



We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

Accounting and Auditing Update

TXCPA Dallas Convergence 2025



The information herein has been provided by CliftonLarsonAllen LLP for general information purposes only. The presentation and related materials, if any, do not implicate any client, advisory, fiduciary, or professional relationship between you and CliftonLarsonAllen LLP and neither CliftonLarsonAllen LLP nor any other person or entity is, in connection with the presentation and/or materials, engaged in rendering auditing, accounting, tax, legal, medical, investment, advisory, consulting, or any other professional service or advice. Neither the presentation nor the materials, if any, should be considered a substitute for your independent investigation and your sound technical business judgment. You or your entity, if applicable, should consult with a professional advisor familiar with your particular factual situation for advice or service concerning any specific matters.

CliftonLarsonAllen LLP is not licensed to practice law, nor does it practice law. The presentation and materials, if any, are for general guidance purposes and not a substitute for compliance obligations. The presentation and/or materials may not be applicable to, or suitable for, your specific circumstances or needs, and may require consultation with counsel, consultants, or advisors if any action is to be contemplated. You should contact your CliftonLarsonAllen LLP or other professional prior to taking any action based upon the information in the presentation or materials provided. CliftonLarsonAllen LLP assumes no obligation to inform you of any changes in laws or other factors that could affect the information contained herein.



Introductions



About the Speaker



Harrison Powers, CPA
Principal

A principal with CliftonLarsonAllen LLP where he specializes in assurance and consulting services to community financial institutions, private lenders, insurance, and financial technology companies.

He received his undergraduate degree from the University of Texas at Austin and his master's degree from the University of Texas at Dallas. He is also a graduate of the Southwestern Graduate School of Banking and a certified public accountant.



Learning Objectives

- Review recent trends in audit practices
- Learn how to apply new trends in your professional practice
- Understand recent changes in accounting standards
- Analyze new audit standards



Agenda

Part I:

Current and future state

- Practical observations
- FASB and AICPA priorities
 - Future standards

Part II:

