



May / June 2016

Technical Roundup

The Technical Standards Update of Crowe Horwath International

From the International Accounting Standards Board (IASB)

IFRS 2 Amendments

The IASB issued amendments to IFRS 2 *Share-based Payment*, to clarify how to account share-based payment transactions. *Classification and Measurement of Share-based Payment Transactions* (Amendments to IFRS 2) provides requirements on the accounting for:

- The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- Share-based payment transactions with a net settlement feature for withholding tax obligations; and
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Click [here](#) for more information.

Proposed Amendments to IFRS 3 and 11

A public consultation has been published that proposes amendments to IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements* to clarify both the definition of a business and how to account for previously held interests.

The amendments propose:

- Clearer application guidance to help distinguish between a business and a group of assets when applying IFRS 3; and
- Clarification on how a company should account for previously held interest in a business, if acquiring control, or joint control, of that business.

The proposed amendments to the application guidance on the definition of a business in IFRS 3 are a result of the Board's Post-implementation Review (PIR) process. The IFRS 3 PIR shows general support for the requirements in the Standard but identifies some areas where further research will be undertaken. See the full PIR of IFRS 3 [here](#). The proposed amendment to accounting for previously held interests was developed through the IFRS Interpretations Committee.

Click [here](#) for further information about the Exposure Draft—*Definition of a Business and Accounting for Previously Held Interests* (Proposed Amendments to IFRS 3 and IFRS 11). The deadline for comments is 31 October 2016.

Leases

The IASB staff have recorded the fifth in a series of webcasts to support the implementation of IFRS 16 *Leases*. In the webcast, the IASB staff discuss:

- Measurement of lease liabilities
 - Lease term
 - Variable lease payments
 - In-substance fixed lease payments
 - Discount rate
- Measurement of right-of-use assets

Access the webcast on the [Leases implementation page](#).

The Securities and Exchange Commission (SEC)

Smaller Reporting Companies

The SEC has proposed rules that would expand the threshold for businesses to qualify as a “smaller reporting company.” The proposal would change the definition and expand the number of companies that could qualify as smaller reporting companies. In turn, they would not need to disclose as much information as larger companies under the SEC’s rules and regulations, particularly Regulations S-K and S-X.

Under [Amendments to Smaller Reporting Company Definition](#), a company with less than \$250 million of public float would be allowed to provide scaled disclosures as a smaller reporting company, compared to the \$75 million threshold under the current definition. If a company does not have a public float, it would be allowed to provide scaled disclosures if its annual revenues are less than \$100 million, as compared to the current threshold of less than \$50 million in annual revenues. As in the SEC’s current rules, once a company surpasses either of those thresholds, it would not qualify as a smaller reporting company again until its public float or revenues decline beneath a lower threshold. Under the new proposal, a company would qualify only if its public float is less than \$200 million or, if it has no public float, its annual revenues are less than \$80 million.

Submit [comments](#) before 30 August 2016.

From the Public Company Accounting Oversight Board (PCAOB)

Disclosing Engagement Partner Names

The SEC has approved PCAOB rules for disclosing the name of the engagement partner and information about other firms participating in audits. Under the [new rules](#) adopted by the PCAOB in December, audit firms are required to file a new Form AP with the PCAOB. On Form AP, firms will be required to include:

- The name of the engagement partner for all public company audits issued on or after 31 January 2017.
- Information about other firms participating in the audit for all public company audits issued on or after 30 June 2017. This will include the names, locations, and extent of participation of other accounting firms that took part in the audit, if their work constituted 5% or more of total audit hours. It also will include the number and aggregate extent of participation of all other accounting firms that took part in the audit whose individual participation was less than 5% of the total audit hours.

The PCAOB has released staff guidance and other tools to help firms deal with the new requirements. **Form AP, Auditor Reporting of Certain Audit Participants and Related Voluntary Audit Report Disclosure Under AS 3101, Reports on Audited Financial Statements**, details provisions of the new rules, including assigning identification numbers to the engagement partners and estimating the number of audit hours when disclosing the participation of other accounting firms.

The PCAOB has also created a new **web page on Form AP** with information for investors and auditors on the new requirements. The web page includes general instructions for completing the form and a sample form that can be downloaded for reference. Audit firms can submit a single form by filling out a web form online, or they can submit multiple forms at the same time by using XML.

The PCAOB staff plans to host conference calls later this year to give firms the opportunity to learn more about using the technology and ask questions. Firms will also get a chance to do test runs submitting Form AP through the web form and XML. More information about the conference calls and testing will be available soon.

Early next year, information from Form AP will be available through a searchable database. Users will be able to search the database by engagement partner name, company name, and audit firm name. Searches for the name, location, and extent of participation of other audit firms participating in the audit also will be possible.

From the Committee of Sponsoring Organizations of the Treadway Commission (COSO)

COSO has proposed an update to its 2004 enterprise risk management framework. The updated framework, **COSO Enterprise Risk Management – Aligning Risk with Strategy and Performance**, addresses the need for an improved approach to managing risk as a way to help create, preserve, sustain and realize value. Refer to www.COSO.org, for the proposed framework, survey and comment tools, and FAQs about the project, details of the most significant updates and how to respond to the survey. The site also includes a video that features four members of the Advisory Council addressing the ERM update process and the importance of obtaining input from a variety of risk professionals about the proposed changes.

Public comments will be accepted 30 September 2016.

From the AICPA's Auditing Standards Board (ASB)

The ASB has released **Proposed Statement on Auditing Standards, The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern**, which would supersede SAS No. 126 and amend various sections of SAS No. 12. This is primarily to accommodate the provisions of the different going-concern standards issued by the Financial Accounting Standards Board, the Governmental Accounting Standards Board and the International Auditing and Assurance Standards Board.

Comments are requested by 5 September. If approved, the new standards would be effective for audits of financial statements for periods ending on or after 15 December 2017.

From the Financial Accounting Standards Board (FASB)

#	<i>Newly-Issued ASUs</i>	<i>Effective Date</i>
2016-11	<i>Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting (SEC Update)</i>	See specifics in the ASU
2016-12	<i>Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients</i>	See specifics in the ASU
2016-13	<i>Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments</i>	See specifics in the ASU

Proposed ASUs

Following are the recent Proposed Accounting Standards Updates (ASUs) and their comment due dates. Each has a link to the Exposure Draft. Note that some are past the comment period but because of the timing differences, have not yet been reported in this Technical Update.

<i>Proposed ASUs</i>	<i>Comments due</i>
<i>Statement of Cash Flows (Topic 230): Restricted Cash</i>	27 June 2016
<i>Technical Corrections and Improvements to Update 2014-09, Revenue from Contracts with Customers (Topic 606)</i>	2 July 2016
<i>Intangibles—Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment</i>	11 July 2016
<i>Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control</i>	25 July 2016
<i>Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets</i>	5 August 2016