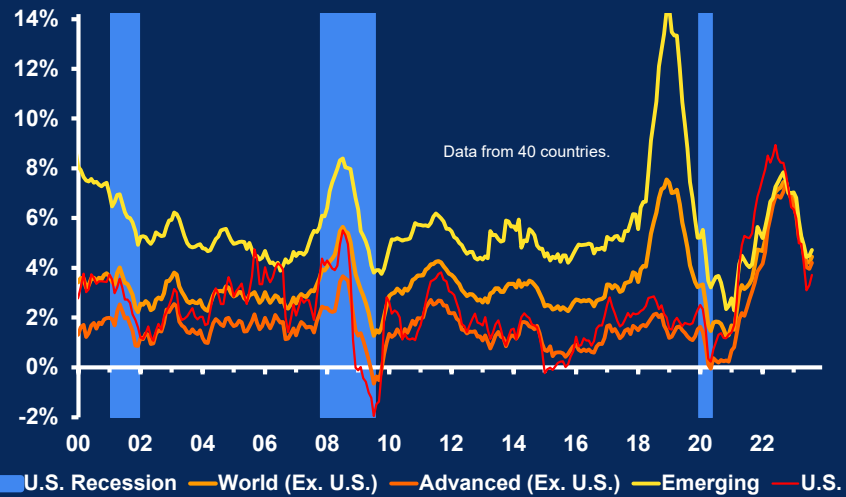
# World Real GDP

Dallas Fed's Globalization & Monetary Policy Institute



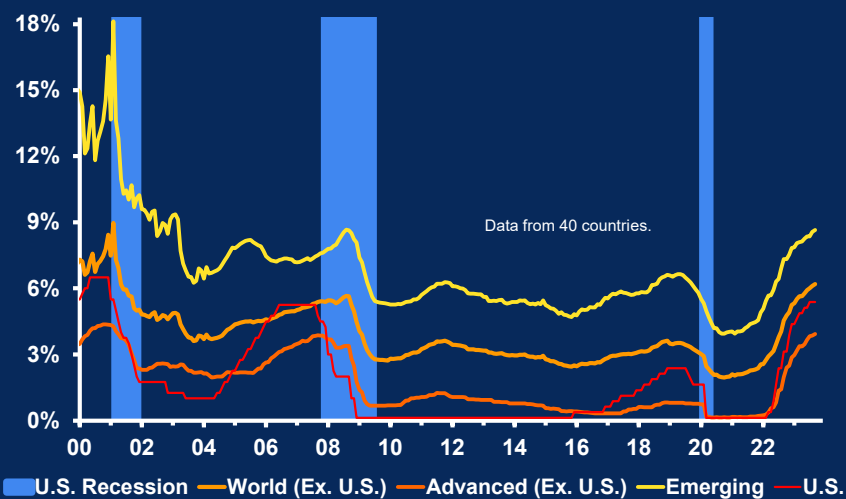
# World Headline CPI Inflation Rates

Dallas Fed's Globalization & Monetary Policy Institute



# World Policy Short-Term Interest Rates

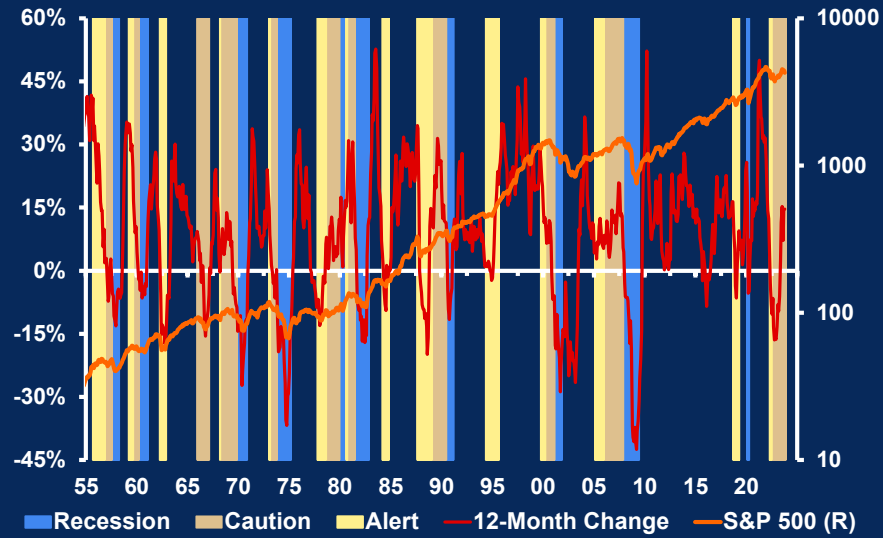
Dallas Fed's Globalization & Monetary Policy Institute





