



June 2015

Technical Roundup

The Technical Standards Update of Crowe Horwath International

From the International Accounting Standards Board (IASB)

IFRS for SME Amendments

Following a comprehensive review, the IASB issued limited amendments to the *IFRS for SMEs*. The most significant changes are:

- Permitting SMEs to revalue property, plant and equipment; and
- Aligning the main recognition and measurement requirements for deferred income tax with IFRS.

The majority of the amendments don't change the underlying requirements in the *IFRS for SMEs*, but they clarify existing requirements or add supporting guidance. Consequently, the amendments will probably improve the understanding of the existing requirements without significantly effecting financial reporting and financial statements.

Businesses and other organizations that use IFRS for SMEs have to apply the amendments for fiscal years that start in January 2017 or later and must adopt the standard in its entirety.

Conceptual Framework Updates

In May, the IASB issued an exposure draft, [Conceptual Framework for Financial Reporting](#), which proposes changes that would include:

- A new chapter on measurement, describing appropriate measurement bases (historical cost and current value, including fair value) and the factors to consider when selecting a measurement basis.
- Confirming that the statement of profit or loss is the primary source of information about a company's performance, and adding guidance on when income and expenses could be reported outside the statement of profit or loss in other comprehensive income.
- Refining the definitions of the basic building blocks of financial statements, including assets, liabilities, equity, income, and expenses.
- Placing more emphasis on the importance of providing information needed for investors to assess management's stewardship.
- Reintroducing an explicit reference to "prudence" and explaining clearly what it means.

In addition, the IASB published a separate exposure draft, [Updating References to the Conceptual Framework](#), proposing that references to the conceptual framework be updated in existing standards.

Comments on both are due by 26 October 2015. The plans are to issue a final conceptual framework in 2016.

From the International Ethics Standards Board for Accountants (IESBA)

Responding to Non-Compliance with Laws & Regulations

In May, the IESBA issued an exposure draft, [Responding to Non-Compliance with Laws and Regulations](#) which sets out a new framework to guide auditors, professional accountants in public practice, and professional accountants in business (PAIBs) in deciding how best to act in the public interest in such situations. Comments are requested by 4 September 2015. See the [At-a-Glance](#) summary for the key principles and objectives of the proposal. The IESBA will consider the comments received on the Exposure Draft at its December 2015 meeting.

From Federation for European Accountants (FEE)

To support the European Parliament's fourth [Anti-Money Laundering Directive](#) and to help accountants update their practices to the revised requirements, FEE issued the following two documents:

1. [FEE Information Paper](#) - the main legislative changes relevant for European professional accountants and auditors.
2. [FEE SMP Info Pack](#) - an overview of the EU obligations on anti-money laundering and terrorist financing for accountants, tax advisors, and auditors.

From the Financial Accounting Standards Board (FASB)

The FASB has been quite busy. Following are the recent Proposed Accounting Standards Updates (ASUs) and their comment due dates. Each has a link to the Exposure Draft.

<i>Proposed ASUs</i>	Comments due
Liabilities – Extinguishments of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Cards	29 June 2015
Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing	30 June 2015
Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments	6 July 2015
Investments—Equity Method and Joint Ventures (Topic 323): Simplifying the Equity Method of Accounting	4 August 2015
Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting	14 August 2015
Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954): Presentation of Financial Statements of Not-for-Profit Entities	20 August 2015

Following are the recently issued final ASUs and their effective dates. Each has a link to the final standard.

- 2015-06 / ***Earnings Per Share (Topic 260): Effects on Historical Earnings per Unit of Master Limited Partnership Dropdown Transactions***. Effective for fiscal years beginning after 15 December 2015, and interim periods within those fiscal years. All entities have the option of adopting the new requirements early
- 2015-07 / ***Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)***. Public business entities must apply the new requirements in fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. All other entities must apply the new requirements for fiscal years beginning after 15 December 2016, and interim periods within those fiscal years. All entities have the option of adopting the new requirements early.
- 2015-09 / ***Financial Services—Insurance (Topic 944): Disclosures about Short-Duration Contracts***. Requires underwriters of automobile, healthcare, catastrophic, and other short-term insurance policies to provide new information in their financial statement notes about customer claims. For public business entities, the ASU is effective for annual periods beginning after 15 December 2015, and interim periods within annual periods beginning after 15 December 2016. For all other entities, the amendments in this Update are effective for annual periods beginning after December 15, 2016, and interim periods within annual periods beginning after December 15, 2017. Refer to the standard for more specifics about the initial application.
- 2015-10 / ***Technical Corrections and Improvements***. This update is a result of an ongoing project to clarify the Codification, correct unintended application of guidance, or make minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. All entities should apply amendments that include transition guidance in fiscal years beginning after 15 December 2015, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. All other amendments are effective upon the issuance of the Update.

