



September 2014

Technical Roundup

The Technical Standards Update of Crowe Horwath International

Joint Projects

Leases

The FASB and the IASB (the Boards) continue redeliberating the proposals in the May 2013 Exposure Draft, *Leases*, specifically discussing the following topics:

- Subleases - some consensus was reached;
- Lessee Balance Sheet Presentation;
- Cash Flow Presentation.

See the status of the joint project [here](#).

From the International Accounting Standards Board (IASB)

IFRS 9, *Financial Instruments*

On 24 July 2014, the IASB announced the completion of final amendments to IFRS 9, "Financial Instruments." The amendments complete a three-phase project to replace International Accounting Standard 39, "Financial Instruments: Recognition and Measurement." Previous versions of IFRS 9 had established classification and measurement requirements (issued in 2009 and 2010) and a new hedge accounting model (issued in 2013). The most recent amendments replace those earlier versions of IFRS 9. Changes include a new expected-loss impairment model that will require more timely recognition of expected credit losses.

IFRS 9 will be effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. The IASB has made available a project summary that provides an overview of the requirements of IFRS 9. An article available on the IASB website, "IFRS 9: A Complete Package for Investors," discusses the new standard from an investor perspective. A recording of a 29 July 2014, Web presentation and Q&A session on the final standard is also available on the IASB website. Read the press release [here](#).

Equity Method in Separate Financial Statements (Amendments to IAS 27)

The International Accounting Standards Board (IASB) published *Equity Method in Separate Financial Statements (Amendments to IAS 27)*. The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors. Read the full press release [here](#).

Leases

The IASB has published an [update document](#) on the most important tentative decisions reached on the Leases project during the first half of 2014, and the reasoning behind those decisions. The document also enumerates the remaining work to be done in completing the project.

Income Taxes

On 20 August, the IASB published Exposure Draft 2014-3, *Recognition of Deferred Tax Assets for Unrealised Losses (proposed amendments to IAS 12)*. IAS 12 addresses the accounting for income taxes, including deferred tax assets. The amendments propose guidance that clarifies how to account for deferred tax assets related to debt instruments measured at fair value. Comments are due by December 18.

From the European Commission (EC)

The European Commission (EC) published on 7 August 2014, a discussion paper on IFRS to solicit views on the 2002 rule that authorized the use of the IASB's standards throughout the European Union (EU). The EC said it's trying to determine if the factors that led to the adoption of IFRS at that time still apply. It's also considering areas where IFRS can be improved. Comments are due October 31.

From the International Ethics Standards Board for Accountants (IESBA)

Long Association of Senior Personnel (Including Partner Rotation) with an Audit Client

The Ethics Board released for public comment changes to the provisions in Section 290 of the *Code of Ethics for Professional Accountants (the Code)* dealing with long association of senior personnel with an audit client. The Exposure Draft (ED) responds to several issues raised by stakeholders, including independence in appearance and the following areas:

- Strengthening the general provisions that apply to all audit engagements;
- Increasing the mandatory cooling-off period for the engagement partner on the audit of a client that is a public interest entity;
- Strengthening the restrictions on the type of activities that can be undertaken by any former key audit partner during the cooling-off period; and
- Ensuring the concurrence of those charged with governance with respect to the application of certain exception paragraphs.

The ED also includes corresponding changes to Section 291 of the Code dealing with long association of senior personnel with an assurance client. To access the ED and submit a comment, please visit the Ethics Board's website at www.ethicsboard.org. Comments are due 12 November 2014.

From the Federation of European Accountants (FEE)

Discussion Paper on Accounting Treatment for Goodwill

Under current IFRS, goodwill arising from a business combination is not amortised but is instead subject to an annual impairment test. In order to contribute to the global discussion on how goodwill should be accounted for and disclosed, a research group of the Accounting Standard Board of Japan (ASBJ), EFRAG and the Italian standard setter Organismo Italiano di Contabilità (OIC) has published the Discussion Paper, [Should Goodwill still not be Amortised? – Accounting and Disclosure for Goodwill](#). The deadline for comments is 20 September 2014.