# S&P 500 Index and Changes

(12-Month Percentage Change)



## WICPA Accounting and Auditing Conference

### Stock Market Model Components

Momentum  
Interest-Rate Changes  
Valuation

### Stock Market Valuation Index Concepts

Ratio = Bond Yield / Earnings Yield

Earnings Yield =  $E/P$

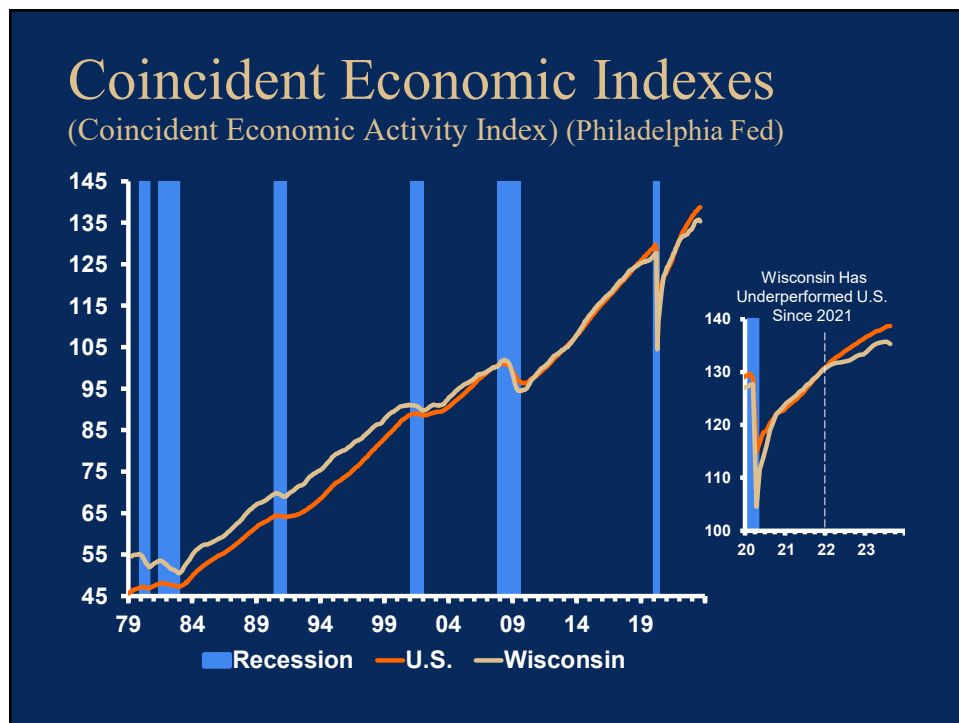
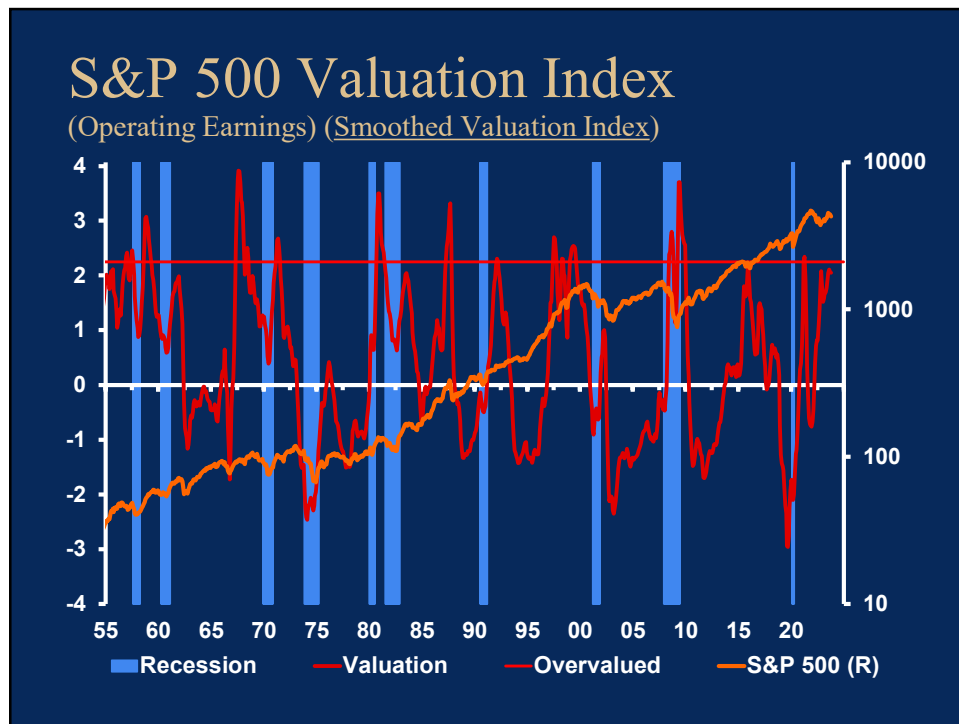
Valuation Index = Normalized Ratio

