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Technology Industry Accounting Guide

Other Accounting and Financial Reporting Topics: Acquisitions and Divestitures

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Contracts on an Entity's Own Equity

Convertible Debt (Before Adoption of ASU 2020-06)

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Preface

We are pleased to present the inaugural edition of Deloitte's *Technology Industry Accounting Guide* (the "Guide").

The technology industry ecosystem encompasses a wide array of entities, from enterprise software and software-as-a-service (SaaS) providers to hardware and semiconductor manufacturers. The technology industry has also experienced convergence with other types of businesses, creating subsectors such as fintech, health tech, energy tech, education tech, and auto tech, to name a few. Many entities have fueled the significant growth of the technology industry by embracing emerging technologies such as artificial intelligence (AI) and machine learning, everything as a service (XaaS) powered by the cloud, robotics, the Internet of Things (IoT), blockchain, and edge computing. Continuous innovation by technology entities produces novel business models while introducing potentially complex accounting and financial reporting matters.

Finance and accounting professionals in the technology industry face complex issues and must exercise significant judgment in applying existing rules to matters such as revenue recognition, software-related costs, acquisitions and divestitures, consolidation, stock-based compensation, leases, financial instruments, income taxes, digital assets, initial public offerings (IPOs), and disclosures of non-GAAP measures and metrics. To help technology entities work through some of the more difficult accounting and financial reporting issues related to these and other relevant topics, this Guide includes interpretive guidance, illustrative examples, and discussion of recent standard-setting developments (through February 28, 2023).

Appendix A lists the titles of standards and other literature we cited, and Appendix B defines the abbreviations we used.

We hope this Guide is helpful in navigating the various accounting and reporting challenges that technology entities face. We encourage clients to contact their Deloitte team for additional information and assistance.

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Chapter 5 — Other Accounting and Financial Reporting Topics

5.1 Acquisitions and Divestitures

The technology industry has undergone significant changes throughout the years, and technology entities must continually innovate to stay competitive. Specifically, technology entities must find new ways to improve the effectiveness and efficiency of their operations, increase their R&D capabilities, access new markets and data, expand their pipeline of products in development, increase their talent pool, and tap into alternative sources of innovation. As a result of these challenges and opportunities, technology entities frequently engage in M&A activity. In addition, technology entities may divest some of their noncore assets to focus on their main business lines and access the capital they need to remain competitive.

It is important for entities to correctly apply the guidance on accounting for M&A transactions because of the significantly different accounting outcomes that exist in this area of financial reporting. For example, the application of the guidance in ASC 805 on accounting for business combinations can differ significantly depending on whether the acquired entity is considered a "business" or an "asset." Similarly, application of the guidance in ASC 205 on the presentation and disclosure of discontinued operations related to divestiture transactions fundamentally affects financial statement presentation.

5.1.1 Definition of a Business

An entity must use significant judgment in (1) evaluating whether a transaction represents the acquisition of a "business" as defined in ASC 805-10 and (2) accounting for transactions after that determination has been made. Entities apply the definition of a business in ASC 805 in many areas of accounting, including acquisitions, disposals, reporting-unit determinations, and consolidation.

The distinction between businesses and assets is important because the accounting for a business combination significantly differs from the accounting for an asset acquisition. For example, an entity may acquire a mature technology entity that has substantive processes, employees, and revenue-generating products. If the acquiree meets the definition of a business, the acquirer may end up recognizing substantial goodwill. On the other hand, an entity may acquire IP that represents the sole asset purchased and does not meet the definition of a business. In that circumstance, the acquirer would not recognize any goodwill. For more information, see Section 2.4 of Deloitte's Roadmap *Business Combinations*.

5.1.2 Asset Acquisitions

In applying the framework in ASC 805, entities must account for transactions that do not meet the definition of a business as asset acquisitions. For such transactions, the accounting requirements related to transaction costs, measurement of assets acquired and liabilities assumed, and recognition of intangible assets may differ from those for business combinations.

The table below summarizes some of the key differences between the accounting for a business combination and the accounting for an acquisition of an asset group determined not to be a business.

