

Technical Issues Alert

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

FASB Staff Meets with TIC

To keep up to date on projects in progress and offer the private company perspective, TIC maintains regular communication with members of the FASB staff. These issues were discussed at TIC's most recent meeting:

- *The share-based payment accounting project that is part of FASB's simplification initiative.* FASB's post-implementation review of Statement 123(R), *Share-Based Payment*, found that while the standard achieved its purpose, it was extremely costly for many private entities to implement. The FASB is working with the Private Company Council to include their perspective in its decision making. Among the issues the FASB is reviewing are the minimum statutory withholding requirements, the presentation of employee taxes paid on the statement of cash flows; accounting for forfeitures; accounting for income taxes upon vesting or settlement of awards; and the presentation of excess tax benefits on the cash flow statement. The FASB is developing practice expedients for private companies.
- *Short-term improvements to liabilities and equity.* The FASB staff members provided an update on a project recently added to the board's agenda that addresses financial instruments with characteristics of liabilities and equity. TIC members have followed up on the FASB staff's invitation to share their own client experiences.
- *Revenue recognition standard.* The FASB staff discussed resources that are being made available to the many companies affected

by the standard, including a [transition resource group](#) to discuss implementation issues; an informative webcast; and the FASB [Technical Inquiry Service](#).

- *Partnership accounting.* The FASB staff has been researching partnership accounting issues for the Private Company Council that include when the use of pushdown accounting is appropriate; treating partnership distributions as compensation or allocation of capital; and the basis of nonmonetary assets contributed to a partnership. The first two issues were discussed during the December 11 PCC meeting. No official conclusions have been published on the first two issues. However, based on the discussions that took place at the December 11 meeting, it is likely that the February 26 webcast for CPE providers will talk about the recent ASU on pushdown accounting and encourage them to publicize in their CPE materials that pushdown accounting cannot be elected unless a change in control has occurred. As for the second issue on accounting for partnership distributions, the PCC is not expected to add this topic to its future agenda since financial statement users seem familiar with the two accounting alternatives currently in use, and further definition of GAAP in this area did not seem cost beneficial. However, the PCC cited the importance of related party disclosures for partnership distributions so that users would be notified of the accounting alternative chosen. The third issue on partnership contributions of nonmonetary assets will be discussed at the next PCC meeting. ■

Proposed Practical Expedient for Pension Plan Obligations and Assets

A *FASB ED, Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets*, is intended to provide a solution for employers who face added costs because their fiscal year-ends do not fall on a month-end. It would allow

them to measure defined benefit plan assets and obligations as of the month-end closest to the entity's fiscal year-end with limited reconciling elements between the different dates and to follow that measurement date methodology consistently from year to

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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 Linda Volkert, CPA, TIC Staff Liaison, at the AICPA at (212) 596-6040 to learn about attending or receiving information on upcoming meetings.

The next TIC meeting will be held:

- May 5-6, Durham, N.C. This meeting will include TIC's liaison with the AICPA Peer Review Board.

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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year. TIC agreed with the proposal but advocated scoping in defined contribution and health and welfare plans, as well. TIC also recommended that the approach be applied consistently if the employer has more than one plan and thought employers should disclose the accounting policy election and the alternative date

used for measuring defined benefit plan assets and obligations. TIC members called for an effective date in 12 to 24 months, to allow companies to evaluate and implement the new rules, but with early adoption permitted. ■

FASB ED on Debt Issuance Costs

The FASB has issued a [proposed update](#) on the presentation of debt issuance costs as part of its simplification project. In reviewing the document, TIC noted that some of the proposals could actually cause further complications for private entities, rather than simplifying implementation. The ED would represent a substantial change from well-established practices in lending relationships.

TIC did not believe that the proposals would benefit lenders and expressed concern that they could create unnecessary complications in the reporting process. As a result, TIC recommended that the FASB gain input from the Private Company Council to prevent unintended complications for private entities and their financial statement users and to allow for consideration of a potential private company alternative. ■

FASB Technical Corrections ED

A proposed [FASB ED](#) would make technical corrections as needed in the FASB Codification. TIC, which has commented on a definition of fair value in an earlier technical correction ED, noted

that this proposal does not address problems in differentiating definitions of fair value in various standards and offered possible solutions. ■

Two New FASB ASUs

The FASB has issued two new [ASUs](#):

- Update No. 2015-01, *Income Statement—Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items.*