Bond Yield = Moody's BAA Corporate Bond Yield

E = Trailing Year Operating Earnings

P = S&P 500 Index

Normalization =  $(\text{Actual} - \text{Mean}) / \text{Standard Deviation}$





## WICPA Accounting and Auditing Conference

### The Economic and Market Outlook 2023 – 2028

Has Recession Started? No

What Do “Best Indicators” Predict? Slowdown + Recession

Can Recession Be Averted? Or Downside Limited? Yes

Best Case? Inflation Slows Further + Fed Tempers Hawkishness

How Would Sectors Perform Then? Moderate Expansion

Worst Case? Fed’s Hawkishness Triggers 2024 Downturn

What to do now depends on sensitivity to economic slowdowns.

“Alert Zone” means temper optimism.

“Caution Zone” now means plan for recession.

Delay implementation until jobless claims soar or own orders drop.

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## Questions...

Clare W. Zempel, CFA, CBE

Zempel Strategic

Applied Economics and Financial Market Analysis

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[CZempel@ZempelStrategic.com](mailto:CZempel@ZempelStrategic.com)

(414) 351-1250

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9:25 – 10:15 a.m.

# ESG: Current State of Play: What Companies Need to Know Now

**Karen Baum, CPA, CFE**, *Managing Partner, Sustainability & ESG Services, BDO USA, LLP*

## Firm Names New Sustainability & ESG Leader; Tower To Retire

The firm has announced a new Sustainability & Environmental, Social & Governance (ESG) leader: **Karen Baum** will take on the role of Sustainability & ESG managing partner and oversee the U.S. ESG Center of Excellence (COE), effective Nov. 1. She will succeed **Christopher Tower**, who **will retire on Oct. 31**. In addition to these roles, Baum will continue to co-lead BDO Global Sustainability & ESG Services development, working with sustainability experts across the globe to drive creativity and innovative solution design.

"I'd like to thank Christopher for taking on the role of BDO's first ESG head and for his tireless efforts to drive this important area forward. to the numerous other leadership positions he has held over the years," says CEO **Wayne Berson**. "We will miss the passion he brought to all the leadership positions he held over the years and wish him all the best in his retirement."

"I'd also like to congratulate Karen on her new role," he adds. "I look forward to her leadership in continuing to build our sustainability credentials and grow this exciting area of our business."

## SUSTAINABILITY & ESG: A BRIGHT FUTURE

As one of the five CLIMB strategic imperatives, Sustainability is critical to the firm's success. Under Tower's leadership, the firm established an ESG Center of Excellence, published its inaugural sustainability report and participated in its first Climate Week, among other accomplishments.

"I'm excited to step into this role at this critical juncture," says Baum. "Sustainability is a business imperative and will be transformational for BDO and our clients."

Noting that the ESG market was estimated at \$50 billion last year and is only expected to grow, Baum says adapting our services to the evolving market will be key to activating the tremendous revenue potential sustainability presents across all business lines.

"On behalf of the entire COE team, we're truly grateful to Christopher for his vision and legacy - and will continue to deliver on our promise of excellence."

## ABOUT BAUM

Baum has led the firmwide ESG Services Strategy and has served as Advisory's ESG Services leader since the ESG (now Sustainability) strategic imperative was established in September 2021 and will continue to lead Sustainability & ESG services development globally. As a corporate finance professional, she has served as Advisory's National Market leader and Transaction Advisory Services National Partner at BDO in addition to serving in industry in multiple C-suite roles for private equity backed portfolio companies. Her industry experience includes serving clients in the consumer products, entertainment, media and broadcasting, healthcare, retail and technology sectors.