Issue	Accounting in a Business Combination	Accounting in an Asset Acquisition
General principle	Fair value model: assets and liabilities are recognized at fair value, with certain exceptions.	Cost accumulation model: the cost of the acquisition, including certain transaction costs, is allocated to the assets acquired on the basis of relative fair values, with some exceptions. This allocation results in the recognition of those assets at other than their fair values.
Scope	Acquisition of a business as defined in ASC 805-10.	Acquisition of an asset or a group of assets (and liabilities) that does not meet the definition of a business in ASC 805-10.
Acquisition-related costs or transaction costs	Acquisition-related costs are expensed as incurred, except for costs of issuing debt and equity securities, which are accounted for under other GAAP.	Direct and incremental costs are included in the cost of the acquisition, except for costs of issuing debt and equity securities, which are accounted for under other GAAP. Indirect costs are expensed as incurred.
Contingent consideration	Recognized at fair value and classified as a liability, equity, or an asset on the acquisition date on the basis of the terms of the arrangement. Subsequently, any changes in the fair value of contingent consideration classified as a liability or as an asset are recognized in earnings until settled.	Contingent consideration that is accounted for as a derivative is recognized at fair value under ASC 815. Otherwise, such consideration generally is recognized under ASC 450 when it becomes probable and reasonably estimable.
Goodwill	If the sum of the consideration transferred, the fair value of any noncontrolling interests, and the fair value of any previously held interests exceeds the sum of the identifiable assets acquired and liabilities assumed, goodwill is recognized as the amount of the excess.	Goodwill is not recognized. Instead, any excess of the cost of the acquisition over the fair value of the net assets acquired is allocated to certain assets on the basis of relative fair values.
Gain from bargain purchase	Recognized in earnings on the acquisition date.	Generally not recognized in earnings. Instead, any excess of the fair value of the net assets acquired over the cost of the acquisition is typically allocated to certain assets on the basis of relative fair values.
Contingencies	Measured at fair value, if determinable; otherwise, measured at their estimated amounts if probable and reasonably estimable. If such assets or liabilities cannot be measured during the measurement period, they are accounted for separately from the business combination in accordance with ASC 450.	Accounted for in accordance with ASC 450 on the acquisition date and subsequently. Loss contingencies are recognized when they are probable and reasonably estimable. Gain contingencies are recognized on the earlier of when they are realized or are realizable and are thus not recognizable in an asset acquisition.

(Table continued)

Issue	Accounting in a Business Combination	Accounting in an Asset Acquisition
Intangible assets	Recognized at fair value if they are identifiable (i.e., if they are separable or arise from contractual rights).	Finite-lived intangible assets recognized on the basis of relative fair value under ASC 350-10 if they meet the asset recognition criteria in FASB Concepts Statement 5. Indefinite-lived intangible assets are recognized at amounts that do not exceed fair value.
Assembled workforce	Not recognized because it is presumed not to be identifiable.	Recognized because it is presumed to meet the asset recognition criteria in FASB Concepts Statement 5.
In-process research and development (IPR&D)	Measured at fair value and recognized as an indefinite-lived intangible asset until completion or abandonment of the related project, then reclassified as a finite-lived intangible asset and amortized.	Expensed under ASC 730 unless the IPR&D has an alternative future use.
Deferred taxes	Generally recognized for most temporary book/tax differences related to assets acquired and liabilities assumed under ASC 740.	Generally recognized for temporary book/tax differences in an asset acquisition by using the simultaneous equations method in accordance with ASC 740.
Lease classification	Under ASC 840-10-25-27, the acquirer retains the acquiree's previous lease classification "unless the provisions of the lease are modified as indicated in paragraph 840-10-35-5." Under ASC 842-10-55-11, the acquirer retains the acquiree's previous lease classification "unless there is a lease modification and that modification is not accounted for as a separate contract in accordance with paragraph 842-10-25-8."	ASC 805-50 does not provide guidance on an entity's classification of a lease acquired in an asset acquisition.
Measurement period	In accordance with ASC 805-10-25-13, the acquirer reports provisional amounts for the items for which the accounting "is incomplete by the end of the reporting period in which the combination occurs" and is allowed up to one year to adjust those provisional amounts. This time frame is referred to as the measurement period.	ASC 805-50 does not address a measurement period in the context of an asset acquisition.

For more information, see Appendix C of Deloitte's Roadmap *Business Combinations*.