Accounting and audit update

- Summary of impactful accounting standards





Part I: Current and Future State





Practical Observations



Practical Observations in 2025

Generative AI adoption



Talent challenges

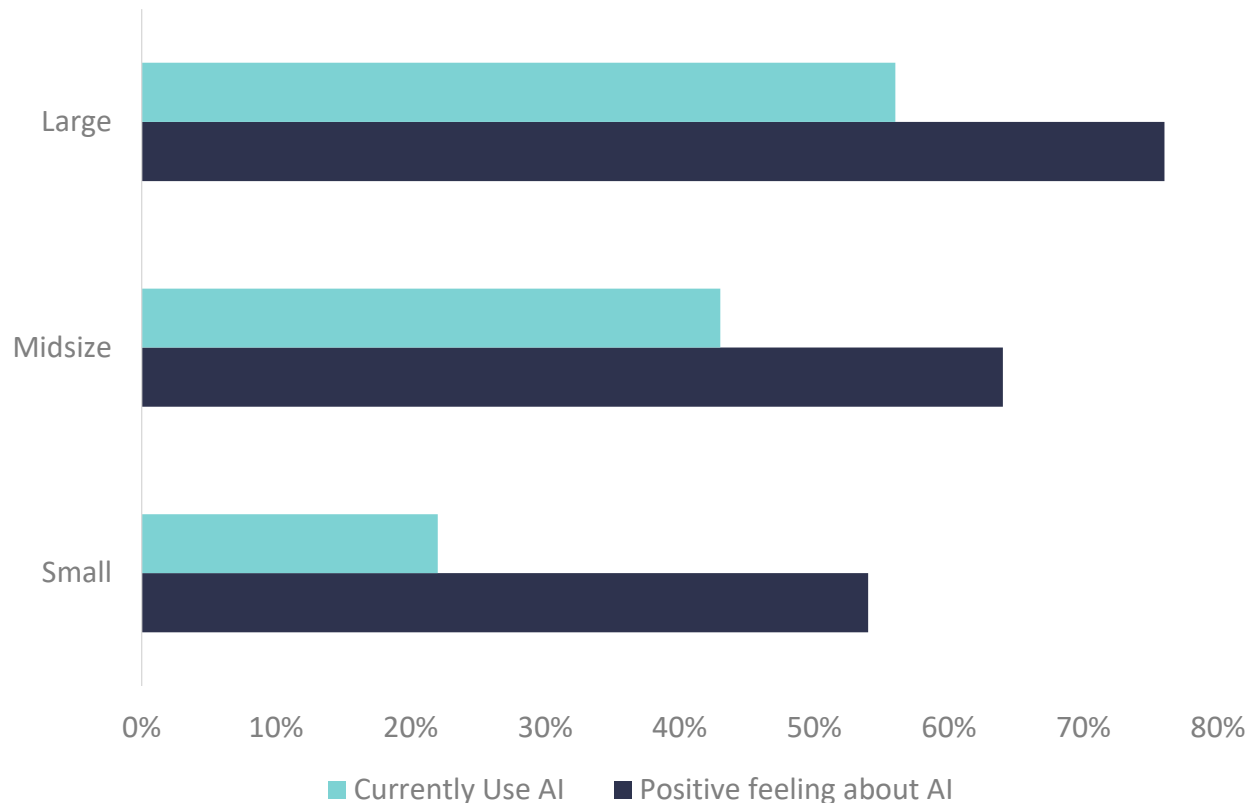


Shifting away from compliance



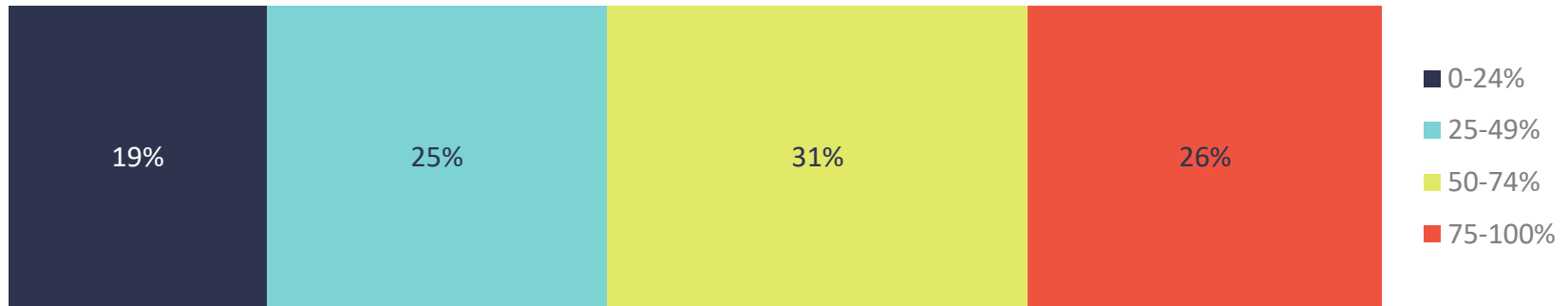
Technology

- 57% of CPAs believe GenAI will have a significant impact
- 27% currently use GenAI now