Related article:

- 22 Principals Retiring Through Year-End — Wish Them Well

## SIDEBAR

### SUSTAINABILITY & ESG HIGHLIGHTS

BDO has made great strides to expand its environmental, social and governance (ESG) commitments, set data-driven goals and take action, including:

- Signing the [United Nations Global Compact](#).
- Joining the [Net Zero Financial Service Providers Alliance](#).
- Engaging stakeholders through a materiality assessment.
- Completing a full greenhouse gas inventory to determine the firm's carbon footprint.
- Pledging to achieve net-zero greenhouse gas emissions by or before 2050 and halving emissions by 2030.
- Committing to the [Science Based Targets initiative](#).
- Bringing to market sustainability and ESG service offerings.

10:30 – 11:20 a.m.

# The Great GASB/FASB: The Hits Keep on Coming

**Gerry Boaz, CPA, CGFM, CGMA, *Technical Manager,***  
*Comptroller of the Treasury, Tennessee Division of State Audit*



# **WICPA Accounting and Auditing Conference**

**November 9, 2023**

## **The Great GASB/FASB: The Hits Keep on Coming**

**Gerry Boaz, CPA, CGFM, CGMA**

**Technical Manager, Comptroller of the Treasury, Division of State Audit**

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**(615) 747-5262**



## **Disclaimer**

The opinions and views expressed in this presentation are my own and do not necessarily represent the opinions or views of the TN Comptroller of the Treasury, his representatives, or the TN Department of Audit. Official positions are determined only after due process and deliberation.



## Gerry Boaz, CPA, CGFM, CGMA

Gerry has been with the TN Comptroller of the Treasury, Division of State Audit, since January 1995. He was a Legislative State Auditor (LSA) for 5 years before becoming Technical Manager. As an LSA, he was an audit in-charge for 3 of the 5 years primarily on college and university audits. As the Technical Manager, he is primarily responsible for monitoring GASB, FASB, AICPA, OMB, and GAO accounting, auditing, and compliance standards relating to financial statement and financial-related audits. He reviews financial statement audits for adherence to the above principles and standards, as well as to AICPA and GAO auditing standards. He responds to all due process documents of the above standard setters, as applicable. He serves as a representative of NASACT by observing and writing an account of the GASB meetings.

He was a member of the AICPA's Auditing Standards Board for a three-year term (1/2015-1/2018), as well as its Audit Issues Task Force. He has served and currently serves on various GASB, NASACT, GAO, and AICPA task forces and working groups. He represents State Audit on the NSAA's Single Audit Committee; Auditing Standards and Reporting Committee (ASRC); and Peer Review Committee. He has served as a Vice Chair for both the Single Audit and ASRC committees. He is also an active member in the AGA. He served on the AGA National Governing Board (NGB) as AGA National President during the 2021-22 program year and serves on AGA's Financial Management Standards Board (FMSB), Leadership Development Committee (LDC - co-chair), and the Past National President/Treasurer Council (PNP/PNT - co-chair). He was the Nashville AGA Chapter President for the 2006-07 program year. He served on AGA's Professional Certification Board (PCB) for 7 years (2007-14) and as the PCB Chair for 4 of those years. He was also a member of AGA's National Executive Committee (now NGB) as a result of being the PCB Chair. He served on AGA's Governance Committee 7/1/2015—6/30/ 2019, and as Chair for the 2017-18 program year. He served as AGA's Southeast Regional Vice President (RVP) during the 2015-16 program year and as a result served on AGA's national Nominating Committee. He served as a member of the GFOA's Committee on Accounting, Auditing, and Financial Reporting (CAAFR) for two 3-year terms (2004-2009) and serves on the Special Review Committee for its certificate of achievement program. He is also a 2011 alumnus of the TN Government Executive Institute.