5.1.3 Business Combinations

5.1.3.1 Acquired Revenue Contracts

In October 2021, the FASB issued ASU 2021-08, which requires entities to recognize and measure contract assets and contract liabilities from contracts acquired in a business combination that are within the scope of ASC 606 or ASC 610-20 by applying the guidance in ASC 606. The ASU also provides for practical expedients that allow entities to account for the aggregate effect of all modifications, and determine stand-alone selling prices, as of the acquisition date. However, the ASU does not change the accounting for customer-related intangibles, such as customer relationships, which entities are required to measure at fair value. For public business entities (PBEs), the ASU is effective for fiscal years beginning after December 15, 2022. For all other entities, the ASU is effective for fiscal years beginning after December 15, 2023. Prospective application is required for business combinations occurring on or after the effective date, but early adoption is permitted.[1]

5.1.3.2 Acquired Technology and IPR&D

Technology entities often contemplate opportunities for expanding their current portfolio of products by making strategic acquisitions. As a result, an entity may acquire substantively complete technology-based IP in a business combination (i.e., technology-based intangible assets that are not IPR&D). If those assets represent identifiable intangible assets (i.e., they arise from contractual or other legal rights or are separable), they would generally be recognized at their fair value. For more information, see Section 4.10.4.7 of Deloitte's Roadmap *Business Combinations*.

Entities may also acquire technology-based IP that is still being developed. The accounting for costs associated with the purchase of such IP currently in development as part of a business combination may vary significantly from the typical accounting treatment of R&D costs incurred by technology entities as part of their normal operations.

For example, before being acquired in a business combination, an entity may incur R&D expenditures related to the entity's continued development of software to be sold on an on-premise basis that would be expensed as incurred in accordance with ASC 985-20 and ASC 730-10. That is, before consummation of the business combination, the acquiree would not have recorded any asset related to R&D costs incurred before technological feasibility was established. To the extent that the acquiree was using or planning to use the unrecognized asset for R&D activities to further the development of the software, the asset would represent acquired IPR&D to the acquirer. For more information, see Section 4.10 of Deloitte's Roadmap *Business Combinations*.

If, instead, the acquiree incurred development costs for software that will solely be sold on a cloud basis, such development costs would be subject to the requirements of ASC 350-40, and some of those costs may have been capitalized before the business combination. In that circumstance, the capitalized development costs would not be R&D expenses and would not represent IPR&D acquired in a business combination. Rather, the acquirer would generally recognize the internal-use software, as acquired during the business combination, at its fair value if it represents an identifiable intangible asset. For more information, see Section 4.10 of Deloitte's Roadmap *Business Combinations*.

5.1.3.3 Reacquired Rights

Technology entities frequently acquire businesses in a vertical merger. As part of a business combination, an acquirer may reacquire a right that it had previously granted to the acquiree under a

[1] If the ASU is early adopted in an interim period, it must be applied retrospectively to all business combinations occurring at or after the beginning of the fiscal year that includes the interim period.

contractual arrangement. For example, the acquiree may have been granted a right to use the acquirer's technology under an exclusive IP licensing arrangement before the business combination. That reacquired right would be considered an identifiable intangible asset but would be measured on the basis of the related contract's remaining term regardless of whether a fair value measurement would reflect potential contract renewals. In addition, if the terms of the preexisting contractual relationship giving rise to a reacquired right are favorable or unfavorable relative to the terms of current market transactions for the same or similar items, the acquirer must recognize a settlement gain or loss separately from the accounting for the business combination. For more information, see Sections 4.3.7 and 6.2.2.6 of Deloitte's Roadmap *Business Combinations*.

5.1.3.4 Compensation Arrangements

Technology entities frequently acquire businesses in which significant value is attributed to the workforce. Therefore, it is important for an acquirer to evaluate the acquiree's preexisting compensation arrangements and any new or modified compensation arrangements to determine the appropriate accounting. For example, the acquiree may have arrangements in place to provide specified employees with additional compensation (e.g., stock-based compensation) or accelerated compensation (i.e., acceleration of vesting) that is predicated on a change in control. In addition, the acquirer may agree to provide contingent payments to selling shareholders who are also employees. Further, selling shareholders may decide to share some of the proceeds that they are entitled to receive with nonshareholder employees. When determining whether the acquirer should account for these arrangements as part of the business combination or separately as compensation, entities must frequently use judgment. For more information, see Sections 6.2.3 and 6.2.5 of Deloitte's Roadmap *Business Combinations*.

