



April / May 2015

Technical Roundup

The Technical Standards Update of Crowe Horwath International

From the International Accounting Standards Board (IASB)

Revenue Standard Deferred

The IASB voted in April to publish an Exposure Draft proposing a one-year deferral of the effective date of the revenue Standard to 1 January 2018 because they are planning clarifications to it stemming from the joint Transition Resource Group (TRG) meetings. The deferral would also enable them to keep the effective date of the IASB's and the FASB's revenue Standards aligned and the FASB voted to propose a one-year deferral of the effective date of the Standard in April also.

From the International Auditing and Assurance Standards Board (IAASB)

Annual Reports

In April 2015, the IAASB issued International Standard on Auditing (ISA) 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*. The changes are to clarify and increase the auditor's involvement with "other information"—defined in the standard as financial and non-financial information, other than the audited financial statements, that is included in entities' annual reports. According to Kathleen Healy, IAASB Technical Director, "Which documents have been read and considered by the auditor and the results of the auditor's work on those documents will now be transparent to auditor report users. Specifically articulating the auditor's responsibilities for other information, including the fact that the auditor's opinion does not cover this information, will also give users the appropriate context in which to consider an entity's annual report."

The standard seeks to address the practical challenges that may arise when some or all of the other information is not available as of the date of the auditor's report, and prescribes additional communications in auditor's reports for listed entities in these circumstances. It also includes new requirements related to auditor reporting on other information that go along with the changes arising from the IAASB's [new and revised Auditor Reporting standards](#), issued earlier this year. Like those standards, ISA 720 (Revised) will be effective for audits of financial statements for periods ending on or after 15 December 2016.

See also the staff-prepared [Basis for Conclusions](#), which explains the IAASB's rationale for its decisions, and [At a Glance](#), which explains the main changes from the extant ISA.

From the International Ethics Standards Board for Accountants (IESBA)

In April, the IESBA released [Changes to the Code Addressing Certain Non-Assurance Services Provisions for Audit and Assurance Clients](#). The changes strengthen the independence provisions in the *Code of Ethics for Professional Accountants* by no longer permitting auditors to provide certain prohibited non-assurance services to public interest entity (PIE) audit clients in emergency situations, and ensuring that they do not assume management responsibility when providing non-assurance services to audit clients. Specifically, the revisions remove the provisions that permitted an audit firm to provide certain bookkeeping and taxation services to PIE audit clients in emergency situations, because they were susceptible to being interpreted too generally. They also include new and clarified guidance about what constitutes management responsibility, clarified guidance on the concept of “routine or mechanical” services relating to the preparation of accounting records and financial statements for audit clients that are not PIEs, and corresponding changes to the Code’s non-assurance services provisions with respect to other assurance clients.

From the International Public Sector Accounting Standards Board (IPSASB)

On 30 March 2015, the IPSASB published [Recommended Practice Guideline 3 \(RPG 3\), Reporting Service Performance Information](#), which allows service performance information to be presented in the same report as the financial statements or in a separate report. RPG 3 also identifies factors to consider when deciding between the two options. A service performance objective is defined by the IPSASB as a description of the planned results that an entity is aiming to achieve expressed in terms of inputs, outputs, outcomes or efficiency. “Service provision is the primary function of the vast majority of public sector entities,” said IPSASB Chair Andreas Bergmann. “RPG 3 provides guidance to support the quality of service performance information already reported by entities and offers a useful framework for entities that have not yet started to report service performance information.”

From Federation for European Accountants (FEE)

Adoption of ISA

FEE has a new publication [Overview of the ISA adoption in the EU](#), which shows to what extent ISA has been adopted in the EU. The report details which Member States have chosen to apply ISA for all audits. Significantly more countries voluntarily adopted ISA than when the member bodies were last asked in 2013. Only three have not yet adopted the global standards.

From the Financial Accounting Standards Board (FASB)

Revenue Recognition

In April, the FASB issued an Accounting Standard Update (ASU) for public comment that would defer for an additional year the effective date of the new revenue recognition standard. [Revenue from Contracts with Customers \(Topic 606\): Deferral of the Effective Date](#), would allow public organizations to apply the new revenue standard to annual reporting periods beginning after 15 December 2017. Nonpublic organizations would be allowed to apply the new revenue standard to annual reporting periods beginning one year later. Comment is due by 29 May 2015. See the News Release [here](#).

