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Technology Industry Accounting Guide

Other Accounting and Financial Reporting Topics: Initial Public Offerings

March 2023

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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

5.11 Initial Public Offerings

After a record-breaking year for IPOs and SPACs in 2021, the market began slowing down significantly in 2022 amid various challenges, including volatile markets, geopolitical conflicts, inflation, interest rate increases, supply-chain issues, and COVID-19 (which has continued to affect the global economy). Despite such challenges, private technology entities continue to evaluate the methods used to go public in anticipation of better market conditions in the future. Such methods include a "traditional" IPO, in which a private entity sells its equity in a public underwritten offering. However, over the past several years, nontraditional IPOs have become more popular. Rather than undertaking traditional IPOs, some private operating entities have chosen to merge with SPACs to raise capital or use other financing alternatives, such as direct listings. Nevertheless, the volume of SPACs has declined significantly in the past year.

Before an entity commences a public offering of securities, it must file a registration statement with the SEC under the applicable securities laws. Both the form used to file the registration statement and the filing and review process will depend on the nature of the offering. Entities undertaking a traditional IPO can voluntarily submit a draft registration statement to the SEC staff for confidential, nonpublic review. The ability to file confidentially is a significant benefit because it allows entities to keep potentially sensitive information from customers or competitors until later in the IPO process. Confidential initial submissions are subsequently filed publicly no later than 15 days before (1) a roadshow or (2) the requested effective date of the registration statement if no roadshow is planned.

Once submitted to or filed with the SEC, a registration statement is reviewed by the Division staff, which will generally complete its initial review and furnish its first set of comments within 30 calendar days. The entity then responds to each of the staff's comments and reflects edits to the draft registration statement in an amended filing, which the staff will also review. An entity can expect several rounds of comment letters containing follow-up questions on responses to original comments as well as additional comments on new information included in the amended registration statement. After the initial review, subsequent comments are typically furnished within two weeks. For more information about typical SEC staff comments, see Deloitte's Roadmap *SEC Comment Letter Considerations, Including Industry Insights*.

5.11.1 Types of Issuers

The requirements for an IPO can vary from entity to entity. Factors that may affect the requirements include:

- Whether the entity is a domestic issuer or a foreign private issuer.
- Whether the entity qualifies as a smaller reporting company (SRC).
- Whether the entity qualifies as an emerging growth company (EGC).

Once an entity completes a public offering and becomes an SEC registrant, it will also need to determine its SEC filer status as a large accelerated filer, an accelerated filer, or a nonaccelerated filer, which will further affect the entity's filing obligations and deadlines. An entity undertaking an IPO will initially be considered a nonaccelerated filer since large accelerated or accelerated filers must have filed at least one annual report and must have been subject to the requirements of Sections 13(a) and 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") for at least 12 months. Accordingly, a registrant generally cannot be considered a large accelerated or accelerated filer for its first Form 10-K filing as a public entity. For more information about the types of issuers, see Section 1.2 of Deloitte's Roadmap *Initial Public Offerings*.

5.11.1.1 Smaller Reporting Companies

A registrant may qualify as an SRC on the basis of either a public float test or a revenue test. The thresholds for qualification as an SRC are as follows:

Criteria	Definition
Public float test	Less than $250 million of public float as of the last business day of the registrant's second fiscal quarter
Revenue test	Less than $100 million of revenue as of the most recently completed fiscal year for which audited financial statements are available and public float less than $700 million as of the last business day of the registrant's second fiscal quarter

A key feature of reducing the reporting burden on SRCs is the scaling back of the requirements in both SEC Regulation S-X and SEC Regulation S-K.

An entity may qualify as both an SRC and an EGC; however, unlike the five-year limit for qualifying as an EGC, there is no time limit for qualifying as an SRC.

In addition, after its IPO, an entity could both (1) qualify as an SRC and be eligible for the scaled disclosure requirements available to such an entity and (2) be an accelerated filer and subject to those requirements, including the shorter deadlines for periodic filings and the requirement to include in the entity's filings an auditor's attestation report on internal control over financial reporting (ICFR), as required by Section 404(b) of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley").

The table below further summarizes the initial assessment criteria for SRC status on the basis of public float and revenue levels in the context of the requirements in Section 404(b) of Sarbanes-Oxley.