Stock-based compensation awards held by grantees of the acquiree are often exchanged for stock-based compensation awards of the acquirer. In this circumstance, the acquirer must analyze the terms of both the preexisting and the replacement awards to determine what portion of the replacement awards is related to precombination vesting (i.e., past goods or services) and therefore part of the consideration transferred in the business combination. The portion of replacement awards that is related to postcombination vesting (i.e., future goods or services) should be recognized as compensation cost in the postcombination period. For more information on this topic and other stock-based compensation arrangements associated with business combinations, see Chapter 10 of Deloitte's Roadmap *Share-Based Payment Awards*.

5.1.3.5 SEC Reporting Requirements

A technology entity that is an SEC registrant must also consider certain SEC reporting requirements when it acquires a business, an asset, or a group of assets. For instance, the registrant must separately evaluate whether the acquired business or assets meet the definition of a business for SEC reporting purposes under SEC Regulation S-X, Rule 11-01(d), since this definition differs from the U.S. GAAP definition of a business under ASC 805-10. For more information about the SEC's reporting requirements, see Section C.5 of Deloitte's Roadmap *Business Combinations* and Deloitte's Roadmap *SEC Reporting Considerations for Business Acquisitions*.

5.1.4 Divestitures

Technology entities frequently divest businesses and product lines to focus on their core or more profitable businesses. The determination of whether a group of assets represents a business is important not only in acquisitions but also in divestitures. Generally, ASC 810 addresses the deconsolidation and derecognition of divestitures of subsidiaries or groups of assets that meet the definition of a business. ASC 810 also applies to divestitures of subsidiaries that do not meet the definition of a business unless such divestitures are specifically addressed by other U.S. GAAP, such as ASC 606 (revenue transactions) and ASC 610-20 (derecognition of nonfinancial assets and in-substance nonfinancial assets). For more information, including SEC reporting requirements, see Appendix F of Deloitte's Roadmap *Consolidation — Identifying a Controlling Financial Interest*. For considerations related to revenue transactions and the derecognition of nonfinancial assets, see Deloitte's Roadmap *Revenue Recognition*.

5.1.4.1 Disposals of Long-Lived Assets and Discontinued Operations

Additional considerations are required when long-lived assets (e.g., IP) are classified as held for sale or may be disposed of in ways other than by sale (e.g., abandonment). In addition, discontinued operations are reported separately from continuing operations. To be reported as a discontinued operation, the disposal must be "a strategic shift that has (or will have) a major effect on an entity's operations and financial results"[2] (e.g., major geographic area, major line of business). Therefore, the determination of whether a disposal qualifies for discontinued-operations reporting requires (1) an assessment of both qualitative and quantitative factors and (2) the use of judgment. For more information, including SEC reporting requirements, see Deloitte's Roadmap *Impairments and Disposals of Long-Lived Assets and Discontinued Operations*.

5.1.4.2 Carve-Out Financial Statements

Carve-out financial statements are commonly prepared for divestitures of businesses and product lines. A carve-out occurs when a parent entity segregates a portion of its operations and prepares a distinct set of financial information in anticipation of a sale, spin-off, or divestiture of the "carve-out entity." The carve-out entity may consist of all or part of an individual subsidiary, multiple subsidiaries (or portions of such subsidiaries), an individual segment, multiple segments, or a specific group of products.

The form and content of carve-out financial statements may vary depending on the situation. For example, if the acquisition is small, a strategic buyer of a carve-out entity may be satisfied with an unaudited balance sheet and income statement for the most recent fiscal year. Another public buyer, however, may require a full set of SEC-compliant audited financial statements, including footnotes. Further, another buyer may require that the periods be audited but may not be concerned with SEC reporting considerations. The existence of a foreign buyer could present different requirements and challenges in addition to those noted above, such as working closely with the foreign buyer on IFRS conversion of certain financial statement line items.

For more information, see Deloitte's Roadmap *Carve-Out Transactions*.