ESMA Publishes Accounting Enforcement Guidelines

In order to strengthen and promote more consistency in existing enforcement practices amongst EU accounting enforcers, the European Securities and Markets Authority (ESMA) has published its final [Guidelines](#) on the enforcement of financial information published by listed entities in the European Union (EU).

Briefing Paper – Appointment of the Auditor

FEE has published a new Briefing Paper, [The Appointment of the Auditor and the Duration of the Engagement: Striving for a Workable Single Market in the EU](#) which aims to provide details about the legislative changes regarding the appointment of the auditor and to help Member States and competent authorities implement these changes.

From the Financial Accounting Standards Board (FASB)

ASUs on Inventory, Extraordinary Items and Cloud Computing Fees Proposed

As part of its simplification initiative, on 15 July 2014, the FASB issued two proposed ASUs intended to simplify the measurement of inventory and eliminate the requirements for extraordinary items.

One proposed ASU, "[Inventory \(Topic 330\): Simplifying the Measurement of Inventory](#)," addresses stakeholder concerns about the complexity of current guidance on measuring inventory. Current U.S. GAAP requires reporting entities to measure inventory at the lower of cost or market, where entities must consider whether market is net realizable value, replacement cost, or net realizable value less a normal profit margin when measuring inventory.

The proposed guidance would require that inventory be measured at the lower of cost and net realizable value and would thus eliminate existing requirements to consider the other options. The changes would reduce the cost and complexity of the subsequent measurement of inventory and result in greater consistency.

The other proposed ASU, "[Income Statement – Extraordinary and Unusual Items \(Subtopic 225-20\): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items](#)," would remove from GAAP the concept of extraordinary items. Current GAAP requires organizations to evaluate whether an event or transaction is an extraordinary item and, if it is deemed so, to present and disclose the item separately. However, the concept of extraordinary items causes uncertainty because it is unclear when an item should be considered both unusual and infrequent.

The FASB believes that eliminating the concept of extraordinary items would save time and reduce costs for preparers who would not assess whether a particular event or transaction event is extraordinary. The proposal also would reduce uncertainty for preparers, auditors, and regulators because auditors and regulators no longer would evaluate whether a preparer presented an unusual or infrequent item appropriately.

The FASB expects that both of the proposed ASUs would be applied prospectively in annual periods, and interim periods within those annual periods, beginning after 15 December 2015. Early adoption would be permitted. Comments are due 30 September 2014.

An additional Proposed ASU was issued in August, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement*. To learn more, read the [news release](#), which includes a plain language description of the proposed changes and what they mean for financial reporting. Comments are requested by November 18, 2014 and can be sent via an [electronic feedback form](#).

FASB Votes in Favor of New Consolidation Standard

In July, FASB approved new accounting rules designed to make financial reporting about consolidation more transparent and consistent by focusing more on principal risk and removing the indefinite deferral available to certain investment funds. The ASU will affect public and private companies that apply variable-interest entity (VIE) guidance, as well as limited partnerships and similar legal organizations such as limited liability corporations.

The ASU will:

- Change requirements for when a general partner consolidates a limited partnership.
- Clarify when fees paid to a decision-maker (such as an asset manager) should be considered for VIEs when evaluating if a decision-maker is required to consolidate the VIE.
- Reduce the complexity of the guidance for VIEs as it applies to related-party relationships such as affiliates.
- Exclude certain money market funds from the guidance’s scope.

See the [FASB’s website](#) for more information.

ASU 2014-15, Going Concern

On 27 August, the FASB issued Accounting Standards Update [No. 2014-15](#), *Presentation of Financial Statements—Going Concern (Subtopic 205-40)*. All entities are required to apply the new requirements in annual periods ending after December 15, 2016, and interim periods thereafter. Early application is permitted. Read the news release [here](#).