- Update No. 2014-18, *Business Combinations (Topic 805): Accounting for Identifiable Intangible Assets in a Business Combination.* This ASU finalizes another Private Company Council consensus to provide an accounting alternative that would permit an entity to avoid separate recognition of certain intangible assets acquired in a business combination. ■

New Site Highlights the Benefits of GAAP

The Financial Accounting Foundation, which oversees the FASB and the GASB, launched a [new web page](#) focused on the benefits of GAAP to public and private companies, not-for-profit organizations, and state and local governments in the U.S. While many regard GAAP as the “gold standard” of financial reporting for public companies and state governments, many private companies, not-

for-profits, local governments, and others may not be familiar with its benefits. This initiative explores those benefits and also seeks to educate and inform all stakeholders—including preparers, investors, lenders, auditors, taxpayers, and other users—on how GAAP is essential to the efficient functioning of our capital markets and the strengthening of our economy and governments. ■

Audit and Attest Update

- TIC generally approved of the proposals in an [ASB ED](#) of a proposed SSAE, *Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting: Clarification and Recodification*, but it did note areas where clarification was needed. This ED would revise extant AT section 801, *Reporting on Controls at a Service Organization*, as part of the ASB's ongoing efforts to clarify and recodify the SSAEs.
- In its comments on an [ASB ED](#) of a proposed SAS, *An Audit of Internal Control over Financial Reporting that Is Integrated with*

an Audit of Financial Statements, TIC agreed with the ASB's conclusion that standards for integrated audits should reside in the SASs, not the SSAEs. TIC also noted the potential for inconsistencies in standards related to walkthroughs and pointed out areas where clarification would be needed.

- [Resources](#) available to practitioners implementing SSARS No. 21, *Statement on Standards for Accounting and Review Services: Clarification and Recodification*, include “plain-English” explanations of the changes to standards discussed in a blog post and video.

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- The Center for Audit Quality (CAQ) and the AICPA have issued a [joint member Independence Alert](#) that provides audit firms with an overview of SEC and PCAOB independence rules applicable to financial statement audit and attestation engagements for the following non-issuers:
 1. Non-issuer broker-dealers that are registered with the SEC as a broker or dealer; and
 2. Where the engagement(s) is subject to the requirements of Custody Rule, SEC-registered and state registered investment advisers, related party custodians, or private funds (e.g., pooled investment vehicles). ■

GASB GAAP Hierarchy

The GASB has issued an ED, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, that establishes the guidance state and local governments should follow when preparing financial statements and revises the order of priority for pronouncements. TIC generally approved the proposals, but it did ask for clarification on the status of GASB interpretations, which GASB has issued in the past but which they have indicated they will no longer issue. Since interpretations are now at the same level as GASB statements, TIC members believed that GASB should specifically mention this in the main body of the pronouncement instead of in a footnote. TIC also recommended prominent communication about and display of information on AICPA literature that has been specifically cleared by GASB, perhaps by indicating this on the GASB's site.

TIC also noted that, in certain circumstances, it can be confusing to determine whether an entity should apply GASB pronouncements or FASB pronouncements; for example, in the case of a not-for-profit that is affiliated with a government entity. TIC endorsed a recommendation to develop an authoritative definition of a governmental entity that was included in the comment letter submitted for this ED by the AICPA State and Local Government Expert Panel. TIC believes an authoritative definition is needed to avoid unnecessary confusion and to minimize costly restatements for entities that are currently facing these definitional issues. ■

Get the Latest on GASB Activities

Articles in the GASB's fourth issue of its [Outlook](#) e-newsletter include a letter from the board chairman on planned changes in pension standards, a spotlight on current projects and research

and details on projects on accounting for leases, fiduciary responsibilities, other postemployment benefits and external investment pools. ■

New RP-2014 Mortality Tables Released

- The Society of Actuaries' Retirement Plans Experience Committee has released its [RP-2014 Mortality Tables Report](#), which includes new mortality tables developed for use by pension plans. These tables, which supersede the RP-2000 base tables and mortality projections, take into consideration the improvements in life expectancy and, as a result, retirement obligations are anticipated to increase. The report states that the new RP-2014 tables represent the most current and complete benchmarks of

U.S. private pension plan mortality experience, and recommends consideration of their use for the measurement of private pension plan obligations, effective immediately. It also says that the financial impact of the combined change is expected to vary substantially based on the starting mortality assumptions; for example, the impact of switching from a static projection using Scale AA will typically be much more significant than the impact of switching from a generational projection using Scale BB. ■

Let Us Hear From You

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

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