5.1.5 Common-Control Transactions

As technology entities seek to rebalance their portfolios and potentially prepare for public offerings, they may engage in common-control transactions. A common-control transaction is typically a transfer of net assets or an exchange of equity interests between entities under the control of the same parent. While a common-control transaction is similar to a business combination for the entity that receives the net assets or equity interests, such a transaction does not meet the definition of a business combination because there is no change in control over the net assets. Therefore, the accounting and reporting for a transaction between entities under common control is outside the scope of the business combinations guidance in ASC 805-10, ASC 805-20, ASC 805-30, and ASC 805-40 and is instead addressed in ASC 805-50. Since there is no change in control over the net assets from the parent's perspective, there is no

[2] Quoted from ASC 205-20-45-1B.

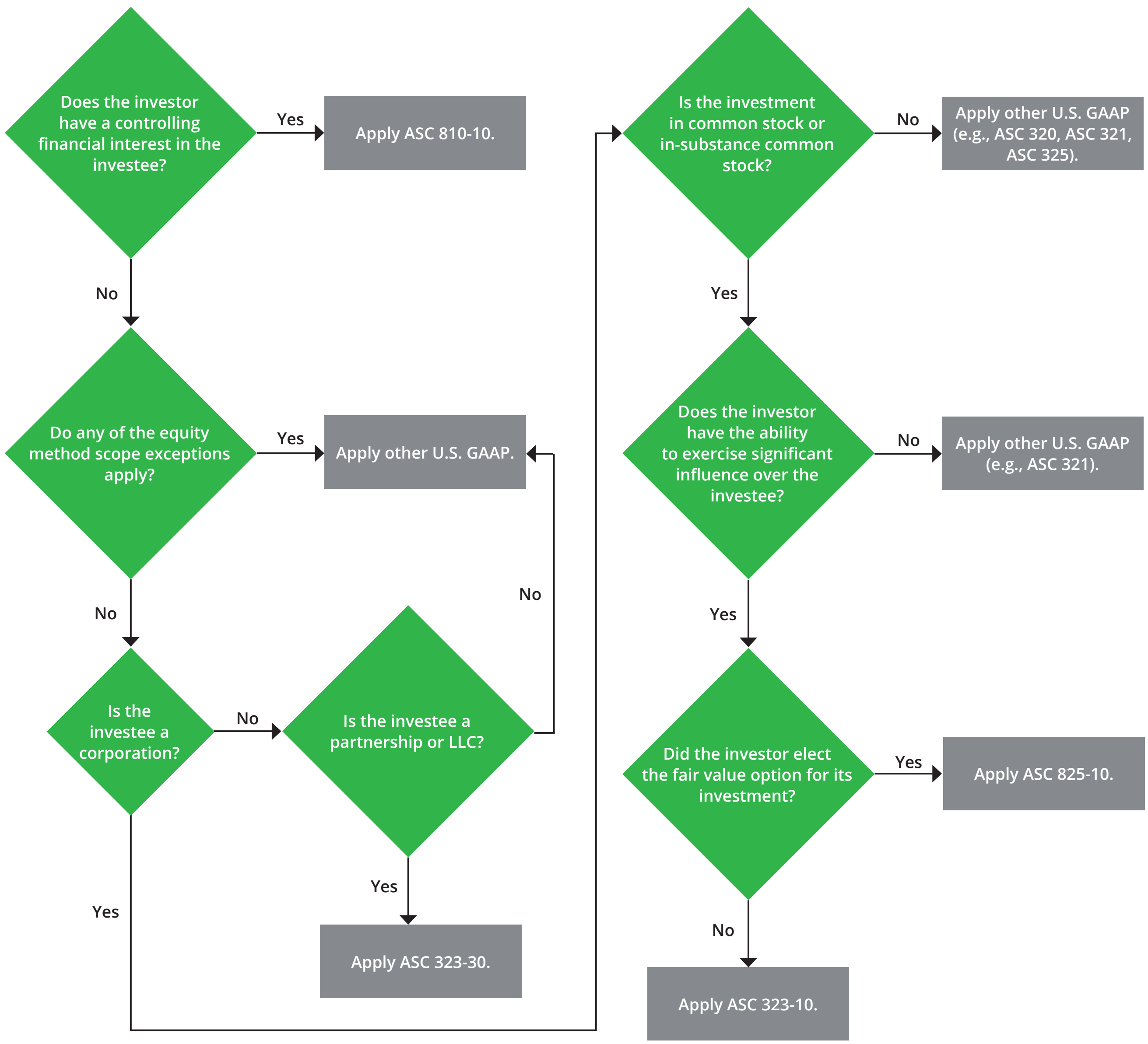
change in basis in the net assets. ASC 805-50 requires the receiving entity to recognize the net assets received at their historical carrying amounts, as reflected in the parent's financial statements.