ASU 2014-14, Receivables—Troubled Debt Restructurings by Creditors

In August, the FASB issued Accounting Standards Update [No. 2014-14](#), *Receivables—Troubled Debt Restructurings by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure (a consensus of the Emerging Issues Task Force)*. For public business entities, the new standards are effective for annual periods, and interim periods within those annual periods, beginning after 15 December 2014. For all other entities, the new standards are effective for annual periods ending after 15 December 2015, and interim periods beginning after 15 December 2015. Earlier adoption is permitted under certain circumstances. Subject to certain considerations, an entity will apply the new standards either prospectively or by using a modified retrospective approach.

ASU No. 2014-13, Consolidation

In August, the FASB issued Accounting Standards Update [No. 2014-13](#), *Consolidation (Topic 810): Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity (a consensus of the Emerging Issues Task Force)*. The ASU amends the consolidated reporting guidance for businesses and other organizations that have to report their investments in a type of off-balance-sheet vehicle called a collateralized financing entity by using the accounting for variable interest entities. The amendments will become effective for public companies for fiscal years that begin after December 15, 2015, and a year later for private companies, not-for-profit organizations, and other groups. You may apply the amendments ahead of the effective date at the start of a fiscal year.

FASB Third-Quarter Newsletter Available

The third-quarter issue of “FASB Outlook” can be viewed on the FASB website. This e-newsletter is designed to inform FASB stakeholders about FASB projects and activities and presents current accounting and financial reporting issues in a plain-English, easy-to-use format that provides quick access to stories of interest. The current issue offers a discussion of the FASB disclosure framework project, information about other projects on the agenda, and links to featured videos. The issue also includes a discussion about how implementation matters

related to the new revenue recognition standard can be submitted for consideration by the Joint Transition Resource Group for Revenue Recognition.

Redesigned Technical Agenda Web Page Launched

On 17 July 2014, the FASB announced the launch of an easier-to-use technical agenda Web page. The new design organizes projects based on strategic standard-setting goals, including:

- Framework projects on measurement, presentation, and disclosure
- Recognition and measurement, which includes projects such as leases and financial instruments
- Presentation and disclosure, which includes projects such as going concern and financial statements of not-for-profit entities
- Research projects
- Post-issuance activities

The new design includes an alphabetical listing of all projects as well as a comprehensive timeline reflecting the status of each project, links to documents and other project resources, and a summary of completed and forthcoming project steps.

PCC July Meeting Recap Issued

A recap providing a brief summary of the issues addressed by the Private Company Council (PCC) at its July 15, 2014, meeting has been released. At the meeting, the PCC discussed accounting for identifiable intangible assets in a business combination, stock-based compensation, and certain partnership transactions. A complete list of PCC projects and their status can be viewed on the PCC projects page on the FASB website.

Intangibles ED

The FASB issued an Exposure Draft, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*, as part of its simplification initiative. Comments are requested by November 18, 2014. Read the full news release [here](#) or the [ED](#).

From the American Institute of Certified Public Accountants (AICPA)

ASB Issues SAS No. 129 to Amend AU-C 920

The AICPA Auditing Standards Board has issued Statement on Auditing Standards No. 129, *Amendment to SAS No. 122 Section 920, Letters for Underwriters and Certain Other Requesting Parties, as Amended*. The SAS is effective for comfort letters issued on or after 15 December 2014 and early implementation is encouraged. It also contains additional amendments to further clarify AU-C section 920. An [Executive Summary](#) is available for additional details.

White Paper Published on Technology and Auditing

The AICPA's Assurance Services Executive Committee Emerging Assurance Technologies Task Force recently published a white paper, *Re-imagining Auditing in a Wired World*. The paper discusses the future of reporting and auditing systems and how technology can improve the effectiveness of auditing. Technology enablers such as the Internet, cloud computing, smartphones, tablets, and other mobile communicating and computing devices provide opportunities to improve audit effectiveness and efficiency. Some of those opportunities and their implications for the auditing profession are explored in the paper.