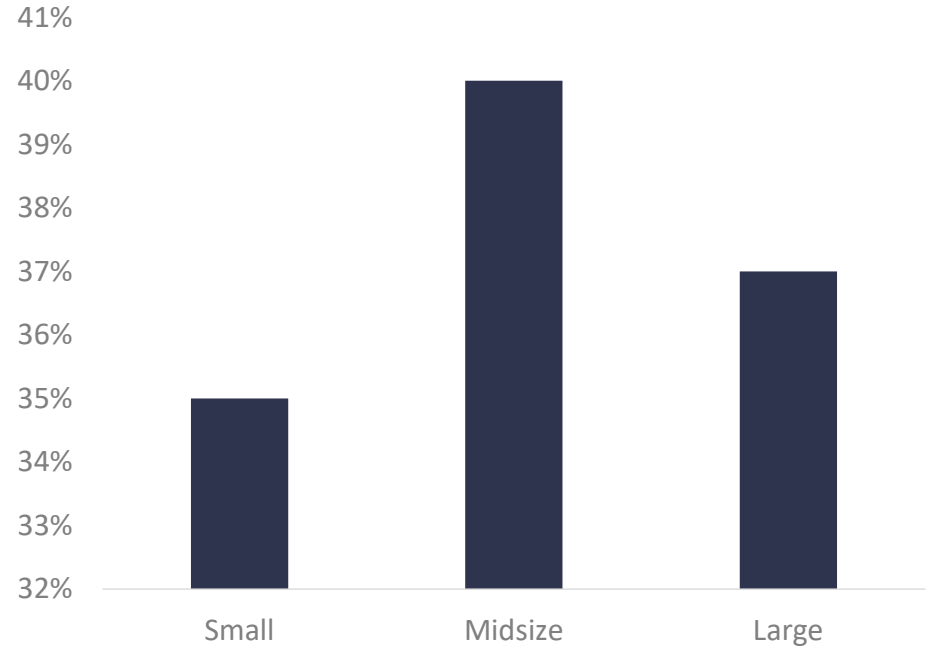
Technology

Accessibility is increasing across firms of all sizes



Talent Challenges

- 75% of CPAs are at retirement age
- Proposed changes to the Uniform Accountancy Act (UAA)



■ Attracting or retaining talent is a significant challenge



Rise of DIY



- Increase in “self serve” accounting resources
- Pushing industry away from strict compliance and towards consulting



FASB and AICPA Priorities





2025 AICPA Priorities

Fraud

- Updated definition of “fraud” and “fraud risk factors”
- Emphasis on whistleblower programs

Confirmations

- Modernize confirmation approach
- Clarifies auditor responsibilities





Current Projects and Future Standards

Internal-Use Software Costs (Ongoing)

- Eliminate “project stages” and adopt “probable-to-complete” method

Government Grants (Exposure Draft)

- Establishes guidance for recognition, measurement, presentation of government grants





Current Projects and Future Standards

Environmental Credits (Exposure Draft)

- Recognize environmental credit as an asset if certain conditions are met

Credit Losses – Topic 606 Receivables (PCC) (2Q 2025)

- Provides practical expedient and accounting policy election – simplify forecasts and use subsequent loss information

