



# Technical Issues Alert

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

## TIC Update with FASB Staff

In its September liaison meetings with both the PCC and the FASB, TIC members highlighted the challenges for private companies related to accounting for goodwill and asset impairment given the pandemic and its economic impact, particularly when it comes to triggering events. At its most recent online meeting with FASB staff in November, TIC learned about potential relief for private companies and not-for-profits that only report GAAP-compliant financial statements annually that would address TIC's concerns. An exposure draft on the guidance, which would be separate from the existing goodwill alternative available for private companies, is expected to be issued in December. This ED is expected to have a very quick comment period of 30 days so that private companies with a December 31 year-end would be given the opportunity to elect this accounting alternative.

Other issues discussed in TIC's meeting with FASB staff include:

*FASB Conceptual Framework exposure draft.* TIC discussed points that were covered in its [comment letter](#) on proposed [Statement of Financial Accounting Concepts—Concepts Statement 8—Conceptual Framework for Financial Reporting—Chapter 4: Elements of Financial Statements](#). While TIC generally supported the direction of the project, TIC noted that the committee was split on the merits of removing the term *control* from this proposed chapter. TIC also raised questions about some aspects of the proposed guidance on liabilities, and suggested that the concept of indexation

be added to the Equity or Net Assets section and that mandatorily redeemable shares should be addressed. The board has begun redeliberation and discussion of comment letter feedback.

*COVID-19 pandemic advisories.* Recent or planned FASB releases include:

- Topic 470 (Debt): [Borrower's Accounting for Debt Modifications](#), an educational paper on how to apply existing guidance.
- Expected guidance on disclosures about government grants.
- A planned paper on impairment of long-lived assets, as well as the anticipated goodwill relief.

*Leases (Topic 842): Targeted Improvements.* FASB staff members discussed three proposed targeted improvements to its leases guidance as a result of its post-implementation review.

*Accounting complexities related to software for sale.* TIC discussed unnecessary complexities that arise when accounting for software for sale under existing standards. Clients have asked for GAAP departures as a result and users often don't find the complex details useful. TIC chair Danielle Supkis Cheek shared a presentation that illustrated the issues and asked if simplifications to the current guidance were possible.

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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 12 and 13, 2021, virtual TIC liaison meeting with AICPA Auditing Standards Board
- May 5-6, 2021, virtual TIC meeting
- June 7-10, 2021, TIC meeting and participation in AICPA Engage Conference
- September 27-29, 2021, TIC liaison with the PCC, FASB and GASB in Norwalk, CT

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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*Employee Share-Based Payment Disclosure Relief.* TIC followed up on its discussion with the Private Company Council in September, when TIC recommended that the PCC launch a project to address the lack of relevance of some disclosures in this area when it comes to private companies.

[Franchisors—Revenue from Contracts with Customers \(Subtopic 952-606\): Practical Expedient.](#) FASB staff are reviewing the comments received on this exposure draft.

New FASB technical projects:

- [Consolidation of a Not-for-Profit Entity by a For-Profit Sponsor.](#) This narrow-scope project in progress seeks to address diversity in practice in consolidation decisions.
- [Disclosure of Supplier Finance Programs Involving Trade Payables.](#) This project aims to add greater transparency in this area. ■

## Enhancing Risk Assessment Guidance

In its [comment letter](#) on a proposed statement on auditing standards on [Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement](#), TIC expressed appreciation for the Auditing Standards Board's efforts to enhance guidance in this area and for inviting TIC member Dan Wernke to serve on a task force that provided input on revisions to the existing standard.

TIC applauded the proposal's efforts to scale the standards to smaller entities with less complex internal control systems but expressed concern about the length of the new guidance. TIC suggested simplifying the guidance or providing a flowchart to make it easier to follow. TIC offered to help in developing practice aids or implementation guidance for less complex entities. TIC also requested guidance to help practitioners understand what minimum risks should be documented.

