



# Technical Issues Alert

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

## TIC Holds Liaison with ARSC

As part of its ongoing outreach to standard setters, TIC recently met with members of the AICPA Accounting and Review Services Committee. Topics discussed included:

*Proposed Statement on Standards for Attestation Engagements, Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification.* TIC expressed strong support for this proposal because of the advantages it will offer small firms and their private company clients (additional details can be found below). TIC plans to encourage firms to submit comment letters and to urge state societies to inform their members of the exposure draft.

*Materiality in a review engagement.* TIC noted the lack of clarity in the existing Statements of Standards for Accounting and Review Services

on considering materiality in a review engagement. ARSC discussed efforts to add more information to existing guidance, as well as its efforts to converge the SSARS with international standards.

*Practice and firm risk management issues.* Topics covered included:

- Practice issues related to known departures from the applicable financial reporting framework.
- The blurring of lines between types of engagements—and quality control considerations for them.
- Identifying the responsible party in an interim engagement. ■

## Share Your Opinions on an Important Proposal!

TIC members are urging practitioners who work with private companies to review and comment on a new ED from the Auditing Standards Board. TIC strongly endorses the proposed SSAE, *Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification*, and believes it is an important change that will add flexibility that benefits smaller firms and the clients they serve. Among some of the changes under the proposal:

- Practitioners would no longer need a written assertion from the responsible party when reporting directly on the subject matter.

- The term *review engagement* would be changed to *limited assurance engagement*.
- A new focus would be given to procedures that may be performed in a limited assurance engagement beyond inquiry and analytical procedures.
- There will be meaningful revisions to current agreed-upon procedures guidance, which provides flexibility in the design of and responsibility for procedures to be performed.

TIC believes that the standard would reduce complexity and allow for greater use of professional judgment.

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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:

- October 8-10, Norwalk, CT: TIC's annual liaison with the FASB, GASB, and PCC
- January 15 and 16, 2019, La Jolla, CA: TIC's annual liaison meeting with the ASB
- May 7 and 8, 2019, Charlotte, NC
- June 9-13, 2019, Las Vegas, NV: TIC meeting and participation in AICPA Engage Conference

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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The comment deadline for the ED is October 11. TIC plans to comment and encourages small firm practitioners to share their opinions on the proposal. If you haven't commented on an exposure draft before and

would like some pointers, consult the AICPA blog "[7 Tips to Have an Influence on Future Standards.](#)" ■

## TIC's Latest FASB Update

These issues were discussed during TIC's most recent regular update call with FASB staff:

*Revenue recognition guidance concerns.* In a [letter](#) to the FASB and in subsequent phone calls with FASB staff, TIC requested relief for private companies dealing with specific implementation challenges that have been uncovered as they prepare to implement Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers*, and other revenue and related updates. In direct response to TIC's comments, during the summer FASB issued two memos that provided educational materials for private companies:

- [Definition of an Accounting Contract and Short Cycle Manufacturing Contracts \(Right to Payment\).](#)
- [Reimbursement of Out-of-Pocket Expenses.](#)

During the call, TIC expressed appreciation for the resources provided and discussed other issues related to the revenue recognition guidance.

*Proposed Accounting Standards Update—Leases (Topic 842): Narrow-Scope Improvements for Lessors.* The FASB issued this ED in response to issues raised in three areas by lessors since the issuance of ASU 2016-02:

- Sales taxes and other similar taxes collected from lessees.
- Certain lessor costs paid directly by lessees.

- Recognition of variable payments for contracts with lease and nonlease components.

TIC plans to review the document and decide whether to comment.

*Simplifying the balance sheet classification of debt.* At a recent FASB meeting, the board determined that an unused long-term financing arrangement in place at the balance sheet date should be disregarded in determining the classification of debt. The FASB also decided that when a borrower violates a provision of a long-term debt agreement and the creditor provides a specified grace period that makes the debt no longer callable at the balance sheet date, the borrower should classify the debt as a noncurrent liability. Final issuance is expected in the fourth quarter of this year.