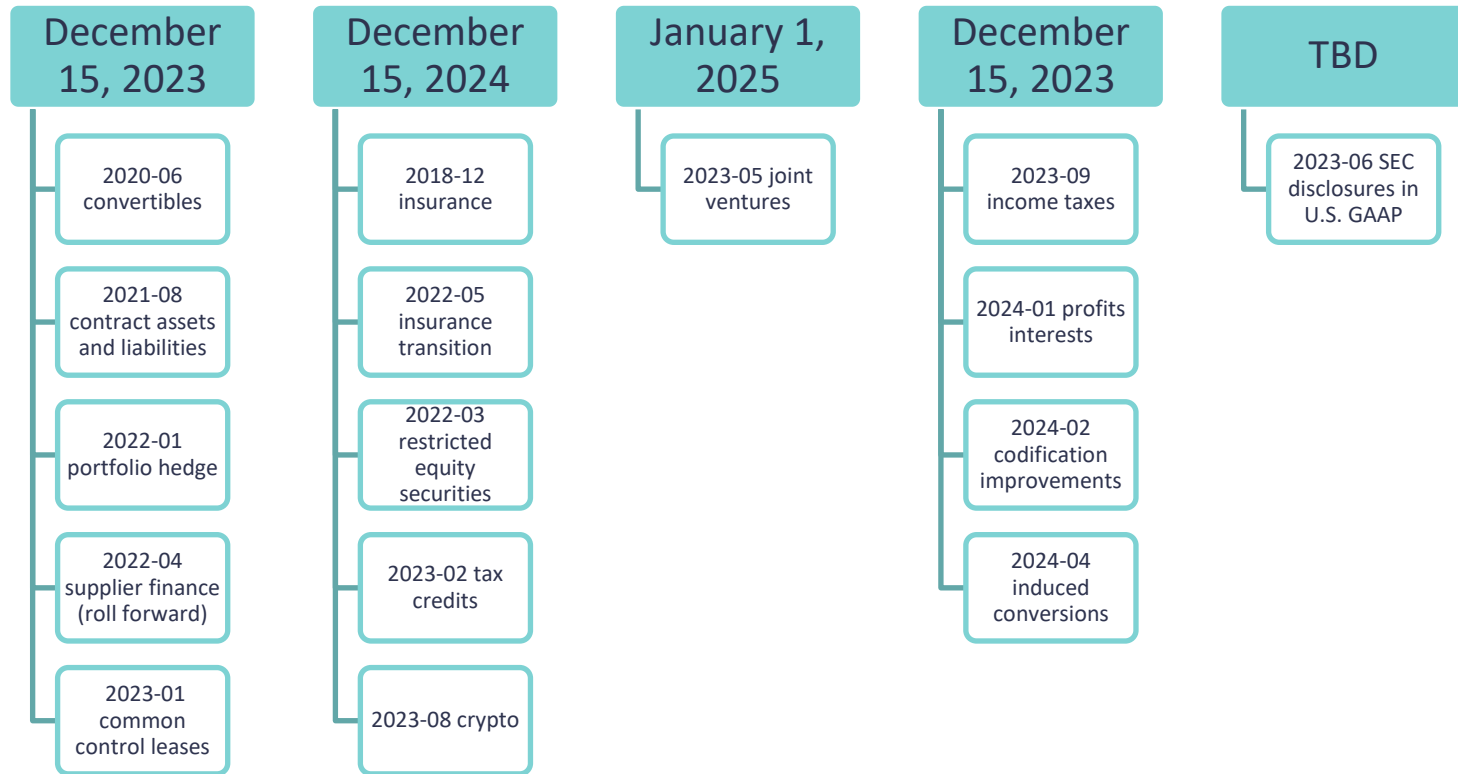




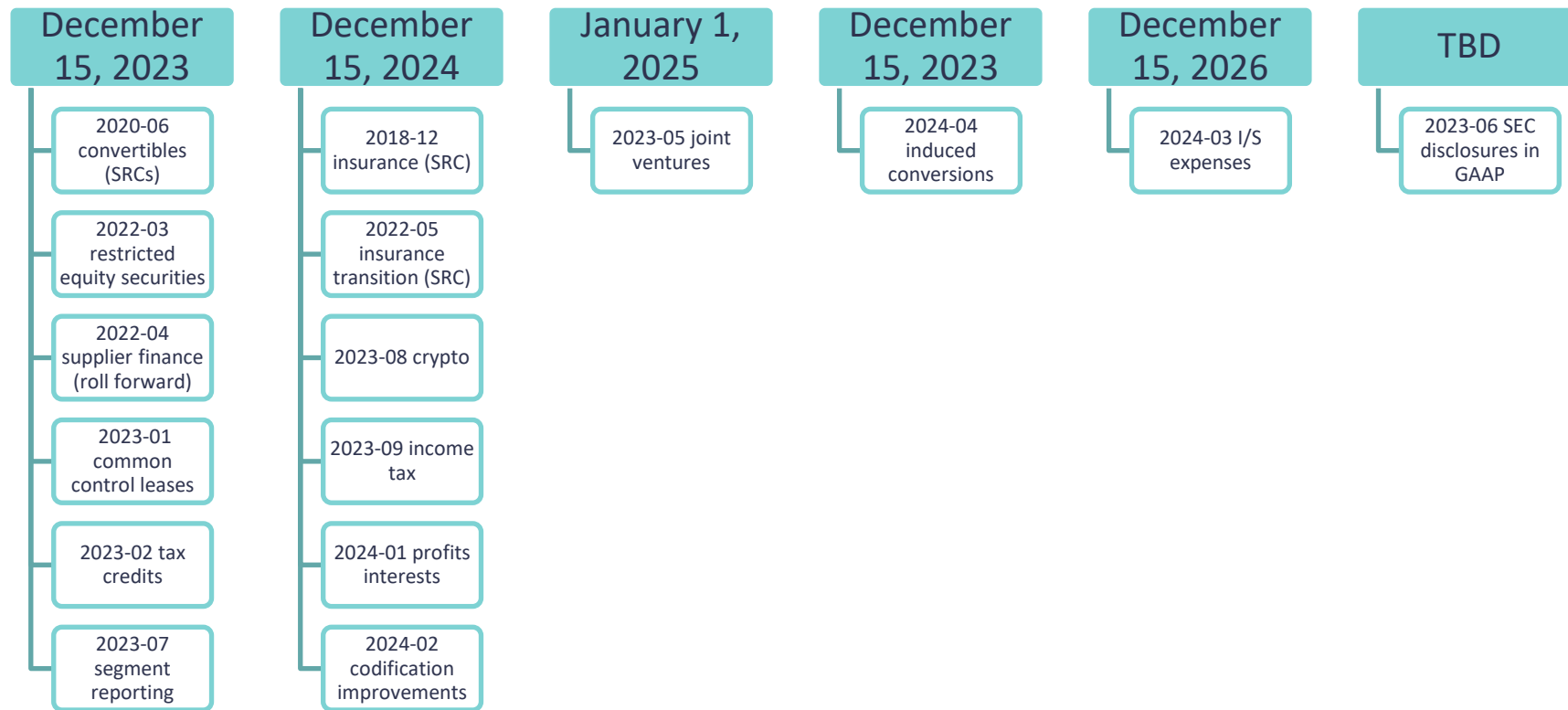
Part II: Accounting and Audit Update



Upcoming Effective Dates (Private and NFP)



Upcoming Effective Dates (PBEs)



2023-08 Intangibles



Effective date

December 31, 2025

Early Adoption is permitted



Goodwill and other — crypto assets

- Require an entity measure crypto assets within scope at fair value in the statement of financial position
- Recognize changes from remeasurement in net income
- Enhanced disclosures



ASU 2020-06 Debt



Effective date
**December 31,
2024**



Debt with conversion and other options

- For convertible debt, there may be a positive income boost
- Interest expense will be more reflective of the contractual interest rate
- Enhanced disclosures
- Bifurcation of embedded features may still be required if there are embedded features that meet the definition of a derivative, and the embedded feature is not eligible for an exception from derivative accounting



