

Technical Issues Alert

Information on technical issues affecting small businesses and the CPAs who serve them.

TIC Discusses Issues with ARSC

As part of its mission, TIC builds valuable relationships with standard setters and other influential groups and offers them feedback on existing standards and those in development. These topics were addressed at TIC's most recent meeting with the AICPA Accounting and Review Services Committee.

- *Selected Procedures.* TIC received an update on the plans for this joint project between ARSC and the AICPA Auditing Standards Board. The project was previously called "specified procedures." ARSC discussed next steps and invited TIC's perspective on initial plans.
- *Reference to the Work of Other Accountants in an Accountant's Review Report and International Reporting Issues.* The two committees discussed ARSC's plans to propose amending AR-C section 90 to address various reporting issues. The ARSC will consider a revised draft at its meeting in January 2017 and

because the ARSC is concerned about issuing an ED during the busier time of year, they probably will not expose until May 2017.

- *Implementation Issues.* Regarding [SSARS No. 21, Statement on Standards for Accounting and Review Services: Clarification and Recodification](#), TIC commended ARSC for being proactive in addressing practice issues, including one of the most common questions regarding the appropriate level of service to perform in specific circumstances. TIC members also mentioned several areas of the SSARSs that have posed some challenges in practice over the years but that seem to have since been addressed through education efforts, including segregated revenue procedures, reporting on supplemental information and materiality. TIC members also discussed potential implementation issues related to the recently issued SSARS No. 23 and offered to provide feedback on topics for implementation guidance. The AICPA is also currently working on updating its guide titled "Prospective Financial Information" to reflect the changes made by SSARS No. 23. ■

TIC Comments on Derivatives and Hedging ED

A proposed FASB Accounting Standards Update, [Derivatives and Hedging \(Topic 815\) Targeted Improvements to Accounting for Hedging Activities](#), aims to give a clearer picture of an organization's hedging activities in its financial statements and to address existing implementation issues. In its comment letter, TIC agreed with the ED's general objectives, but raised questions about the proposed initial quantitative effectiveness testing portion and related quarterly documentation requirements. TIC believed these requirements would add undue cost and complexity for entities that only issue annual

financial statements. TIC recommended instead that these entities should be able to perform these requirements at any time between hedge inception and the date when their financial statements are issued or available to be issued. There were several other comment letter respondents that shared similar concerns.

TIC also raised questions about a proposed disclosure requirement related to quantitative hedging goals. TIC was concerned that it might result in the exposure of an entity's proprietary risk

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Future Meetings

TIC meetings offer local practitioners the chance to provide their unique perspectives in the standard-setting process. All CPAs are invited to attend. Contact Kristy Illuzzi, CPA, TIC Staff Liaison, at the AICPA at (919) 402-4057 to learn about attending or receiving information on upcoming meetings.

The next TIC meetings will be held:

- January 10 and 11, Fort Lauderdale, FL (TIC's annual liaison with the ASB)
- May 4 and 5, Washington, DC (TIC liaison with PCPS Executive Committee)
- July 11 through 13, Norwalk, CT (TIC's annual liaison with the FASB, GASB and PCC)
- September 26 and 27, Coronado, CA
- November 14 and 15, Location TBD (TIC's annual liaison with the ARSC)

The PCPS Technical Issues Committee (TIC) provides standard setters with the unique perspective of local CPA firms on accounting, auditing and reporting issues. We hope these highlights of issues that affect local firms will help you, your firm or your group to participate in the standard-setting process.

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management and hedging information. As alternatives, TIC recommended an exemption for private companies or asked that entities be required to provide additional qualitative rather than quantitative information. TIC also suggested that the FASB add to the standard's list of benchmark interest rates for fair value hedges of fixed-rate financial instruments and for cash flow hedges of

forecasted issuances or purchases of fixed-rate financial instruments as appropriate. Regarding effective dates, TIC recommended that private entities should have an additional year to implement the standard, giving them a chance to learn from implementation challenges faced by public business entities. Readers can turn to a FASB in Focus [article](#) on the ED for more details. ■

TIC Makes a Difference in a New ASU

- TIC's comment letters on proposed standards often identify areas where clarification is needed and suggest possible revisions. We're happy to report that the new FASB ASU 2016-19, [Technical Corrections and Improvements](#), includes a change recommended by TIC in its [comment letter](#) on the ED. In its letter, TIC expressed

concern about a proposed change from the use of the term "reinsurance recoverable" to "reinsurance receivable." In the new ASU's Background Information and Basis for Conclusions (paragraph BC12), the board clarifies the use of the related terms and offers a definition that is consistent with TIC's suggestion. ■

