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At-A-Glance

After years of study and consideration, the United States Securities and Exchange Commission has issued complex new requirements for reporting the impact of climate change on financial statements. Accountants and auditors alike will need to expand their expertise to keep abreast of this highly technical field. Our current issue highlights the new rule.

LATE BREAKING NEWS – On April 4, 2024, the SEC put a stay on these requirements pending review by the Eighth Circuit U.S. Court of Appeals.

Also, our Worldwide Update covers news from organizations across the globe.

Gerald Herter - Editor

New SEC Climate Change Rules Issued

Specialized expertise will be required to report in this highly technical area

Our April 2022 Audit & Accounting Alert (Alert) discussed a newly proposed SEC rule that would have required filers to include a note in audited financial statements about climate-related risks that could materially impact financial condition and profitability, as well as specific information on greenhouse gas emissions and other climate-related financial metrics. On March 7, 2024, after much deliberation and amendment, the rule, The Enhancement and Standardization of Climate-Related Disclosures for Investors, finally went into effect. While there were a number of changes from the original proposal, the final rule weighs in at a whopping 886 pages.

When both proponents and opponents of a new rule are unhappy with the outcome, that is usually an indicator that the rule has some merit. Opponents contend that the rule exceeds the authority of the SEC, while proponents decry the elimination of Scope 3 requirements and the limitation of Scope 1 and 2 requirements to only larger companies.

As discussed in the earlier Alert, greenhouse gas (GHG) emissions have been divided into three categories. Scope 1 includes direct GHG emissions from an entity's operations. Scope 2 includes indirect GHG emissions generated by an entity's consumption of purchased energy. Scope 3 includes all other indirect GHG emissions.

Had the new rule gone into effect in December 2022, as originally planned, large filers would already have been required to comply in 2023, with smaller filers facing a 2025 start date. With the final rule effective in 2024, general climate disclosures will be needed in financial statements of larger filers in 2025, and in small filers in 2027. Specific GHG disclosure requirements follow in 2026, but only for larger filers. Also, limited assurance on GHG disclosures comes into play in 2029 or 2031, depending on company size. Reasonable assurance is mandated for the largest filers in 2033.

Any time financial statement changes are enacted by law, accountants and CPAs stand to gain new work. In the case of the new climate legislation, additional expertise will need to be acquired by the company accountants and auditors, or through the engagement of specialists in this highly technical and emerging area. Savy investors will want to gain insights from the financial statements as to how a company is affected by climate change, as well as how the impact will be addressed.

Climate reporting is already mandated in some parts of the world. For example, the United Kingdom requires large companies to include disclosures in financial reports that address climate-related risks and opportunities, following recommendations published in 2017 by the Taskforce on Climate-related

Financial Disclosures (TCFD). With various sets of rules recently or soon to go into effect, additional complexity faces companies operating in multiple jurisdictions. In time, a global meeting of the minds will be necessary.

Further details can be found at [Key Implications of SEC's Climate-Related Disclosure Rules](#).

Worldwide Update

Periodic roundup of recent and upcoming actions and activities by auditing and accounting organizations throughout the world.

International

IASB – International Accounting Standards Board (www.ifrs.org)

- **Exposure Draft - Business Combinations—Disclosures, Goodwill and Impairment,** published March 14, 2024. "The Exposure Draft contains proposed amendments to IFRS 3 *Business Combinations* and IAS 36 *Impairment of Assets*…The proposals to amend IFRS 3 are intended, in particular, to improve the information companies disclose about the performance of business combinations. The proposed amendments to IAS 36 are intended to improve the application of the impairment test of cash-generating units containing goodwill." Comment period ends July 15, 2024.

- **Exposure Draft - *Addendum to the Exposure Draft* Third edition of the *IFRS for SMEs* Accounting Standard**, published March 28, 2024, "to align the IFRS for SMEs Accounting Standard with the requirements in full IFRS Accounting Standards for supplier finance arrangements and lack of exchangeability." Comment period ends July 31, 2024.

IFAC – International Federation of Accountants (www.ifac.org)

- **International Ethics Standards Board for Accountants {IESBA) - Summary of Prohibitions in the IESBA Code Applicable to Audits of Public Interest Entities,** published March 18, 2024, "contains requirements and application material that apply when a firm audits a public interest entity (PIE)."