*Accounting for share-based compensation.* TIC and FASB staff discussed possible improvements to current guidance as well as potential disclosure relief for private companies.

New ASUs. Practitioners should be aware of several recent FASB releases:

- ASU 2018-09, [Codification Improvements.](#)
- ASU 2018-10, [Codification Improvements to Topic 842, Leases.](#)
- ASU 2018-11, [Leases \(Topic 842\): Targeted Improvements.](#) ■

## GASB News

- A GASB ED on [Conduit Debt Obligations](#) is intended to:
  - Clarify the existing definition of these arrangements.
  - Establish one reporting model eliminating diversity of current practice.
  - Set accounting and reporting standards for additional issuer commitments and other related arrangements.
  - Improve existing note disclosures.

Current practice allows issuers of conduit debt to elect to record a liability for conduit debt or to disclose. The ED clarifies that the debt is not to be recorded by the issuer unless it is more likely than not that

the issuer will step in and pay the debt service. TIC plans to comment on this ED, which has a November 2 comment deadline.

- GASB has issued [Statement no. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period.](#) According to the GASB, it is intended to "enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period." This standard eliminates the reporting of capitalized interest for proprietary funds. It is effective for reporting periods beginning after December 15, 2019 and earlier application is encouraged. The requirements of the statement should be applied prospectively. ■

# What You Need to Know about the New Yellow Book

The U.S. Government Accountability Office has issued the latest revision of [Generally Accepted Government Auditing Standards](#) (the Yellow Book), which sets guidance for financial audits, attestation engagements and reviews of financial statements for government entities, entities that receive government awards and other organizations performing Yellow Book audits. TIC made contributions to the AICPA comment letter on this version of the Yellow Book.

According to a review of the revisions by the AICPA Governmental Audit Quality Center, the revised Yellow Book contains:

- Significant revisions to the Yellow Book's nonaudit service independence requirements and guidance.
- A clarified format.

- The same CPE hour requirement as the 2011 Yellow Book, but new application guidance that emphasizes the need to obtain GAGAS-specific CPE, especially in years when the standards have been revised. There is also new clarifying guidance on CPE for specialists.
- A listing of recognized peer review organizations.
- New guidelines on waste and abuse.

The 2018 Yellow Book, which supersedes the 2011 Yellow Book, is effective for financial audits, attestation engagements, and reviews of financial statements for periods ending on or after June 30, 2020. It is effective for performance audits beginning on or after July 1, 2019. Early implementation is not permitted. ■

## TIC Comments on Disclosing Client Information in a Quality Review

TIC generally approved of a proposed Interpretation from the AICPA Professional Ethics Executive Committee, [Disclosing Client Information in Connection with a Quality Review](#). The ED clarifies when it is acceptable to disclose confidential client information in connection with tax-related quality review, noting specifically that it is permitted to do so during a voluntary tax practice review under Treasury Regulation 7216.

In its [comment letter](#), TIC asked for further clarification that the interpretation's provisions apply to state and local tax returns and not

only to returns regulated by the Internal Revenue Service. TIC also suggested that the interpretation include an additional safeguard addressing the need to redact personally identifiable information and recommended clarifying the language on quality control documents, since these are not required in tax practice reviews. TIC agreed that the decision on whether a confidentiality agreement was necessary should be left to the practitioner's professional judgment. ■

## Become a Member of TIC!

The AICPA is now accepting volunteer applications for CPAs interested in serving on AICPA committees, including TIC. TIC membership offers the opportunity to share your expertise and to work with other CPAs to

influence standards that will affect private companies. Applications are being accepted through October 1 for the volunteer year beginning in May 2019. Apply online at <https://www.aicpa.org/volunteer.html>. ■

### Let Us Hear from You

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

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