	Definition		
Status	Public Float	Annual Revenues	Sarbanes-Oxley Section 404(b) Requirement
SRC and nonaccelerated filer	Less than $75 million	No limit	No
	$75 million to less than $700 million	Less than $100 million	No
SRC and accelerated filer	$75 million to less than $250 million	$100 million or more	Yes

For more information about SRCs, see Section 1.5 of Deloitte's Roadmap *Initial Public Offerings*.

5.11.1.2 Emerging Growth Companies

An EGC is a category of issuer that was established in 2012 under the Jumpstart Our Business Startups Act (commonly known as the "JOBS Act") and was granted additional accommodations in 2015 under the Fixing America's Surface Transportation Act (commonly known as the "FAST Act"). The less stringent regulatory and reporting requirements for EGCs are intended to encourage such entities to undertake public offerings. A private entity undertaking an IPO will generally qualify as an EGC if it (1) has total annual gross revenues of less than $1.235 billion during its most recently completed fiscal year and (2) has not issued more than $1 billion in nonconvertible debt in the past three years. Once an entity completes its IPO, it must meet additional criteria to retain EGC status.

There are many potential benefits for registrants that file an IPO as an EGC. For example, EGCs:

- Need only two years of audited financial statements in an IPO of common equity.[1]
- May omit financial information (including audited financial statements) from an IPO registration statement if that financial information is related to periods that are not reasonably expected to be required at the time the registration statement becomes effective.
- May elect not to adopt new or revised accounting standards until they become effective for private entities (i.e., nonissuers).
- Are eligible for reduced executive compensation disclosures.

After a registrant files an IPO as an EGC, provided that the registrant retains its EGC status, additional accommodations are available for its ongoing reporting obligations. One of the most significant of these accommodations exempts EGCs from the requirement to obtain, from the entity's independent registered public accounting firm, an auditor's report on the entity's ICFR. EGCs are also exempt, unless the SEC deems it is necessary, from any future PCAOB rules that may require (1) rotation of independent registered public accounting firms or (2) supplements to the auditor's report, such as communications regarding critical audit matters (CAMs), which are required for certain other issuers.[2]

After going public, a registrant will retain its EGC status until the earliest of:

- The last day of the fiscal year in which its total annual gross revenues exceed $1.235 billion.
- The date on which it has issued more than $1 billion in nonconvertible debt securities during the previous three years.
- The date on which it becomes a large accelerated filer (which is an annual assessment performed on the last day of the fiscal year on the basis of public float as of the end of the second fiscal quarter). To be considered a large accelerated filer, the registrant must have filed at least one annual report and must have been subject to the requirements of Sections 13(a) and 15(d) of the Exchange Act for at least 12 months. Accordingly, the registrant generally cannot be considered a large accelerated filer for its first Form 10-K filing as a public entity.
- The last day of the fiscal year after the fifth anniversary of the date of the first sale of common equity securities under an effective Securities Act of 1933 (the "Securities Act") registration statement for an EGC.

[1] This accommodation is limited to an IPO of common equity. As the SEC clarifies in paragraph 10220.1 of the FRM, an entity will generally need to include three years of audited financial statements when entering into an IPO of debt securities or filing an Exchange Act registration statement, such as a Form 10, to register securities.

[2] CAMs are required for audits of all issuers except (1) brokers and dealers; (2) registered investment companies other than business development companies; (3) employee stock purchase, savings, and similar plans; and (4) EGCs.

As noted above, an EGC may elect to adopt new accounting standards on the basis of effective dates that apply to non-PBEs (e.g., the option to first adopt a new standard in annual financial statements). However, such an election is available only for as long as the entity qualifies as an EGC. An entity may lose EGC status after the effective date for PBEs but before the effective date for non-PBEs. As discussed in paragraph 10230.1 of the FRM, the SEC staff generally expects an EGC that loses its EGC status to comply with the PBE requirements in the first filing after loss of EGC status. Accordingly, a registrant that loses EGC status before adopting a new standard should reflect such adoption as of the beginning of the current fiscal year. Previously issued financial statements do not need to be amended unless the standard requires full retrospective application. Entities that lose EGC status during the IPO process would reflect adoption of any deferred standards in their first periodic report (i.e., on Form 10-Q or Form 10-K) after the IPO. Entities that lose EGC status after their IPO would reflect adoption of any deferred standards in their next periodic report (i.e., on Form 10-Q or Form 10-K) after loss of EGC status.

For more information about EGCs, see Section 1.6 of Deloitte's Roadmap *Initial Public Offerings*.