For more information, see Appendix B of Deloitte's Roadmap *Business Combinations*.

5.1.6 Equity Method Investments and Joint Ventures

5.1.6.1 Equity Method Investments

Technology entities frequently enter into strategic partner or alliance arrangements with other entities. In many of those circumstances, the technology entity becomes an investor by purchasing an interest in the other entity. That interest should be carefully evaluated to determine whether the investor should apply ASC 810, ASC 323, or other U.S. GAAP (e.g., ASC 321). The flowchart below illustrates the relevant questions to be considered in the determination of whether an investment should be accounted for under the equity method of accounting or other U.S. GAAP.



There are presumed levels of ownership (depending on the legal form of the investee) that generally provide an investor with the ability to exercise significant influence over the investee. For example, an investment of less than 20 percent leads to a presumption that, in the absence of evidence to the contrary, an investor does not have the ability to exercise significant influence over a corporate investee.

However, the determination of whether the investor has the ability to exercise significant influence over the investee's reporting and financial policies should not be limited to the evaluation of voting rights (which can be conferred by instruments other than common stock) given that significant influence may be exhibited through other means. For example, an investor may provide technology to an investee that is critical to the investee's operational ability. Such a situation may cause the investee to be technologically dependent on the investor and, as a result, allow the investor to exert some level of influence over the investee. When determining the level of influence it can exercise, the investor should consider the terms of the licensed technology. For example, the technology granted to the investee for a period that would give the investor an option not to renew such a license would be more indicative of significant influence than if the investee had already obtained a perpetual license to such technology. When evaluating whether the investee's technological dependency provides the investor with significant influence, the investor should also consider the technology alternatives available to the investee and the costs that the investee might reasonably be expected to incur were it to license alternative technology. For example, if the investee could license similar technology from other companies without incurring significant costs, such a licensing agreement would usually not provide the investor with the ability to exercise significant influence over the operating and financial policies of the investee.

5.1.6.2 Joint Ventures

Technology entities may also enter into a joint venture with other entities in which the venturers have joint control (e.g., to jointly develop and commercialize IP). Generally, a venturer accounts for its investment in a joint venture the same way it would account for any other equity method investment. However, it is necessary to assess whether a legal entity is in fact a joint venture because this determination may affect the financial statements of the joint venture upon the venture's initial formation and thereafter.

Changing Lanes

The FASB is engaged in an active project to address a joint venture's accounting for the initial contribution of nonmonetary and monetary assets to the joint venture. On October 27, 2022, the FASB issued a proposed ASU on improvements to the accounting for joint venture formations. Under the proposed ASU, the formation of a joint venture would result in the "creation of a new reporting entity," and no accounting acquirer would be identified under ASC 805. Accordingly, a new basis of accounting would be required upon the entity's formation date (i.e., when it initially meets the definition of a joint venture) and the joint venture would measure the net assets on that formation date. In addition, upon that formation date, a joint venture's measurement of its net assets would be "equal to the fair value of 100 percent of [its] outstanding equity interests." The excess of the fair value of the joint venture as a whole over the net assets of the joint venture would be recognized as goodwill. The proposed guidance would prohibit an entity from using a measurement period when identifying and measuring the net assets, which is a departure from the measurement-period guidance in ASC 805 related to business combinations. Further, to help financial statements users understand the impact of the joint venture formation, the joint venture would be required to disclose the formation date, a qualitative description of the joint venture's purpose, the fair value of the joint venture on the formation date, the "amounts recognized by the joint venture for each major class of assets and liabilities," and a "description of the factors that make up any goodwill recognized."

For more information about the proposed ASU, see Deloitte's December 8, 2022, *Heads Up*.

5.1.6.3 SEC Reporting Requirements

A technology entity that is an SEC registrant must also consider certain SEC reporting requirements for equity method investments. If an equity method investee is considered significant to a registrant, the registrant may be required to provide the investee's separate financial statements or summarized financial information in the financial statement footnotes (or both). The amount of information a registrant must present depends on the level of significance, which is determined on the basis of the results of various tests outlined in SEC Regulation S-X.