While TIC thought that the ED generally enhanced and clarified the requirements on understanding each component of the entity's system of internal control, it did include suggestions for further clarifying several sections. The ED includes increased emphasis on the considerations of the role of information technology and related risks, which may prove challenging, but TIC thought this change was appropriate and that training and practice tools would be helpful to auditors in applying the revised standard. TIC also suggested enhancements to the proposal's definitions of relevant assertions and significant classes of transactions, account balances, or disclosure. TIC also urged the ASB to make any documentation requirements as clear as possible and consider working with the AICPA Peer Review team to ensure consistent interpretation of the requirements. ■

## TIC Discusses Timely Topics with ARSC

TIC conducted an online meeting with members of the Accounting and Review Services Committee, including ARSC chair Denny Ard. Highlights of the meeting included:

- ARSC is currently concentrating on the best ways to enhance the quality of engagements under the Statements on Standards for Accounting and Review Services (SSARS). The committee is considering webinars on attestation standards, including agreed-upon procedures engagements; on engagement letters, with participation from insurance experts; and on performing analytical procedures in a review engagement. TIC and ARSC members discussed possible participation by TIC members in the webinars.
- ARSC is watching for any Auditing Standards Board actions related to non-compliance with laws and

regulations (NOCLAR) issues in case any conforming changes to ARSC guidance are needed.

- The Auditing Standards Board has approved Statement on Standards for Attestation Engagements No. 22, [Review Engagements](#). Among other things, SSAE No. 22 describes the types of procedures a practitioner may perform in a review engagement, requires that the practitioner's report include an informative summary of the work performed as a basis for the practitioner's conclusion and permits the expression of an adverse conclusion. The standard also includes revisions to conform AT-C section 210, *Review Engagements*, with revised AT-C section 205, *Assertion-Based Examination Engagements*, as a result of the recent issuance of SSAE No. 21, *Direct Examination Engagements*. The SSAE becomes effective for practitioners' review reports dated on or after June 15, 2022.

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- TIC and ARSC members discussed common practice issues and some potential solutions, including handling purchase price transactions in a review; differentiating between compilations and reviews; questions about

reissuing a compilation or preparation; and PPP loans, particularly when working with not-for-profits that record them as grants. ■

## TIC Concerns on *Staff Augmentation Arrangements* Proposal

In its [comments](#) on this [exposure draft](#) from the AICPA Professional Ethics Executive Committee, TIC questioned whether an additional interpretation was necessary, given the available guidance. TIC suggested that, if the AICPA Ethics Team is receiving questions on independence considerations when a firm provides staff to a client, specific Q&As might better address any problematic situations or fact patterns.

The proposal recommends that one of the safeguards that might allow a firm to provide staff to an attest client would be if it is done to help with an unexpected situation that would otherwise create a significant hardship and, among other requirements, would not exceed 30 days. TIC suggested that the definition of "significant hardship" is open to interpretation

and might cause diversity in practice. TIC offered to help PEEC to develop Q&As illustrating acceptable common situations. TIC also recommended that the 30-day limit serve as general guidance rather than as a bright line. TIC agreed with a suggested exception for staff augmentation arrangements with certain affiliates of financial statement attest clients and endorsed an exemption for staff augmentation arrangements for all SSAE engagements when the services provided by the augmented staff do not relate to the specific subject matter of the SSAE engagement. TIC also approved of a six-month delayed effective date to allow firms to implement new policies and procedures and end any relationships not permitted by the ED. The comment deadline was December 8. ■

## TIC Covers Hot Topics with GASB Staff

TIC's Zone 3, which is made up of members who follow governmental accounting and auditing issues, maintains regular contact with members of the Governmental Accounting Standards Board staff. Here were some of the issues discussed at their most recent meeting:

[Revenue and Expense Recognition](#). TIC expressed appreciation for the [webcasts](#) that the board has been presenting to clarify views on this preliminary views document and offered initial comments. TIC plans to comment on the PV; comments are due

by February 26. The GASB has scheduled public hearings and user forums for March and April.

[Implementation Guidance Update—2021](#). Comments on this exposure draft, which clarifies, explains or elaborates on GASB statements, are due by February 15. The questions covered address issues such as leases and Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. ■

### Let Us Hear from You

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

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