TENNESSEE  
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TENNESSEE  
COMPTROLLER  
OF THE TREASURY

# Session Objectives

- Learn about the key GASB/FASB pronouncements
  - Currently effective
  - Soon-to-be effective
  - Practice-changing

# Effective Dates

## June 30: Fiscal Year 2023

- Statement 91 – conduit debt
- Statement 94 – public-private partnerships
- Statement 96 – SBITAs
- Statement 99 – omnibus 2022 (leases, PPPs, and SBITAs)
- IG 2020-1 – update (4.6–4.17 and 4.19–4.21)
- IG 2021-1 – update (4.1–4.21, 4.23, 5.2, and 5.4)











## June 30: Fiscal Year 2024

- Statement 99 – omnibus 2022 (financial guarantees and classification of derivatives)
- Statement 100 – accounting changes and error corrections
- IG 2021-1 – update (5.1)

## June 30: Fiscal Year 2025

- Statement 101 – compensated absences

# New GASB Statement Impact

Statement and FY Effective		Potential Level of Effort*						
		FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GASB 87 – Leases	2022							
GASB 89 – Construction-period Interest	2022	Minimal						
GASB 91 – Conduit Debt	2023							
GASB 92 – Omnibus (multiple effective dates)	Various							
GASB 93 – LIBOR Removal and Lease Modifications	2022							
GASB 94 – Public-Private Partnerships	2023							
GASB 96 – SBITA	2023							
GASB 97 – Certain Component Unit Criteria/Section 457 plans	2022							
GASB 98 – The Annual Comprehensive Financial Report	2022	Minimal						
GASB 99 – Omnibus (multiple effective dates)	Various							
GASB 100 – Accounting Changes and Error Corrections	2024							
GASB 101 – Compensated Absences	2025							

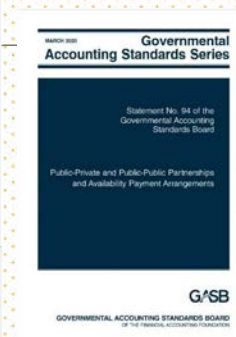
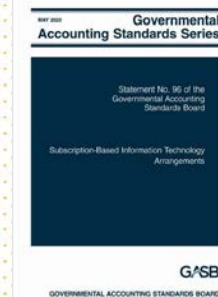
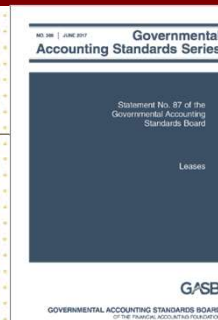
Potential Level of Effort for Preparer and Auditor\*

\*Based on June 30 fiscal years



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## Statement 96, Subscription-Based Information Technology Arrangements



## **GASB 100, Accounting Changes and Error Corrections**

June 2022

### **Governmental Accounting Standards Series**

Statement No. 100 of the  
Governmental Accounting  
Standards Board

Accounting Changes and  
Error Corrections

**GASB**

GOVERNMENTAL ACCOUNTING STANDARDS BOARD  
OF THE FINANCIAL ACCOUNTING FOUNDATION

## Accounting Changes and Error Corrections

### What?

Based on a reexamination of the requirements in Statement 62, the Board has replaced the guidance that previously existed in Statement 62 with new standards for accounting changes and error corrections.

### Why?

The previous guidance was based on several sources of accounting standards, some of which had been superseded, and much of which was been in effect without review by the GASB for decades.

### When?

Effective for changes made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Earlier application is encouraged.

## More about Why...

- ◆ Research showed issues related to:
  - Changes in accounting principle vs. correction of an error
  - How to classify changes in measurement methodology of estimates versus changes in inputs to estimates versus changes in accounting policy
  - Certain currently required disclosures were often missing
- ◆ Common questions regarding:
  - How to account for changes in reporting entity
  - Impact of changes of prior balances on RSI and SI

# Classification

- ◆ Accounting changes
  - Change in accounting principle
  - Change in accounting estimate
  - Change to or within the financial reporting entity
- ◆ Correction of an error in previously issued financial statements

## Change in Accounting Principle

- A change in accounting principle results from either:
  - A change from one generally accepted accounting principle to another that is justified on the basis that the newly adopted accounting principle is preferable
    - Preferability based on the qualitative characteristics of financial reporting
  - Implementation of new pronouncements

# Accounting Estimates

## ➤ Accounting estimates are:

- Amounts subject to measurement uncertainty that are recognized or disclosed in basic financial statements
- Outputs determined based on inputs such as data, assumptions, and measurement methodologies

# Change in Accounting Estimate

- A *change* in accounting estimate occurs when the inputs change
  - Inputs include data, assumptions, and measurement methodologies
- Changes in inputs result from:
  - Change in circumstance
  - New information
  - More experience
- Change in measurement methodology should be justified on the basis that new methodology is preferable
  - Based on qualitative characteristics of financial reporting



