



February/March 2015

Technical Roundup

The Technical Standards Update of Crowe Horwath International

From the International Accounting Standards Board (IASB)

Disclosure Initiative

The Exposure Draft [Disclosure Initiative](#) (Proposed amendments to IAS 7), is also available in French, Japanese and Spanish.

At its February 2015 meeting the IASB had the following topics on their agenda as part of its Principles of Disclosures project:

- Non-IFRS information in a complete set of financial statements; and
- The content of the notes.

In March 2015, the IASB will discuss the following as part of the [Materiality project](#) in the Disclosure Initiative:

- Proposed changes to the definition of materiality in IAS 1 *Presentation of Financial Statements* to clarify the definition of materiality, including aligning it with the definition in the *Conceptual Framework* Exposure Draft; and
- The content of an Exposure Draft of a proposed Practice Statement on Materiality.

To listen to recordings of the IASB's meetings, click on the applicable month below:

- [December](#)
- [January](#)

Classification of Liabilities

The IASB has published [Exposure Draft \(ED\) No. 2015-1, Classification of Liabilities \(Proposed Amendments to IAS 1\)](#). The ED proposes to change the criteria in IAS 1, *Presentation of Financial Statements*, for classifying liabilities as current or non-current and also clarifies what it means for a borrower to settle a debt. There is not an effective date in the proposal but the IASB says it plans to allow early adoption. The changes require retrospective application, which means that companies will have to take another look at prior years' financial statements and follow the classification guidance in the ED. Comments are due by 10 June 2015. See the full Press Release [here](#).

Definition of a Lease

The IASB staff have published a short Project Update: *Definition of a Lease* (February 2015) to provide feedback to stakeholders. It explains how a lease would be defined in the new *Leases* Standard based on the IASB's decisions in redeliberations. On the bottom of the [Leases project page](#), under Project News, you will find a link to the document.

From the International Public Sector Accounting Standards Board (IPSASB)

IPSASB has published 6 new International Public Sector Accounting Standards (IPSASs):

- [IPSAS 33, *First-time Adoption of Accrual Basis IPSASs*](#) – provides certain exemptions for entities adopting accrual basis IPSASs for the first time
- [IPSAS 34, *Separate Financial Statements*](#) – replaces requirements in IPSAS 6 for separate financial statements, but these are very similar
- [IPSAS 35, *Consolidated Financial Statements*](#) – replaces the requirements regarding consolidated financial statements in IPSAS 6. The definition of control has changed, there is more guidance on assessing control, and ‘investment entities’ are introduced.
- [IPSAS 36, *Investments in Associates and Joint Ventures*](#) – similar to IPSAS 7, but the title now includes joint ventures because equity accounting must be used for joint ventures under this standard. The accounting for temporary investments is also changed.
- [IPSAS 37, *Joint Arrangements*](#) – replaces IPSAS 8. This standard establishes requirements for classifying and accounting for joint arrangements.
- [IPSAS 38, *Disclosure of Interests in Other Entities*](#) – Covers the disclosures previously included in IPSAS 6, 7 and 8, and also adds new disclosure requirements.

From the International Auditing and Assurance Standards Board (IAASB)

Special Purpose Financial Statements

The IAASB has proposed changes to ISA 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, and ISA 805, *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*. The [Exposure Draft \(ED\)](#) was issued to provide guidance on how the recent changes to auditors’ reports (ISA 700 and 701) would apply to audits of special purpose financial statements. Comments on the Exposure Draft are requested by 22 April 2015.

From Federation for European Accountants (FEE)

SMP Highlights

See the first issue of SMP Highlights [here](#). The Highlights will be issued in cooperation with the IFAC SMP Committee.