TIC Tackles Hot Topics with FASB Staff

TIC conducts regular outreach to FASB staff so that the two groups can share perspectives and discuss pending FASB projects. Issues recently discussed with FASB staff included:

- [Simplifying the Balance Sheet Classification of Debt](#). TIC members received an update on final plans for the ED, which is expected by January, with a comment deadline in May. During the proposal's development, TIC has raised questions about the approach to refinancing agreements and suggested that the FASB focus on targeted improvements.
- [Disclosure Framework—Disclosure Review: Inventory](#). The ED for this project is expected no later than January 2017. At the FASB's September meeting, the board settled on several items that would be disclosed in the financial statements, including inventory disaggregated by component and by measurement basis. In its discussion with FASB staff, TIC asked questions on the level of disaggregation expected.
- [Service Concession Arrangements \(Topic 853\): Determining the Customer of the Operation Services](#). TIC members described some of the different approaches to the customer determination that they see in their own experiences and suggested examples for the final standard that would be helpful to TIC's constituents. TIC submitted a comment letter on December 19 that addressed these concerns.
- [Applying the VIE Guidance to Entities Under Common Control](#). The FASB and TIC discussed ongoing developments with guidance in this area. The PCC has urged the FASB to take on a project focused on issues not already addressed in ASU 2014-07, [Consolidation \(Topic 810\): Applying Variable Interest Entities Guidance to Common Control Leasing Arrangements](#). At the FASB's invitation, a TIC representative will attend the FASB's

[public roundtable](#) on consolidation reorganization and targeted improvements.

- [Equity Method Simplification for Private Entities](#). In its [comment letter](#) on a FASB ITC on [Agenda Consultation](#), TIC recommended simplifications for accounting for basis differences, which can be a challenge for non-public entities. In their meeting, TIC offered to put the FASB staff in touch with clients who amortize goodwill and who use the equity method of accounting, and who might be willing to share their experiences. A TIC representative will attend the [public roundtable](#) on this topic.
- [Public Business Entities](#). At TIC's request, there was a discussion of the intended definition of the term "public business entity" and the scope of entities it includes. TIC is concerned that there could be some unintended consequences for entities that might fall into the PBE category according to criteria (d) under the current definition of a PBE when that may not have been the intent. FASB is conducting additional outreach and is expected to make some public announcements in the near future about this practice issue.
- [Liabilities and Equities—Targeted Improvements](#). An [ED](#) for this project was issued on December 7, 2016, with comments due by February 6, 2017. TIC plans to discuss the issues in its January 2017 meeting.
- [Foreign Currency Translation](#). In advance of a potential project on this topic, TIC and FASB staff discussed the effect of existing guidance on private entities and the unique challenges they face.
- [Collaborative Arrangements](#). The FASB recently added a topic to its agenda on how FASB ASC Topic 606, [Revenue from Contracts with Customers](#), applies to collaborative arrangements. ■

ARSC Issues Omnibus SSARS to Amend AR-C Sections

ARSC issued SSARS No. 23, [Omnibus Statement on Standards for Accounting and Review Services—2016](#), to amend AR-C section 60, *General Principles for Engagements Performed in Accordance With Statements on Accounting and Review Services*; AR-C section 70, *Preparation of Financial Statements*; AR-C section 80, *Compilation Engagements*; and AR-C section 90, *Review of Financial Statements* (AICPA, *Professional Standards*). The most significant amendments result in SSARSs being applicable to engagements performed on certain subject matter other

than financial statements. Preparation of financial statements and compilation of prospective financial information are now covered by AR-C sections 70 and 80, respectively. SSARS No. 23 is effective upon issuance except for the amendments to AR-C sections 70 and 80 with respect to prospective financial information that are effective for prospective financial information prepared on or after May 1, 2017, and for compilation reports on prospective financial information dated on or after May 1, 2017, respectively. ■

GASB Update

- TIC [agreed](#) with the proposals in GASB [Omnibus 201X](#). Topics covered in the ED include component unit presentation, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits or OPEB).
- The GASB ED, [Implementation Guide No. 201X-X, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans](#), contains more than 150 questions and answers aimed at clarifying or elaborating on GASB Statement No. 74. ■

Former TIC Member Appointed to PCC

Yan Zhang, Partner-in-Charge of the Professional Practice Group at EisnerAmper LLP and a former TIC member, has been appointed to

a three-year term on the Private Company Council. Other TIC alumni on the Council include PCC Chair Candace Wright and Jeff Bryan. ■

Let Us Hear From You

If you have questions, local firm advocacy issues or suggestions for TIC, contact:

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