## Change to or within the Financial Reporting Entity

- A change to or within the financial reporting entity results from:
  - Addition/removal of a fund that results from movement of continuing operations within the primary government, including its blended component units
  - A change in the fund presentation as major or nonmajor
  - Addition/removal of a component unit (except for acquisitions, mergers, and transfers of operations, and Statement 90 component units)
  - Change in presentation (blended or discrete) of a component unit



## Correction of an Error

- An error results from:
  - Mathematical mistakes
  - Misapplication of accounting principles
  - Oversight or misuse of facts that existed at the time the financial statements were issued about conditions that existed as of the financial statement date
    - Facts that could reasonably be expected to have been obtained and taken into account at that time about conditions that existed as of the financial statement date



## Accounting for Accounting Changes and Error Corrections

### Change in accounting principle

- Reported retroactively by restating prior periods presented, if practicable
- If not practicable, restate beginning balances of current period

### Change in accounting estimate

- Reported prospectively
- Recognized in current-period flows

### Change to/within the reporting entity

- Reported by adjusting current period beginning balances

### Error correction

- Reported retroactively by restating prior periods presented



## Display

### Shown separately

- Aggregate amount of adjustments to and restatements of beginning balances (net position, fund balance, or fund net position) should be displayed for each reporting unit
  - For purposes of these requirements, means each separate column in the basic financial statements except for the total columns.



## Note Disclosures

Disclosures vary depending on the type of item, but common disclosures include:

The nature of the change or error and its correction

Reason for the change

The effects on beginning net position, fund balance, or fund net position, as applicable, presented in a tabular format



## RSI and SI

The Statement addresses how to present in RSI and SI information that is affected by an accounting change or error correction

Periods earlier than those presented in basic financial statements should **not** be restated for changes in accounting principles

Periods earlier than those presented in basic financial statements should be restated for error corrections, if practicable



# Statement 101, *Compensated Absences*

June 2022

## Governmental Accounting Standards Series

Statement No. 101 of the  
Governmental Accounting  
Standards Board

Compensated Absences

**GASB**

GOVERNMENTAL ACCOUNTING STANDARDS BOARD  
OF THE FINANCIAL ACCOUNTING FOUNDATION



# Compensated Absences

## What?

The Board has amended existing guidance for compensated absences

## Why?

A review of Statement 16 indicated opportunities for improvement and additional guidance for certain types of leave

## When?

Effective for fiscal years beginning after December 15, 2023.

Earlier application is encouraged

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# More about Why...

- Types and application of paid leave has changed since 1992 when GASB 16 was issued.
  - How should certain types of leave accounting for?
    - PTO
    - Unlimited leave
    - Compensatory time
    - Parental leave
    - Military leave
    - Sabbaticals
  - Does it make sense that vacation and sick leave are treated differently given how these are applied and used?

## Scope and Applicability

### A compensated absence is

- Leave for which employees may receive one or more:
  - Cash payments when the leave is used for time off
  - Other cash payments, such as payment for unused leave upon termination of employment
  - Noncash settlement, such as conversion to postemployment benefits

### Examples:

- Vacation and sick leave
- Paid time off (PTO)
- Holidays
- Parental leave
- Certain types of sabbatical leave

## Recognition Criteria – Leave that has not been used

### Leave is attributable to services already rendered

- Employee has performed the services required to earn the leave

### Leave accumulates

- Can be carried forward from reporting period when earned to a future reporting period when it will be used or otherwise paid or settled

### Leave is *more likely than not* to be used for time off or otherwise paid or settled

- Likelihood of more than 50 percent

## Exceptions to the General Recognition Approach

### Leave more likely than not to be settled through conversion to defined benefit postemployment benefits

- Excluded from liability

### Leave that is dependent upon the occurrence of a sporadic event that affects a relatively small proportion of employees in any particular reporting period

- Recognize liability when leave commences
- Parental leave, military leave, jury duty recognized when commences
- Not sick leave or sabbatical leave

### Unlimited leave and holiday leave taken on specific date

- Recognize liability when used

## Liabilities for Compensated Absences

Leave that has  
been used but  
not yet paid or  
settled

Leave that  
has not  
been used

Include salary-related  
payments with both

## Leave Used But Not Paid



Liability for amount  
of cash payment or  
noncash settlement

Include applicable  
salary-related  
payments



## Leave that has not been used...

### Pay rate

Generally the employee's pay rate at financial reporting date

Exception: more likely than not to be paid at a different rate

### Salary-related payments

Directly and incrementally related

DC pension or OPEB recognized as related leave is earned – not pension or OPEB liability