Auditor Communication

FEE has issued a briefing paper which looks at whether the updated European and international requirements on auditor communication are compatible. The paper demonstrates that, in most cases, the EU and IAASB provisions on auditor communication are equivalent or complementary. This means that an audit report prepared under the new EU law, also complies with the standards set by the IAASB. The briefing paper also covers the transparency report and the report to supervisors, in addition to the audit report and the report to the audit committee. It also provides an informative summary of how EU law has changed in that regard. This is the fourth in a series of briefing papers done to enhance stakeholders’ understanding of the EU reform. See the other FEE papers on public oversight, provision of non-audit services and appointment of auditors [here](#).

From the Financial Accounting Standards Board (FASB)

Income Taxes

The FASB issued an Exposure Draft of 2 proposed Accounting Standards Updates that are meant to make accounting for income taxes (Topic 740) easier. One amendment focuses on simplifying the accounting for the tax effects of intra-entity transfers of assets. This would bring the U.S. treatment into line with IFRS. The other proposes to eliminate the reporting of current deferred income taxes on a classified balance sheet. See the full Exposure Draft [here](#).

Derivatives and Hedging

In February, the FASB issued Proposed Accounting Standards Update, *Derivatives and Hedging (Topic 815): Disclosures about Hybrid Financial Instruments with Bifurcated Embedded Derivatives*. Comments will be accepted through the [Electronic Feedback Form](#) by 30 April 2015.

From the American Institute of Certified Public Accountants (AICPA)

Going Concern

The AICPA has issued four auditing interpretations to Statement on Auditing Standards No. 126, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern (Redrafted)*. The new auditing interpretations address some of the effects of Accounting Standards Update (ASU) No. 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern* (issued in August 2014), particularly:

- The definition of “substantial doubt about an entity’s ability to continue as a going concern;”
- The definition of reasonable period of time;
- Interim financial information; and
- Consideration of financial statements’ effects.

Financial Reporting Framework (FRF) for Small- and Medium-sized Entities (SMEs)

The AICPA has free FRF for SMEs toolkits available that include, among other things, overviews, sample illustrative financial statements, videos, PowerPoint presentations and case studies. The toolkits are available for:

- [CPAs and CPA firms](#),
- [Financial statement users](#), and
- [Small businesses](#).

The [Financial Reporting Framework for Small- and Medium-Sized Entities](#) might be the best option for owner-managed, privately-held entities that don’t need to use U.S. GAAP for their financial statements.

Attest Interpretation

In February, the AICPA issued: Attest Interpretation No. 1, *Third-Party Due Diligence Services Related to Asset-Backed Securitizations: SEC Release No. 34-72936*, of AT Section 201, *Agreed upon Procedures Engagements*. The interpretation offers guidance for third-party due diligence services performed as agreed-upon procedures engagements related to asset-backed securitizations. The interpretation includes a series of questions and answers that describe an accountant’s responsibility for complying with Release No. 34-72936 when providing services for a pool of asset-backed securities.

From the Securities and Exchange Commission (SEC)

Disclosure of Hedging by Employers, Officers and Directors

The SEC has proposed rules that would require a public company to disclose whether its directors, officers, and other employees are permitted to hedge or offset a decrease in the market value of equity securities that are granted by the company as compensation or held, directly or indirectly, by employees or directors. The proposed rules are part of the SEC's mandate under Dodd-Frank and would require disclosure of transactions with economic consequences similar to the purchase of the specified financial instruments (including prepaid variable forward contracts, equity swaps, collars, and exchange funds). See proposed rule 33-9723 [here](#). Comments must be submitted on or before 20 April 2015.

Resources / Reports

Spanish Language Resources

IFAC has published the following Question and Answer (Q&A) documents of the IAASB and IESBA in Spanish:

- [Staff Q&A - Applying ISAs Proportionately with the Size and Complexity of an Entity](#)
- [Staff Q&A - Applying ISQC 1 Proportionately with the Nature and Size of a Firm](#)
- [IESBA Staff Q&A - Implementing the Code of Ethics—Part I](#)
- [IESBA Staff Q&A - Implementing the Code of Ethics—Part II](#)

Update

Find the latest updates:

- [IFRS for SMEs Update](#)
- [IFRIC Update](#)
- [IASB Update](#)

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