For more information, see Deloitte's Roadmaps *Equity Method Investments and Joint Ventures* and *SEC Reporting Considerations for Equity Method Investees*.

5.1.7 SEC Comment Letter Trends

The SEC staff's comments about business combinations frequently focus on (1) the evaluation of whether a transaction should be accounted for as a business combination or an asset acquisition, (2) the identification of the accounting acquirer, (3) the allocation of the consideration transferred to identified assets acquired and liabilities assumed, (4) accounting for any contingent consideration, and (5) required disclosures.

For divestitures, the SEC staff frequently issues comments on whether certain dispositions should be presented as discontinued operations and whether all of the required disclosures under ASC 205 have been provided for dispositions presented as discontinued operations. The SEC staff may also question whether assets meet the held-for-sale criteria in ASC 360 and may inquire about items such as (1) the timeline of events leading to the sale; (2) consideration of the factors used to determine whether assets qualify for classification as held for sale, especially when assets have been classified as held for sale for an extended period or when assets are not classified as held for sale at the end of a reporting period but are sold shortly thereafter; (3) the timing of impairment testing when assets are expected to be sold or disposed of; and (4) consideration of the required disclosures for assets held for sale. In addition, for carve-out financial statements, the SEC staff may ask whether the financial statements have been appropriately prepared in accordance with SAB Topic 1.B, which indicates that the registrant's historical income statements should present all of the costs of doing business, including expenses incurred by the parent on behalf of the registrant.

For goodwill, the SEC staff frequently issues comments related to (1) disclosures in MD&A, including the critical accounting estimates section and any known uncertainties related to the potential for a material impairment charge; (2) identification of reporting units, especially when changes appear to have been made to an entity's reporting structure; and (3) interim impairment tests, including (a) whether negative trends could trigger the requirement to test goodwill for impairment between annual tests, (b) the events leading up to any impairment charge, and (c) whether an impairment should have been identified in a prior period.

For more information, see Sections 2.1, 2.5, 2.11.1, and 4.2.4 of Deloitte's Roadmap *SEC Comment Letter Considerations, Including Industry Insights*.

Appendix A — Titles of Standards and Other Literature

AICPA Literature

Accounting and Valuation Guide

Valuation of Privately-Held-Company Equity Securities Issued as Compensation

Audit and Accounting Guide

Revenue Recognition

Practice Aid

Accounting for and Auditing of Digital Assets

FASB Literature

ASC Topics

ASC 205, *Presentation of Financial Statements*

ASC 210, *Balance Sheet*

ASC 235, *Notes to Financial Statements*

ASC 260, *Earnings per Share*

ASC 270, *Interim Reporting*

ASC 275, *Risks and Uncertainties*

ASC 310, *Receivables*

ASC 320, *Investments — Debt Securities*

ASC 321, *Investments — Equity Securities*

ASC 323, *Investments — Equity Method and Joint Ventures*

ASC 325, *Investments — Other*

ASC 326, *Financial Instruments — Credit Losses*

ASC 330, *Inventory*

ASC 340, *Other Assets and Deferred Costs*

ASC 350, *Intangibles — Goodwill and Other*

ASC 360, *Property, Plant, and Equipment*

ASC 405, *Liabilities*

ASC 450, *Contingencies*

ASC 460, *Guarantees*

ASC 470, *Debt*

ASC 480, *Distinguishing Liabilities From Equity*

ASC 505, *Equity*

ASC 605, *Revenue Recognition*

ASC 606, *Revenue From Contracts With Customers*

ASC 610, *Other Income*

ASC 705, *Cost of Sales and Services*

ASC 710, *Compensation — General*

ASC 712, *Compensation — Nonretirement Postemployment Benefits*

ASC 715, *Compensation — Retirement Benefits*

ASC 718, *Compensation — Stock Compensation*

ASC 720, *Other Expenses*

ASC 730, *Research and Development*

ASC 740, *Income Taxes*

ASC 805, *Business Combinations*

ASC 808, *Collaborative Arrangements*

ASC 810, *Consolidation*

ASC 815, *Derivatives and Hedging*

ASC 820, *Fair Value Measurement*

ASC 825, *Financial Instruments*

ASC 840, *Leases*

ASC 842, *Leases*

ASC 845, *Nonmonetary Transactions*

ASC 848, *Reference Rate Reform*

ASC 860, *Transfers and Servicing*

ASC 940, *Financial Services — Brokers and Dealers*

ASC 944, *Financial Services — Insurance*

ASC 946, *Financial Services — Investment Companies*

ASC 985, *Software*

ASUs

ASU 2014-01, *Investments — Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects* — a consensus of the FASB Emerging Issues Task Force