DB pension or OPEB excluded

## Current Financial Resources Measurement Focus

Expenditures for amount that normally would be liquidated with expendable available financial resources



Interpretation No. 6 – liability upon the occurrence of relevant events such as employee resignations and retirements



## Note Disclosures and Effective Date

### ➤ Note disclosures

- No new note disclosures
- Exceptions to existing long-term liability disclosures for compensated absences:
  - Option to present net increase or decrease with indication that it is a net amount
  - Not required to disclose governmental fund used to liquidate

### ➤ Effective date

- Fiscal years beginning after December 15, 2023

## Emerging Issues and Current Agenda

# Exposure Draft

## ◆ GASB Proposes Guidance on Disclosure and Classification of Certain Capital Assets [09/28/23]

## Technical Plan Overview – As of September 2023

- **Conceptual Framework:**
  - Recognition
- **Comprehensive Projects:**
  - Financial Reporting Model (FRM) Re-examination
  - Revenue and Expense Recognition (RER)
- **Major Projects:**
  - Going Concern Uncertainty (GCU) and Severe Financial Stress (SFS)
  - Infrastructure Assets
- **Practice Issues:**
  - Implementation Guide—Update
  - Nonfinancial Assets
  - Certain Risks Disclosures
- **Pre-Agenda Research Activities:**
  - Subsequent Events (now added to Current Technical Agenda)

# Emerging Issues

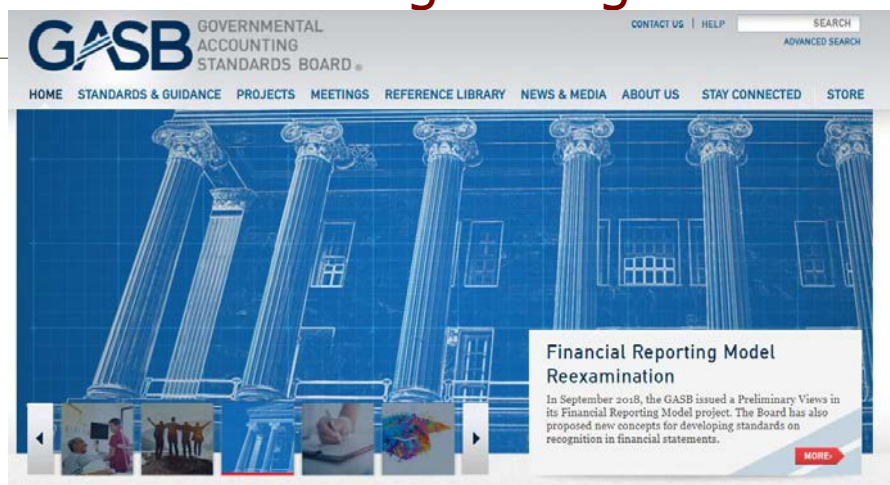
Financial Data Transparency Act

Opioid Settlement

Environmental Credits

Digital Assets

[www.gasb.org](http://www.gasb.org)



## Website Resources

- Free download of Statements, Implementation Guides, Concepts Statements and other pronouncements
- Free access to the Governmental Accounting Research System (GARS) Pro
- Free copies of proposals
- Up-to-date information on current projects
- Form for submitting technical questions
- Educational materials, including podcasts

## FASB's Top Hits

## FASB Accounting Standards Updates in 2023

- Update 2023-05—Business Combinations—Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement
- Update 2023-04—Liabilities (Topic 405): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 121 (SEC Update)
- Update 2023-03—Presentation of Financial Statements (Topic 205), Income Statement—Reporting Comprehensive Income (Topic 220), Distinguishing Liabilities from Equity (Topic 480), Equity (Topic 505), and Compensation—Stock Compensation (Topic 718): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 120, SEC Staff Announcement at the March 24, 2022 EITF Meeting, and Staff Accounting Bulletin Topic 6.B, Accounting Series Release 280—General Revision of Regulation S-X: *Income or Loss Applicable to Common Stock* (SEC Update)



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## FASB Accounting Standards Updates in 2023

- Update 2023-02—Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (a consensus of the Emerging Issues Task Force)
- Update 2023-01—Leases (Topic 842): Common Control Arrangements
- Digital Assets – recognition at fair value




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# Questions

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