



ELEVATE

Annual Commercial
Summit | 2025



Adapting to Change: Navigating Economic Shifts and Reporting Impacts

Strategies for managing evolving economic environments effectively



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Agenda

- ▲ **1** Learning Objectives
- ▲ **2** Interest Rate Volatility
- ▲ **3** Tariffs and Inflation
- ▲ **4** New Accounting Pronouncements
- ▲ **5** Emerging Issues
- ▲ **6** Key Takeaways

Learning Objectives



- ▲ Explain how fluctuations in interest rates influence financial reporting
- ▲ Understand the landscape of tariffs and inflation; determine potential impacts on your business
- ▲ Identify and explain the key accounting pronouncements effective for 2025 and 2026

Polling Question #1

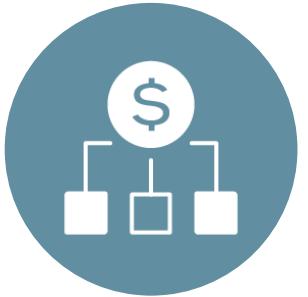


Interest Rate Volatility



Discounted Cash Flows

- Lower interest rates = higher present value of future cash flows
- Lease right-of-use assets and lease liabilities are impacted



Debt Refinancing

- Renegotiated terms or early settlements, triggering accounting for modifications or extinguishments
- Hedging rate with fixed-for-variable swap



Asset Impairment

- Impairment analysis requirements
- Going concern implications
- Realizability of deferred taxes

Tariffs

Revenue recognition

Contract Modifications

- Price-adjustment clauses
- Prospective and retrospective approaches

Variable Consideration

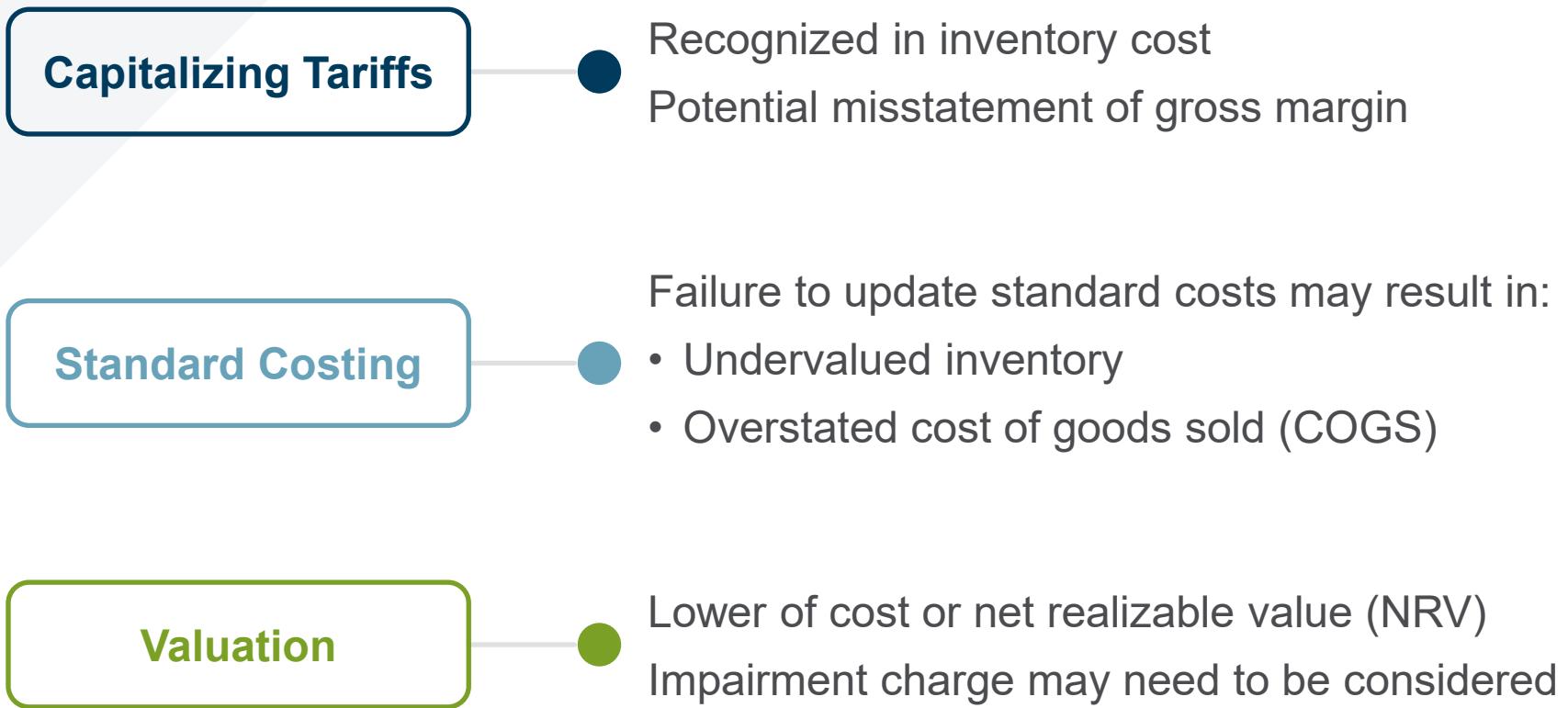
- Contracts including clause that adjusts selling price based on tariff changes
- Estimate based on probability that a significant reversal will not occur