ASU 2014-09, *Revenue From Contracts With Customers (Topic 606)*

ASU 2016-08, *Revenue From Contracts With Customers (Topic 606): Principal Versus Agent Considerations (Reporting Revenue Gross Versus Net)*

ASU 2016-10, *Revenue From Contracts With Customers (Topic 606): Identifying Performance Obligations and Licensing*

ASU 2016-12, *Revenue From Contracts With Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*

ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*

ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue From Contracts With Customers*

ASU 2018-07, *Compensation — Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*

ASU 2018-11, *Leases (Topic 842): Targeted Improvements*

ASU 2018-15, *Intangibles — Goodwill and Other — Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* — a consensus of the FASB Emerging Issues Task Force

ASU 2019-08, *Compensation — Stock Compensation (Topic 718) and Revenue From Contracts With Customers (Topic 606): Codification Improvements — Share-Based Consideration Payable to a Customer*

ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*

ASU 2020-06, *Debt — Debt With Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging — Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*

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Appendix B — Abbreviations

Abbreviation	Description
AI	artificial intelligence
AICPA	American Institute of Certified Public Accountants
ASC	FASB Accounting Standards Codification
ASR	accelerated share repurchase
ASU	FASB Accounting Standards Update
BC	Basis for Conclusions
BCF	beneficial conversion feature
C&DI	SEC Compliance and Disclosure Interpretation
CAM	critical audit matter
CAQ	Center for Audit Quality
CCF	cash conversion feature
CECL	current expected credit loss
CIMA	Chartered Institute of Management Accountants
CPM	cost per mille
CRM	customer relationship management
DLOM	discount for lack of marketability
DTA	deferred tax asset
DTL	deferred tax liability
EBITDA	earnings before interest, taxes, depreciation, and amortization
EDGAR	SEC's Electronic Data Gathering, Analysis, and Retrieval System
EGC	emerging growth company
EITF	FASB Emerging Issues Task Force
EPS	earnings per share

Abbreviation	Description
ERP	enterprise resource planning
ex-TAC	excluding traffic acquisition costs
Exchange Act	Securities Exchange Act of 1934
FASB	Financial Accounting Standards Board
FAST Act	Fixing America's Surface Transportation Act
FIFO	first in, first out
FinREC	AICPA Financial Reporting Executive Committee
FRM	SEC Financial Reporting Manual
GAAP	generally accepted accounting principles
GAAS	generally accepted auditing standards
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IC	independent contractor
ICFR	internal control over financial reporting
IFRS	International Financial Reporting Standard
IoT	Internet of Things
IP	intellectual property
IPO	initial public offering
IPR&D	in-process research and development
IRC	Internal Revenue Code
IT	information technology

Abbreviation	Description
JOBS Act	Jumpstart Our Business Startups Act
KPI	key performance indicator
LIBOR	London Interbank Offered Rate
LIFO	last in, first out
LLC	limited liability company
M&A	merger and acquisition
MD&A	Management's Discussion and Analysis
NFT	nonfungible token
NOL	net operating loss
OCA	SEC's Office of the Chief Accountant
OEM	original equipment manufacturer
PBE	public business entity
PCAOB	Public Company Accounting Oversight Board
PCS	postcontract customer support
Q&A	question and answer
R&D	research and development
RMN	retail media network
ROU	right-of-use

Abbreviation	Description
S&P 500	Standard & Poor's 500 stock market index
SaaS	software as a service
SAB	SEC Staff Accounting Bulletin
Sarbanes-Oxley	Sarbanes-Oxley Act of 2002
SEC	U.S. Securities and Exchange Commission
Securities Act	Securities Act of 1933
SG&A	selling, general, and administrative
SKU	separate stock-keeping unit
SPAC	special-purpose acquisition company
SRC	smaller reporting company
SSP	stand-alone selling price
TMT	Technology, Media, & Telecommunications
TPA	AICPA Technical Practice Aid
TRG	FASB/IASB transition resource group for revenue recognition
VIE	variable interest entity
XaaS	everything as a service

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