Imputation of Interest

In April, the FASB issued Accounting Standards Update (ASU) No. **2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*** as part of their initiative to simplify U.S. GAAP. The amendments mean that the costs for issuing debt should appear on a balance sheet as a direct deduction from the debt's value. The amendments won't affect the recognition and measurement of those costs. Public companies must apply the new requirements in fiscal years beginning after 15 December 2015, and interim periods within those fiscal years. All other entities must apply the new requirements in fiscal years beginning after 15 December 2015, and interim periods within fiscal years beginning after 15 December 2016. All entities have the option of adopting the new requirements as of an earlier date for financial statements that have not yet been issued.

Retirement Benefits

In April, the FASB also issued ASU No. **2015-04, *Compensation—Retirement Benefits (Topic 715): Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets***. The standard allows an entity with a fiscal year end other than a month end to measure defined benefit plan assets and obligations using the month end that is closest to their fiscal year end. This should be applied consistently from year to year and across all of an entity's plans. The standard is effective for public entities in annual periods beginning after 15 December 2015 (including interim periods within those annual periods). All other entities are required to apply the new requirements for annual financial statements with years that begin on or after 15 December 2016, and interim periods in annual periods beginning after 15 December 2017. All entities may adopt the new requirements early.

Cloud Computing

Also in April, the FASB issued ASU No. **2015-05, *Intangibles—Goodwill and Other— Internal-Use Software (Subtopic 350-40) Customer's Accounting for Fees Paid in a Cloud Computing Arrangement***, to clarify the accounting treatment for cloud computing arrangements. The amendments, intended for cloud computing customers, should be used to decide whether cloud services should be accounted for as the purchase of a license to own the software or as a service contract. This ASU is effective for public companies for fiscal years (and interim periods within those years) beginning after 15 December 2015. For private companies, the effective date also is for annual periods that begin after December 15 2015, but for interim periods, the effective date is a year later. All entities may adopt the new requirements early.

Proposed ASU for NFPs

The FASB has issued a proposed ASU to improve the information provided in not-for-profit financial statements and notes to financial statements. It is the first significant change in more than 20 years. In the document, FASB proposes changes to the requirements for classifying net assets, a new cash flow statement and more information presented in the notes about liquidity, financial performance, and overhead and expenses. "The proposed ASU contains recommended enhancements to the fundamental reporting model for not-for-profit organizations—a model that has existed for more than 20 years," stated FASB member Lawrence W. Smith. "We believe that these changes will refresh the model in ways that will make not-for-profit financial statements even more useful to donors, lenders, and other users." Comments on the proposed ASU, *Presentation of Financial Statements of Not-for-Profit Entities*, are due by 20 August 2015. You can read the full [news release](#) or [FASB in Focus](#) for more information, or click [here](#) to download the Exposure Draft.

Plan Accounting

As a result of consensus of the Emerging Issues Task Force, the FASB proposed three ASUs to simplify employee benefit plan accounting. They were all included in one exposure draft: **[Plan Accounting: Defined Benefit Pension Plans \(Topic 960\), Defined Contribution Pension Plans \(Topic 962\), Health and Welfare Benefit Plans \(Topic 965\): I. Fully Benefit-Responsive Investment Contracts, II. Plan Investment Disclosures, and III. Measurement Date Practical Expedient](#)**. Comments are due May 18.

Electricity Contracts

The FASB also issued proposed ASU, **[Derivatives and Hedging \(Topic 815\), Application of the Normal Purchases and Normal Sales Scope Exception to Certain Electricity Contracts Within Nodal Energy Markets](#)** to answer the question of whether certain contracts for the purchase or sale of electricity on a forward basis should be eligible for a scope exception from guidance that requires that a derivative contract be recorded at fair value. Comments are due May 18.

Strategic Plan

The Financial Accounting Foundation (FAF), the FASB, and the Governmental Accounting Standards Board (GASB), have worked together to develop a strategic plan to articulate their long-range vision and mission. The FAF is made up of the FAF Board of Trustees, the FASB and the GASB, and the FAF management team so their joint strategic plan affirms the individual roles of the groups as well as the vision and mission that they share. See the final plan [here](#).