From the Securities and Exchange Commission (SEC)

Proposal Voted on for New Pay-for-Performance Executive Compensation Rules

In April, the SEC voted to propose **new executive compensation rules** directed at making it easier for shareholders to determine whether a public company's executive compensation is properly aligned with its financial performance. These proposed "pay-for-performance" or "pay-versus-performance" rules, made pursuant to Section 953(a) of the *Dodd-Frank Wall Street Reform and Consumer Protection Act*, would require a registrant to disclose the relationship between compensation actually paid to its top executives and its performance based on total shareholder return to provide enhanced transparency to shareholders. The proposed disclosures would include specific amounts for a company's principal executive officer, an average for the remaining named executive officers, and comparison of certain company performance amounts to peer groups. The comment period for the proposed rules will be 60 days after publication in the Federal Register.

Trust Indenture Act Guidance Updated

The Division of Corporation Finance (Corp Fin) staff of the SEC published an update to its ***Compliance and Disclosure Interpretation (C&DI), Trust Indenture Act of 1939***. This document provides Corp Fin staff interpretations regarding rules and requirements under the *Trust Indenture Act of 1939*.

As part of the update, questions 202.01 and 203.01 have been deleted. These questions provided guidance on the exemption of certificates representing a beneficial ownership interest in a trust offered to the public that included a pool of mortgage loans with multiple obligors and partial payment of the certificates guaranteed by a third party.

EDGAR Filer Manual Updated

The SEC published a final rule, [Adoption of Updated EDGAR Filer Manual](#). This rule includes revisions to the SEC's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) System Filer Manual to reflect updates to the EDGAR system. These updates support the 2015 U.S. GAAP financial reporting and 2015 Exchanges taxonomies, add new form types for registration of security-based swap data repositories, revise the screen for Form ID application confirmation, remove paper Form ID references, and revise item one on submission form type MA-A.

This updated filer manual will be effective upon publication in the Federal Register.

Proposed Rules to Govern US Swaps Trading of Foreign Banks

The SEC published a proposal as Release No. 34-74834, [Application of Certain Title VII Requirements to Security-Based Swap Transactions Connected with a Non-U.S. Person's Dealing Activity That Are Arranged, Negotiated, or Executed By Personnel Located in a U.S. Branch or Office or in a U.S. Branch or Office of an Agent](#). The proposal says that foreign banks will look where their employees or the employees of firms that are acting as agents or brokers for them are located. When the employees are in the U.S., then the trades are covered by U.S. swaps rules and will count in the calculations foreign banks make to determine whether they need to register with the SEC. Comments will be due 60 days after publication in the Federal Register, which normally occurs within a few weeks of a rule's posting to the SEC's website.

Investment Company Reporting

The SEC issued Release No. 33-9776, [Investment Company Reporting Modernization](#), to heighten the reporting requirements for investment companies. Comments are due 60 days after publication in the Federal Register, which normally occurs within a few weeks after a rule is posted on the SEC's website.

From the Public Company Accounting Oversight Board (PCAOB)

In May, the PCAOB issued a staff paper, [The Auditor's Use of the Work of Specialists](#), to obtain comments about potential changes to the auditing standards over the use of appraisers, actuaries, and other specialists. The project is part of the board's effort to improve audits of accounting estimates. With the increasing number of complex accounting estimates in financial statements, auditors rely upon specialists to test client valuations more and more. PCAOB inspection findings regularly uncover audit firms mishandling their dealings with specialists. Comments are due 31 July 2015.

 Update

Find the latest updates:

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