5.11.2 Types of IPOs

An IPO represents a private entity's initial registration of debt or equity securities with the SEC. However, there are many ways in which an entity can become public, including:

- Sale of newly issued common shares to the public.
- The exchange of debt securities previously issued in a private transaction for registered debt securities.
- The registering of currently outstanding equity securities.
- The distribution of shares in a spin-off transaction by a public company.
- The registering of securities that are issued by a SPAC.

Regardless of the nature of the IPO transaction or the type of securities registered, upon effectiveness, the issuer will be "public" and will therefore be required to begin complying with the periodic reporting requirements of the Exchange Act (e.g., filing of Forms 10-K, 10-Q, and 8-K). For more information about the types of IPOs, see Section 1.3 of Deloitte's Roadmap *Initial Public Offerings*.

5.11.2.1 Special-Purpose Acquisition Companies

A SPAC is a newly created entity that raises cash in an IPO and uses it to fund the acquisition of one or more private operating entities. After the IPO, the SPAC's management looks to complete an acquisition of a target entity within the period specified in its governing documents (e.g., 24 months). If an acquisition cannot be completed within this time frame, the cash raised in the IPO must generally be returned to investors. Because SPACs hold no assets other than cash before completing an acquisition, they are nonoperating public "shell companies" as defined by the SEC. If a target is identified and the SPAC is able to successfully complete the acquisition transaction, the private operating entity target will succeed to the SPAC's filing status as a result of the merger. On the closing date of the acquisition, the former private operating entity, as the predecessor to the SPAC registrant, becomes a public entity and must be able to meet all the public-entity reporting requirements applicable to the combined entity.

For more information about SPACs, see Section 1.7 of Deloitte's Roadmap *Initial Public Offerings* and Deloitte's October 2, 2020 (updated April 11, 2022), *Financial Reporting Alert*.

5.11.2.2 Offerings Made in Accordance With Regulation A

Regulation A, as amended in 2015 (also referred to as Reg A or Reg A+), provides an exemption from the ordinary requirements of the Securities Act. This exemption allows U.S. and Canadian entities to raise up to $75 million in a 12-month period by issuing certain types of securities, including equity securities. Regulation A requires that certain disclosure documents be submitted via EDGAR and allows for the confidential review of offering documents.

For more information about Regulation A, see Section 1.8 of Deloitte's Roadmap *Initial Public Offerings*.

5.11.3 The IPO Registration Statement

While the nature of the IPO may vary, before an entity may commence a public offering of securities, the entity, or "registrant," must file a registration statement with the SEC under the applicable securities laws. The registration statement contains extensive financial and business-related disclosures about the entity and the securities being offered. A registrant provides such disclosures in accordance with (1) Regulation S-X, which sets forth the SEC's reporting requirements for the financial statements, and (2) Regulation S-K, which sets forth the SEC's reporting requirements for information outside the financial statements.

Once submitted to or filed with the SEC, an IPO registration statement is processed and reviewed by the staff of the Division. The purpose of the review is to determine whether the registration statement complies with the SEC's disclosure requirements. An entity can generally expect the staff to complete its initial review and furnish the first set of comments within 30 calendar days. The entity would then respond to each of the SEC's comments and reflect requested edits, as well as any other updates, in an amended IPO registration statement, which the SEC will also review. After the initial filing, the SEC's review time can vary significantly but typically is within two weeks. An entity can expect several rounds of comment letters with follow-up questions on responses to original comments as well as additional comments on new information included in the amended registration statement.

Depending on the length of time between amendments, financial statements and other information included in the registration statement may need to be updated to reflect subsequent periods. Certain information, such as estimated pricing of the IPO and related disclosures, may not be known as of the initial filing date and therefore is not added until a later amendment. However, the SEC expects each draft of the registration statement to be substantially complete at the time of its submission, unless there are specific accommodations for omitting otherwise required information.

Once all the staff's comments are cleared, an entity will typically print a preliminary prospectus, commonly referred to as a "red herring," and go on a "roadshow" to meet with and present to prospective investors. After the roadshow, the entity and its counsel may request that the SEC declare the registration statement "effective" at a certain date and time, after which the securities will be registered and, if listed on an exchange, begin trading.

Most registration statements will only become effective after the SEC comment process has been completed and an effective date has been requested by the entity and granted by the SEC.

Entities may confidentially submit certain IPO registration statements to the SEC. The ability to file nonpublicly is a significant benefit because it allows entities to keep potentially sensitive information from customers or competitors until later in the IPO process. It also lets entities confidentially respond to SEC comments, update the draft registration statement, and continue to assess market conditions throughout the IPO process and enables them to delay or withdraw the IPO, if desired, without public scrutiny.