Uninstalled Materials

- Purchased in advance but not yet utilized
- Required to capitalize

Tariffs

Inventory valuation





Tariffs

Insights for importers

- ▶ Learning Resources, Inc. v. Trump
- ▶ Presidential authority
- ▶ Key actions
 - Review import activity
 - File administrative protests
 - Prepare for possible litigation
- ▶ Financial reporting: Gain Contingency (ASC 450-30)

Tariffs

Other impacts



US/Canada trade policy



Going concern



Supply chain

Polling Question #2





Inflation

- ▶ New England: inflation surpassed the national average
- ▶ Impact on accounting estimates:
 - Forecast models
 - Fair value measurement
- ▶ Onerous contracts: Fixed price agreements which no longer cover rising fulfillment costs
 - ASC450 – Loss should be recorded if it is both “probable” and “reasonably estimable”

Disclosure Requirements



ASC 275
Risks and Uncertainties



ASC 855
Subsequent Events

New Accounting Pronouncements

Effective for periods beginning after December 15, 2024

ASU 2022-03: Fair Value Measurement of Equity Securities Subject to Contractual Sales Restrictions

- ▶ Investment companies, private equity
- ▶ Restricted stock

ASU 2023-02: Accounting for Investments in Tax Credit Structures Using Proportional Amortization Method

- ▶ Real estate, construction, renewable energy
- ▶ Proportional amortization method

New Accounting Pronouncements

Effective for periods beginning after December 15, 2024

ASU 2023-05: *Joint Venture Formations* (Subtopic 805-60)

- ▲ Construction, energy & natural resources
- ▲ Contributions to joint ventures

ASU 2023-08: *Crypto Assets* (Subtopic 305-60)

- ▲ Technology, fintech & nonprofits
- ▲ Accounting and disclosure

New Accounting Pronouncements

Effective for periods beginning after December 15, 2025

ASU 2024-04: *Debt with Conversion and Other Options* (Subtopic 470-20)

- ▶ Addresses induced conversions of convertible debt instruments

ASU 2025-05: *Financial Instruments – Credit Losses* (Topic 326)

- ▶ Simplifies accounting for credit losses on accounts receivable and contract assets
- ▶ Offers a practical expedient and accounting policy election



Polling Question #3



Environmental, Social and Governance Framework



Environmental

Focuses on how a company interacts with the natural environment

- Carbon emissions and climate change impact
- Energy efficiency and renewable energy use
- Waste management and pollution control



Social

Examines how a company manages relationships with people and communities

- Employee health, safety and diversity
- Labor practices and human rights
- Community engagement and social impact



Governance

Looks at leadership, ethics and internal controls

- Board structure and independence
- Anti-corruption and compliance policies
- Shareholder rights and transparency

Why is ESG Important?

► Risk management

- Resource scarcity can affect asset values and operational costs
- Human rights violations can lead to lawsuits, reputational damage
- Weak governance – fraud risk

► Investor confidence and access to capital

► Regulatory compliance





Artificial Intelligence and Financial Reporting

- ▶ Key applications:
 - Automation and real-time reporting
 - Predictive analytics
- ▶ Benefits:
 - Stronger internal controls
 - Faster decision-making
- ▶ Caution:
 - Data privacy and security
 - Overreliance on systems
 - Risks – access rights, “black box” AI models

Key Takeaways

1

Economic conditions, including interest rates, tariffs, and inflation, are likely to have impacts on your financial reporting

2

New accounting pronouncements are not expected to have significant or widespread impacts on most commercial entities

3

Keep an eye on emerging issues, including ESG and how this may impact your reporting requirements

Questions?



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