- **International Public Sector Accounting Standards Board (IPSASB) - Exposure Draft (ED) 88, Arrangements Conveying Rights over Assets (Amendments to IPSAS 47 and IPSAS 48), i**ssued March 28, 2024. "The proposed amendments to IPSAS 47, Revenue are consistent with the principles already exposed in ED 84, Concessionary Leases and Right-of-Use Assets In-kind (Amendments to IPSAS 43 and IPSAS 23), published in January 2023, that were strongly supported by stakeholders. Additionally, ED 88 proposes illustrative examples to accompany IPSAS 47 and IPSAS 48, Transfer Expenses on other types of arrangements conveying rights over assets that are common in the public sector. Comment period ends May 31, 2024.

IFR4NPO - ***International Financial Reporting for Non-Profit Organisations (www.ifr4npo.org)***

- *No new developments.*

IOSCO – International Organization of Securities Commissions (www.iosco.org)

- *No new developments.*

ACCA – Association of Chartered Certified Accountants (www.accaglobal.com)

- *No new developments.*

Africa, Europe, India and the Middle East (AEIME)

FRC – Financial Reporting Council of the UK (www.frc.org.uk)

- **Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and other FRSs Periodic Review 2024**, issued March 27, 2024, "designed to enhance the quality of UK financial reporting and help support the access to capital and growth of the businesses applying them…The most significant changes apply to leases and revenue recognition to align with recent changes to international financial reporting standards… The amendments to the standards will in most cases be effective for accounting periods beginning on or after 1 January 2026."

ICAEW - Institute of Chartered Accountants in England and Wales (https://www.icaew.com/)

- *No new developments.*

EC – European Commission (https://ec.europa.eu/)

- *No new developments.*

EFRAG – European Financial Reporting Advisory Group (www.efrag.org)

- *No new developments.*

Americas, Asia, Australia and New Zealand (AAANZ)

AICPA & CIMA – American Institute of Certified Public Accountants (www.aicpa.org)

- *No new developments*

FASB – Financial Accounting Standards Board (www.aicpa.org)

- **ASU 2024-01 - Compensation—Stock Compensation - Scope Application of Profits Interest and Similar Awards,** issued March 21, 2024, "that improves generally accepted accounting principles (GAAP) by adding illustrative guidance to help entities determine whether profits interest and similar awards should be accounted for as share-based payment arrangements within the scope of Topic 718, Compensation—Stock Compensation." For public companies, effective for annual periods beginning after December 15, 2024, and interim periods within those annual periods. For all other entities, the amendments are effective for annual periods beginning after December 15, 2025, and interim periods within those annual periods. Early adoption is permitted.
- **ASU 2024-02 - Codification Improvements—Amendments to Remove References to the Concepts Statements**, issued March 29, 2024, "facilitates Codification updates for technical corrections such as conforming amendments, clarifications to guidance, simplifications to wording or the structure of guidance, and other minor improvements." Effective for public business entities for fiscal years beginning after December 15, 2024. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2025. Early application is permitted.

GASB – Governmental Accounting Standards Board (www.gasb.org)

- *No new developments.*

COSO - The Committee of Sponsoring Organizations of the Treadway Commission (www.coso.org)

- **Alternate Data: The COSO Perspective**, issued March 27, 2024, "explores how COSO's Enterprise Risk Management (ERM) Framework can be applied to the challenge and opportunity of the growing proliferation of alternative data ("altdata"). While it has no standard definition, altdata generally is understood to include information about an organization that is available outside of traditional financial and regulatory reporting channels, press releases, or other authorized materials. It includes data about an organization and its operations that the organization makes public or otherwise discloses to third parties knowingly or unknowingly."

PCAOB – Public Company Accounting Oversight Board (www.pcaob.org)

- *No new developments*

SASB – Sustainability Accounting Standards Board (www.sasb.org)

- *No new developments*

SEC – Securities and Exchange Commission (www.sec.gov)

- *No new developments*

Additional A&A News

Audit committees are zeroed in on cybersecurity: report

Navigating the perils of cognitive bias in accounting

Concerns abound over NOCLAR proposal to widen auditor duties

AI is Making Life Easier for Financial Fraudsters

SEC Chair Gary Gensler signals that disclosure will be a key issue in the year ahead

Managing change in audit technology transformation

YOUR GLOBAL ADVANTAGE

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