ASU 2020-06 Debt – Example

“Company can settle obligation by delivery any combination of shares or cash equal to conversion feature.”

Pre ASU 2020-06 Adoption

	Debit	Credit
Cash	1,000,00	
Bonds payable – discount	400,000	
APIC – cash conversion option		400,000
Bonds payable		1,000,000

Post ASU 2020-06 Adoption

	Debit	Credit
Cash	1,000,000	
Bonds Payable		1,000,000



2024-04 Debt with Conversion and Other Options

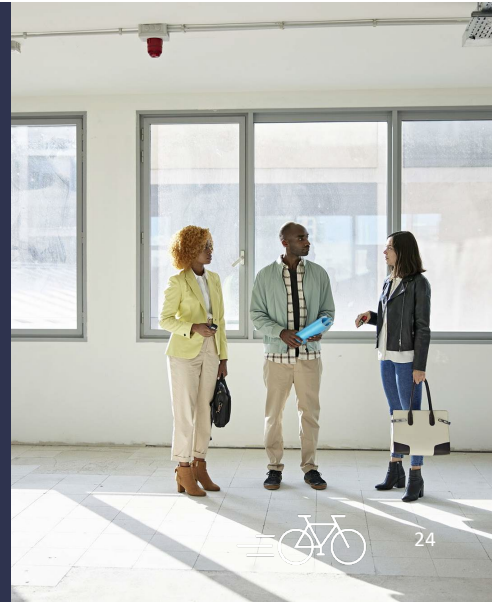


Effective date
**Annual reporting
periods after
December 15, 2025**
**Early Adoption is Permitted
for those that adopted ASU
2020-06**



Induced Conversions of Convertible Debt Instruments

- Affects entities that settle convertible debt instruments for which the conversion privileges were changed to induce conversion.
- Clarifies the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion versus a debt extinguishment