Audit Quality for Private Companies

The AICPA began an initiative in October 2012 to improve audits by enhancing the peer review process. The project was expanded in May 2014 into the [Enhancing Audit Quality Initiative \(EAQ\)](#), to include an examination of the causes of poor audit work for nonpublic companies. The 21-page discussion paper says most auditors do a good job, but peer reviews uncover problems because of inadequate education or training, a failure to comply with some auditing or quality control standards, or a lack of experience in specialized areas. Comments are due by 7 November 2014. See the full press release [here](#).

New Revenue Standard: Resources and Registrant Reminder

The American Institute of Certified Public Accountants (AICPA) has established a new page on its website containing resources to help users understand and implement ASU 2014-09, *Revenue From Contracts With Customers*, which the FASB issued on May 28, 2014. Resources initially available on the site include:

- *Financial Reporting Brief: Roadmap to Understanding the New Revenue Recognition Standards*. This resource describes the five-step revenue recognition model contained in the new standard and provides references to applicable examples in the FASB's implementation guidance.
- *New Revenue Recognition Accounting Standard – Learning and Implementation Plan*. This document is intended to help financial statement preparers:
 - Understand the changes being made to current GAAP
 - Understand the transition and adoption alternatives provided by the new standard
 - Find resources to help train the accounting staff about the new guidance
 - Educate users about the changes they can expect in financial statements
- *Brief: Revenue Recognition Primer for Audit Committees*. This brief provides information to assist audit committees in ensuring that their company is prepared to adopt the new revenue recognition standard.

The page also includes a short video that provides an overview of the revenue recognition standard, other upcoming AICPA publications that will provide additional non-authoritative guidance, and links to other articles, continuing education, and industry task forces addressing ASU 2014-09.

As a reminder for registrants, Securities and Exchange Commission (SEC) staff accounting bulletin (SAB) Topic 11M, *Disclosure of the Impact That Recently Issued Accounting Standards Will Have on the Financial Statements of the Registrant When Adopted in a Future Period*, (SAB No. 74) requires registrants to discuss the potential effects of adoption of recently issued accounting standards in registration statements and reports filed with the SEC. The objectives should be to (1) notify readers that a standard has been issued that the registrant will be required to adopt in the future and (2) assist readers in assessing the significance of the impact that the standard will have on the financial statements of the registrant when adopted.

As stakeholders, including preparers and auditors, evaluate the final standard, industry implementation guidance is expected to emerge, and the impact to registrants will unfold. If the impact is not known or reasonably estimable, a statement to that effect may be made. The staff expects that the disclosures will evolve as more information becomes available. Until the actual impact is known, disclosure could be in the form of a range or directional trend (rather than continuing to state that the impact is not known).

Revenue Recognition Audit Risk Alert

The AICPA on 6 August 2014 released an alert, *Understanding Revenue Recognition: Changes to U.S. GAAP* discussing Accounting Standards Update 2014-09, *Revenue From Contracts With Customers*, which the FASB issued on 28 May 2014. The alert includes:

- A detailed summary of the new standard, including a discussion of the five-step revenue recognition process
- Guidance to help entities make the transition to the new standard
- A comparison of current standards and guidance with the new standard
- The AICPA learning and implementation plan
- A mapping tool charting significant revenue recognition topics
- A comparison of U.S. generally accepted accounting principles provisions with International Financial Reporting Standards (IFRS)

The alert is available through the [AICPA's online store](#).

Scope of Peer Reviews

The AICPA Peer Review Board (PRB) issued for comment on 18 August 2014, the exposure draft, *Preparation of Financial Statements Performed Under SSARS and the Impact on the Scope of Peer Review*. Comments are due by October 31.