From the American Institute of Certified Public Accountants (AICPA)

Code of Conduct

The [AICPA Code of Professional Conduct](#) can now be found on a dynamic online platform with advanced search capabilities. The Code, which is now effective, has been completely updated to allow for quick, easy navigation.

Uncertain Tax Positions

The AICPA deleted Technical Question and Answer (TIS) 5250.15, *Application of Certain FASB Interpretation No. 48 (codified in FASB ASC 740-10) Disclosure Requirements to Nonpublic Entities That Do Not Have Uncertain Tax Positions* to give companies room to use their own judgment about making the disclosures.

Employee Benefit Plans

In March, the AICPA issued the 2015 update for the Audit and Accounting Guide (AAG) *Employee Benefits Plans*. The update includes information on the liquidation basis of accounting, using the work of internal auditors, a revised example of a Form 11-K auditor's report, and a longer discussion of engagement quality control reviews. The guide also discusses plan auditing guidance specific to defined contribution retirement plans, defined benefit pension plans, and health and welfare benefit plans.

Updated Audit & Accounting Guide and Risk Alerts

The AICPA updated its Audit and Accounting Guide (AAG) for not-for-profit entities and the Audit Risk Alerts (ARA) for employee benefit plans and not-for-profit organizations. The AAG *Not-for-Profit Entities* includes guidance on reporting donated services between affiliated not-for-profits, the pledges of investment assets by donors called split-interest agreements, and contributions and grants.

The ARA *Employee Benefit Plans Industry Developments* includes coverage of issues like the liquidation basis of accounting, going concern, and expense offset arrangements, which help fund managers lower the fees they pay to banks and brokers. It also has information on regulatory developments from the Department of Labor and the IRS.

The ARA *Not-for-Profit Entities Industry Developments* focuses on risks related to recent trends among not-for-profit organizations, going concern, revenue recognition, and fair value issues. It also has information on audits of donor intent, IRS exempt organization activities, and accounting for joint costs.

Both the Guide and the Risk Alerts contain updated references to authoritative guidance.

From the Securities and Exchange Commission (SEC)

In March, the SEC issued a rule required by the 2012 JOBS Act to make it easier for small companies to raise funds from investors. [Release No. 33-9741, Amendments to Regulation A](#), describes the eligibility requirements for securities offerings up to \$20 million that are exempt from the agency's registration rules. The rule also describes the type of material, including audited financial statements for offerings more than \$20 million but less than \$50 million, that have to be in a securities offering's documents, and the reporting requirements for issuers of offerings covered by Regulation A of the Securities Act of 1933. The rule will become effective 60 days after it's published in the Federal Register, which is usually a few weeks after a rule is posted to the SEC's website.

From the Public Company Accounting Oversight Board (PCAOB)

Reorganization of Standards

On 31 March 2015, the PCAOB unanimously agreed on a reorganization of its auditing standards and is just awaiting SEC approval, which is required by the Sarbanes-Oxley Act of 2002. [Release No. 2015-002, Reorganization of PCAOB Auditing Standards and Related Amendments to PCAOB Standards and Rules](#) says that the reorganized standards will use a topical structure and an integrated, four-digit numbering system. The revised format will integrate the PCAOB's standards and the interim standards the board inherited from the AICPA and will be effective 31 December 2016, pending SEC approval.

From the Sustainability Accounting Standards Board (SASB)

Resource Transformation Standards

In March, the SASB issued standards for five industries in the resource transformation sector: aerospace & defense, chemicals, containers & packing, electrical & electronic equipment, and industrial machinery & goods. The documents offer guidance for accounting and disclosing material sustainability topics in SEC filings. SASB standards are considered provisional for at least one year after the release of the final versions. To download the standards, click [here](#).

Other Sector Standards

There are also standards available on the SASB website ([here](#)) for the following industries:

- Health Care
 - Financials
 - Technology and Communication
 - Non-Renewable Resources
 - Transportation
 - Services
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Resources / Reports

Spanish Language Resources

IFAC has published in Spanish the following documents developed for Professional Accountants in Business (PAIBs):

- *International Framework: Good Governance in the Public Sector (full document)*
- *International Framework: Good Governance in the Public Sector (executive summary)*
- *Competent and Versatile: How Professional Accountants in Business Drive Sustainable Success (full document)*
- *Competent and Versatile: How Professional Accountants in Business Drive Sustainable Success (employer brochure)*

Update

Find the latest updates:

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