ASU 2021-08 Business Combinations



Effective date
December 31, 2024



Accounting for contract assets and liabilities

- An acquirer needs to account for acquired revenue contracts under ASC 606 as if it had originated the contracts versus fair valuing the related contract assets and liabilities
- Requires reviewing the correct application of ASC 606 to the acquired revenue contracts



2023-05 Business Combinations



Effective date
December 31, 2025
Early Adoption is permitted



Joint venture formations — combinations beginning January 1, 2025

- Requires new basis of accounting upon formation
- Recognize and initially measure its assets and liabilities at fair value
- Minor exceptions consistent with the business combinations guidance



ASU 2023-01 Leases



Effective date

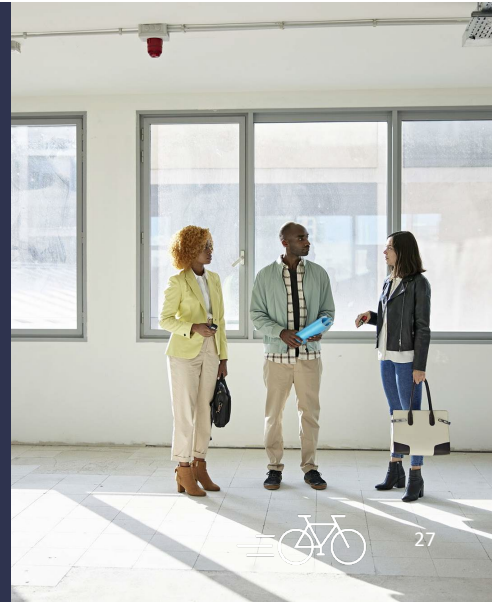
December 31, 2024

Early Adoption is Permitted



Common control arrangements:

- Practical expedient to use written terms (if they exist) to determine existence, accounting, and classification of a lease
- Provides for amortizing leasehold improvements over the useful life of the improvements to the common control group (regardless of the lease term)



ASU 2022-01 Derivatives and Hedging



Effective date
December 31, 2024



Fair Value Hedging – Portfolio Layer Method

- **Before ASU 2022-01:** Only prepayable financial assets could be included in a closed portfolio hedged using the last-of-layer method.
- **After ASU 2022-01:** Both prepayable and nonprepayable financial assets can be included in a closed portfolio hedged using the portfolio layer method.



ASU 2022-01 Derivatives and Hedging Example

Company has \$10M closed portfolio and expects \$7.5M to be outstanding for 5 years and \$2.5M for 10 years

Pre ASU 2022-01 Adoption

Company could hedge either for 7 or 10 years, but not both (one hedge layer)

Post ASU 2022-01 Adoption

Company can create two layers:

- One hedge for \$7.5 for 5 years
- Second hedge for \$2.5M for years 6-10



2024-01 Stock Compensation

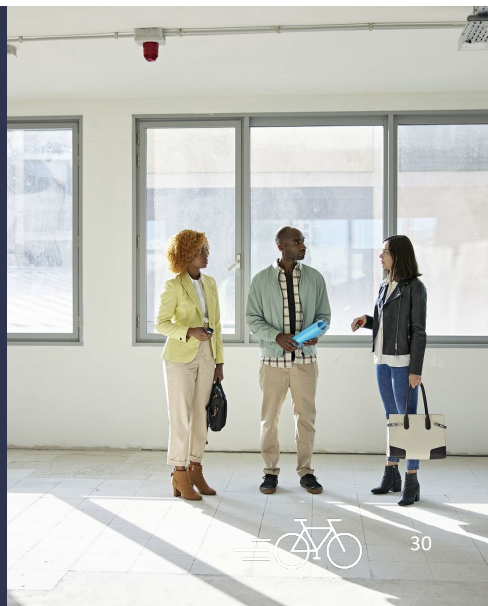


Effective date
December 31, 2026
Early Adoption is Permitted



Stock Compensation – Scope Application of Profits Interest and Similar Awards

- Clarifies existing guidance as to whether profits interest and similar awards should be accounted for under ASC 718 – Stock Compensation
- An illustrative example was added with four fact patterns to demonstrate how an entity should apply the scope guidance