Illustrative Financial Statements

The AICPA published *Illustrative Financial Statements Prepared Using the Financial Reporting Framework for Small-and Medium-Entities* to provide an example of financial statements prepared under the Financial Reporting Framework for SMEs as compared to statements prepared under U.S. GAAP. The framework is non-authoritative, uses historical cost as its primary basis of measurement and draws upon a blend of traditional accounting principles and accrual income tax methods of accounting.

From the Public Company Accounting Oversight Board (PCAOB)

New Standard Adopted for Auditing Related Party Transactions

In June 2014, the PCAOB adopted Auditing Standard (AS) No. 18, *Related Parties: Amendments to Certain PCAOB Auditing Standards Regarding Significant Unusual Transactions and Other Amendments to PCAOB Auditing Standards*. The new standard and the related amendments to other standards require specific audit procedures and are intended to strengthen the auditor performance requirements in three critical areas:

- Related party transactions
- Significant unusual transactions
- A company's financial relationships and transactions with its executive officers

The PCAOB has issued a [fact sheet](#) describing the new requirements.

Subject to SEC approval, the new guidance will be effective for audits of financial statements for fiscal years beginning on or after 15 December 2014.

Standard-Setting Agenda Updated

The Office of the Chief Auditor of the PCAOB has published its updated [standard-setting agenda](#) as of June 30, 2014. The agenda is determined based on factors including the results of the PCAOB's oversight of registered public accounting firms, monitoring of the work of other standard setters, consultation with the board's advisory groups, and discussion with the SEC staff. The agenda includes an overview of each project and significant milestones.

The following projects are among those on the standard-setting agenda for the last half of 2014:

- Analyze comments on the exposure draft “Auditor’s Reporting Model” and draft a re-proposal for the board’s consideration.
- Consider adoption of the proposed framework for the reorganization of PCAOB auditing standards.
- Draft an adopting release, “Improving Transparency Through Disclosure of Engagement Partner and Certain Other Participants in Audits,” for the board’s consideration.
- Prepare a proposed standard, “Auditor’s Responsibilities With Respect to Other Accounting Firms, Individual Accountants, and Specialists.”
- Develop a proposal for a standard, “Auditing Accounting Estimates, Including Fair Value Measurements and Related Disclosures.”
- Evaluate possible revisions to the auditing standard on going concern.
- Develop a concept release to explore improvements to existing firm quality control standards.

Auditing Accounting Estimates and Fair Value Measurements

The PCAOB’s inspection staff continues to identify numerous audit deficiencies in a variety of types of estimates across audit firms of different sizes. The PCAOB Office of the Chief Auditor is therefore seeking comment on current audit practice, the possible need for changes to board standards, and possible alternatives related to auditing accounting estimates and fair value measurements. They have released for public comment a staff consultant paper on standards-setting related to auditing accounting estimates and fair value measurements. Comments are due no later than 3 November 2014.

From the SEC

Final Report Published From Small-Business Forum

The SEC has published the [final report](#) from the November 2013, SEC Government-Business Forum on Small Business Capital Formation. The report describes the forum and includes 43 recommendations made by breakout groups addressing the following topics:

- Securities-based crowdfunding offerings
- Exempt securities offerings
- Securities regulation of smaller public companies

The breakout groups believe that the SEC should consider recommendations in the following areas:

- Proposed amendments to Regulation D and Rule 156
- Accredited investor definitions
- Requirements related to raising capital by crowdfunding and crowdfunding portals
- Implementation of Title IV of the *Jumpstart Our Business Startups Act*

EDGAR Filer Manual Updated

The SEC has published a final rule, “[Adoption of Updated EDGAR Filer Manual](#).” The final rule includes revisions to the “[EDGAR Filer Manual](#)” to reflect updates to the Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system. Among the revisions in the update are changes to support the “[2014 U.S. GAAP Financial Reporting Taxonomy](#).” In addition, the FAQ screens of the EDGAR filing website and the EDGAR filer management website have been enhanced in the update to include a new “EDGAR Quick Reference Guides” hyperlink. The final rule became effective 20 June 2014.