While draft registration statements may be initially submitted nonpublicly, an entity will eventually be required to publicly file all previously submitted drafts unless it elects to withdraw the IPO. Specifically, all comments and the related responses, even if they were previously submitted confidentially, will be posted to the SEC's Web site no earlier than 20 days after the review is completed by the staff or the registration statement is declared effective. All confidential submissions must be filed publicly no later than 15 days before (1) a roadshow or (2) the requested effective date of the registration statement if no roadshow is planned.

For more information about the IPO registration statement, see Section 1.4 of Deloitte's Roadmap *Initial Public Offerings*.

5.11.4 Identifying the Required Financial Statements for the Registration Statement

One of the more challenging aspects of preparing for an IPO is ensuring that the entity has identified the appropriate financial statements to include in the filing. There are many considerations related to determining the appropriate financial statements to include in the IPO registration statement. For example, an entity will need to identify and prepare the financial statements both for the registrant and for any predecessor entities. In addition to the complexities associated with identifying the required financial statements for the registrant and its predecessor(s), the entity must consider other potential financial statement requirements that may result in additional meaningful historical financial information for investors in the IPO. The specific requirements could be related to significant business acquisitions, equity method investments, guarantors of registered securities, or entities that collateralize registered securities.

When the circumstances are particularly complex, registrants may wish to submit a prefiling letter to the Division to preclear the planned financial statement presentation and avoid surprises or potential delays during the SEC's review of their IPO filing. Registrants may wish to seek modifications to their financial reporting requirements when the application of a rule results in the requirement to provide more information than the registrant believes is necessary. For example, a registrant may submit a prefiling letter in accordance with SEC Regulation S-X, Rule 3-13, referred to as a Rule 3-13 waiver, in which it requests to omit the financial statements for a significant acquired business, real estate acquisition, or equity method investment.

Some of the more significant considerations in the determination of the financial statements include, but are not limited to, issues related to the following:

- Registrant determination.
- Recently organized registrant (e.g., shell company such as a SPAC) financial statements, which could include predecessor financial statements or carve-out financial statements.
- Financial statement periods, including interim financial statements and age of financial statements.
- Omission of certain financial information.
- Waiver and other requests.
- Businesses acquired or to be acquired.
- Equity method investees.
- Guarantors and issuers of guaranteed securities registered or being registered.
- Securities that collateralize registered securities.

For more information about (1) identifying the required financial statements for the registration statement, (2) financial statement preparation and disclosure requirements, and (3) other registration statement reporting (including MD&A and pro forma financial information), see Chapters 2, 3, and 4, respectively, of Deloitte's Roadmap *Initial Public Offerings*.

5.11.5 Accounting Matters

This section highlights common accounting issues addressed in preparing financial statements for inclusion in an IPO registration statement. While some of the guidance may be directly applicable, some of it may be applied to IPO registration statements by analogy, may be complex, and may require significant judgment. Understanding the structure and substance of the transactions to effect the IPO is critical to making sound and reasonable judgments. During its comment process, the SEC staff will frequently ask management to explain the basis for those judgments, alternatives considered, and why the information provided to the user is representationally faithful. For additional observations related to frequently issued SEC staff comments, see Deloitte's Roadmap *SEC Comment Letter Considerations, Including Industry Insights*.

Some common accounting issues that arise in preparing IPO financial statements include, but are not limited to, the following:

- Carve-out considerations (see Section 5.2.1 of Deloitte's Roadmap *Initial Public Offerings* and Deloitte's Roadmap *Carve-Out Transactions*).
- Spin-off transactions (see Section 5.2.2 of Deloitte's Roadmap *Initial Public Offerings* and Section 1.2.3 of Deloitte's Roadmap *Carve-Out Transactions*).
- Reorganization in anticipation of an IPO (see Section 5.2.3 of Deloitte's Roadmap *Initial Public Offerings* and Appendix B of Deloitte's Roadmap *Business Combinations*).
- Related-party transactions (see Section 5.3 of Deloitte's Roadmap *Initial Public Offerings*).
- Business combinations (see Section 5.4 of Deloitte's Roadmap *Initial Public Offerings* and Deloitte's Roadmaps *Business Combinations* and *SEC Reporting Considerations for Business Acquisitions*).
- Valuation of financial instruments (see Section 5.5 of Deloitte's Roadmap *Initial Public Offerings* and Deloitte's Roadmap *Fair Value Measurements and Disclosures (Including the Fair Value Option)*).
- Liabilities, equity, and temporary equity (see Section 5.6 of Deloitte's Roadmap *Initial Public Offerings* and Deloitte's Roadmaps *Convertible Debt (Before Adoption of ASU 2020-06)*, *Issuer's Accounting for Debt*, and *Distinguishing Liabilities From Equity*).
- Offering costs (see Section 5.7 of Deloitte's Roadmap *Initial Public Offerings* and Deloitte's Roadmaps *Convertible Debt (Before Adoption of ASU 2020-06)*, *Issuer's Accounting for Debt*, and *Distinguishing Liabilities From Equity*).
- Stock-based compensation (see Section 5.8 of Deloitte's Roadmap *Initial Public Offerings* and Deloitte's Roadmap *Share-Based Payment Awards*).
- Income taxes (see Section 5.9 of Deloitte's Roadmap *Initial Public Offerings* and Deloitte's Roadmap *Income Taxes*).
- Earnings per share (see Section 5.10 of Deloitte's Roadmap *Initial Public Offerings* and Deloitte's Roadmap *Earnings per Share*).

- Segments (see Section 5.11 of Deloitte's Roadmap *Initial Public Offerings* and Deloitte's Roadmap *Segment Reporting*).
- Subsequent events (see Section 5.12 of Deloitte's Roadmap *Initial Public Offerings*).
- Unwinding private-entity accounting elections and practical expedients (see Section 3.4 of Deloitte's Roadmap *Initial Public Offerings*).

5.11.6 Audit Considerations

After the financial statement requirements have been identified for a registration statement, the next step for the registrant's audit committee[3] is to engage auditors to complete the necessary audits and reviews of the financial statements, as applicable. The SEC indicates on its Web site that the Securities Act, which governs registration statements, has two fundamental goals: (1) to "require that investors receive financial and other significant information concerning securities being offered for public sale" and (2) to "prohibit deceit, misrepresentations, and other fraud in the sale of securities." In accordance with these objectives, the Securities Act requires that an independent registered public accounting firm audit annual financial statements and read certain other financial information included in the registration statement. In addition, interim financial statements included in the registration statement may be subject to a review under PCAOB standards. In some instances, stub-period financial statements may also need to be audited.

Audited financial statements to be included in the IPO registration statement often will be subject to additional audit procedures because the standards governing audits of public entities are different from those for private entities. Specifically, the financial statement audits performed for a private entity and its independent auditor are subject to the auditing standards issued by the AICPA's Auditing Standards Board; however, audits of financial statements included in a registration statement filed with the SEC need to be performed in accordance with PCAOB standards. Although the auditor may have previously expressed an opinion on the annual financial statements in accordance with AICPA auditing standards (i.e., auditing standards generally accepted in the United States, or "U.S. GAAS"), the auditor will need to issue an auditor's report on the required annual financial statements in accordance with PCAOB standards for inclusion in the registration statement, or in accordance with both U.S. GAAS and PCAOB standards when the entity is submitting its draft registration statement confidentially. To issue this auditor's report, the auditor must be registered with the PCAOB and comply with all relevant PCAOB requirements.

Some common audit issues that arise in preparing IPO financial statements include, but are not limited to, the following:

- Independence considerations.
- Changes in auditors.
- Completing audits and reviews.
- Consents.
- Comfort letters.
- ICFR.
- Critical audit matters.

For more information about audit considerations, see Chapter 6 of Deloitte's Roadmap *Initial Public Offerings*.

[3] If the entity has not yet formed an audit committee, other governing bodies the entity has charged with governance, such as a board of directors or owners, may fulfill this role before the entity becomes a public entity.

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*

ASU 2021-02, *Franchisors — Revenue From Contracts With Customers (Subtopic 952-606): Practical Expedient*

ASU 2021-04, *Earnings per Share (Topic 260), Debt — Modifications and Extinguishments (Subtopic 470-50), Compensation — Stock Compensation (Topic 718), and Derivatives and Hedging — Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options* — a consensus of the FASB Emerging Issues Task Force

ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities From Contracts With Customers*

ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*

Concepts Statements

No. 5, *Recognition and Measurement in Financial Statements of Business Enterprises*

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TRG Agenda Paper 59, *Payments to Customers*

TRG Agenda Paper 60, *November 2016 Meeting — Summary of Issues Discussed and Next Steps*

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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