ASU 2023-09 Income Taxes



Nonpublic Entities
Effective date
December 31, 2026
Early Adoption is Permitted



**Requires ALL entities
to qualitatively disclose
information of
reconciling items
between the statutory
tax rate and effective
tax rate**



**Most of the standard is
for public companies**



**All entities must disclose
additional information
about income tax
expense, income taxes
paid, and segregation of
taxes paid to individual
jurisdictions**



Thank you

Harrison Powers

Harrison.Powers@CLAconnect.com



CLAconnect.com



CPAs | CONSULTANTS | WEALTH ADVISORS

©2025 CliftonLarsonAllen LLP. CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAglobal.com/disclaimer](https://claglobal.com/disclaimer).
Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

2025 ASB Workplan

ASB Work Plan 2025	
Project	Project objective
Attestation standards	Consider revisions to the attestation standards to address emerging areas of assurance and achieve consistency with other standards.
Audit Evidence/Risk Response/Technology	Monitor the IAASB project on ISA 500 and in relation to the auditor's risk response and use of technology to identify whether additional changes may be needed to AU-C section 500 and potentially other AU-C sections.
Confirmations	Consider whether the PCAOB's recently issued AS 2310, <i>The Auditor's Use of Confirmation, and Other Amendments to PCAOB Standards</i> , has additional requirements or guidance that, if brought into generally accepted auditing standards (GAAS), would enhance the quality of audits performed in accordance with GAAS.
Definition of listed entity and PIE	Monitor the IAASB project on the definition of listed and public interest entities and consider the implications on ASB standards. This includes taking into account the AICPA Professional Ethics Executive Committee's recent related standard setting actions.
ESG/Sustainability	Determine whether and, if so, how to revise the attestation standards to provide requirements and guidance for practitioners reporting on sustainability information under the attestation standards.
Fraud	Consider revisions to AU-C section 240 and additional guidance or actions that might be taken to address issues and challenges relating to the auditor's responsibilities for fraud in an audit of financial statements.
Going Concern	Consider additional guidance or actions that might be taken to address issues and challenges relating to addressing going concern in an audit of financial statements.
Leveraging Technology	Consider additional guidance or actions that might be taken to further encourage the effective and appropriate use of technology, including data analytics, to enhance audit quality.
2026 – 2030 Strategic Plan	Develop the ASB's forward-looking strategic initiatives and related strategic actions.



Founded by AICPA and CIMA, the Association of International Certified Professional Accountants powers leaders in accounting and finance around the globe.

© 2025 Association of International Certified Professional Accountants. All rights reserved. AICPA and American Institute of CPAs are trademarks of the American Institute of Certified Public Accountants and are registered in the US, the EU and other countries. The Globe Design is a trademark of the Association of International Certified Professional Accountants and licensed to the AICPA. 2205-405197



Technical Agenda Overview

Revised March 26, 2025

PROJECTS	Next Milestone	Expected Date
Accounting for and Disclosure of Software Costs	Board redeliberations	Ongoing
Accounting for Debt Exchanges	Exposure Draft	2Q 2025
Accounting for Environmental Credit Programs	Exposure Draft	Comments Due April 15, 2025
Accounting for Government Grants	Exposure Draft	Comments Due March 31, 2025
Codification Improvements (Evergreen)	Exposure Draft	Comments Due April 22, 2025
Credit Losses—Topic 606 Receivables (PCC)	Final ASU	2Q 2025
Determining the Acquirer in the Acquisition of a VIE	Final ASU	2Q 2025
Financial Instruments—Credit Losses (Topic 326)—Purchased Financial Assets	Board redeliberations	Ongoing
Interim Reporting—Narrow-Scope Improvements	Exposure Draft	Comments Due March 31, 2025
Share-Based Consideration Payable to a Customer	Final ASU	2Q 2025
Statement of Cash Flows Targeted Improvements	Board deliberations	Ongoing
Topic 815—Derivatives Scope Refinements	Board redeliberations	Ongoing
Topic 815—Hedge Accounting Improvements	Final ASU	3Q 2025

RESEARCH PROJECTS

Accounting for and Disclosure of Intangibles
Accounting for Commodities
Accounting for Derivatives
Agenda Consultation
Consolidation for Business Entities
Financial Key Performance Indicators for Business Entities
Hedge Accounting
Statement of Cash Flows

GASB 100 Accounting for Changes and Error Corrections



Effective date
June 30, 2024



New requirements:

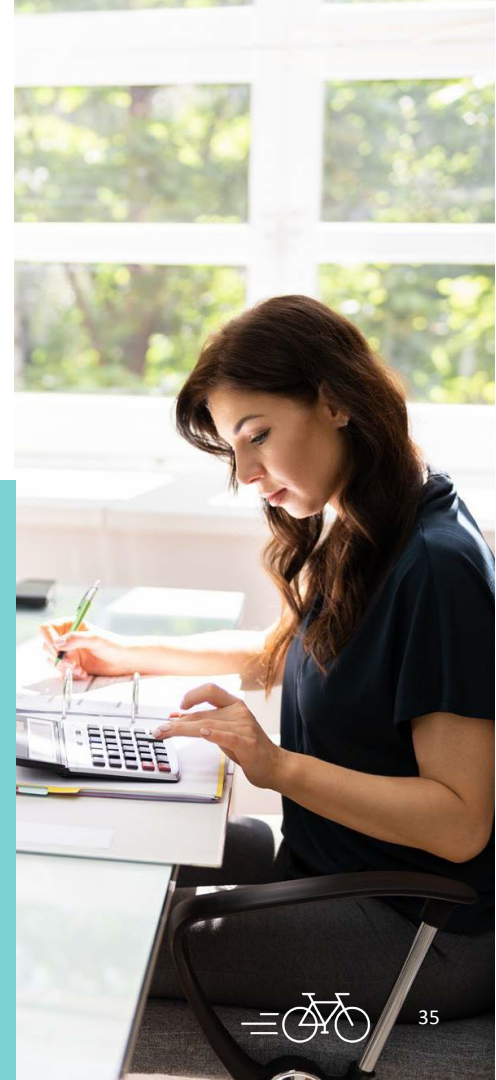
Updated disclosure guidance for:

- Accounting principles
- Accounting estimates
- Correction of errors

Required to disclose line items impacted by the change even if beginning balances remain the same



CLA can help by
assisting with or evaluating
financial statement
disclosure updates



GASB 101 Compensated Absences



Effective date
December 31, 2024



Updated framework

- Reevaluate leave policies
- Liability must include any accumulated leave that is unused or used but unpaid
- Footnote disclosures will be enhanced



Examples include

- Sick leave not paid at termination
- Parental leave
- Military leave and jury duty that has commenced



CLA can help by
evaluating the standard
related to compensated
absences and assisting
with or evaluating in
financial statement
disclosures



GASB 102 Certain Risk Disclosures



Effective date
June 30, 2025



Increased footnote disclosures surrounding risk:

- Limitations on raising revenues
- Concentrations related to tax revenue or vendors
- Debt or mandated spending — especially unfunded mandates
- Impact of major employer leaving the community
- Collective bargaining agreements

CLA can help by
assisting with or
evaluating financial
statement
disclosure updates



GASB 103 Financial Reporting Module



Effective date
June 30, 2026



Impacts financial statement presentation

Updated disclosure guidance for:

- MD&A consistency
- Clearer definition of unusual or infrequent items
- Presentation of proprietary fund statements
- Major component unit information
- Budgetary comparison information

CLA can help by
assisting with or
evaluating financial
statement
disclosure updates



GASB 104 – Disclosure of Certain Capital Assets



Effective date
June 30, 2026



Will clarify how capital assets are disclosed in financials:

- Capital assets held for sale and related pledged debt
- Leased assets
- Subscription assets
- Right to Use PPP assets
- Other intangible assets



CLA can help by
assisting with or evaluating
financial statement
disclosure updates

