



Technical Issues Alert

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

Note: This TIC Alert contains a special section beginning on page 3 detailing the deferrals and delays in accounting standards due to the COVID-19 pandemic, as well as some of the related resources available to practitioners.

TIC's FASB Outreach

TIC meets regularly with standard setters to get updates and share perspectives on standards in development. Their most recent meeting with Financial Accounting Standards Board staff was attended by incoming FASB chair, Richard Jones. Topics discussed included:

- [Proposed Accounting Standards Update, Revenue from Contracts with Customers \(Topic 606\) and Leases \(Topic 842\): Effective Dates for Certain Entities](#). (See more detail in the special COVID-19 section beginning on page 3.) The FASB initially proposed a limited deferral of the effective dates of ASUs on leases and on revenue recognition for franchisors that have not yet issued financial statements. In the committee's discussion with FASB staff and in its [comment letter](#), TIC endorsed the deferral, elaborating on some of the financial accounting challenges facing many organizations during the pandemic. In light of those challenges, TIC recommended allowing private companies that haven't yet issued financial statements reflecting the adoption of ASC 606 an additional year to adopt. TIC argued that the benefit for these companies would outweigh any concerns about temporary financial statement comparability issues. TIC also agreed that the one-year effective date delay for leases should include not-for-profits that have issued conduit debt or are conduit bond obligors. In response to the ED's use of the wording "public not-for-profits," TIC noted this term is not included in the FASB Accounting Standards Codification and called for greater consistency in terminology. In addition, FASB staff members and TIC discussed concerns related to franchisors and Topic 606. TIC will take part in FASB's ongoing outreach on implementation issues related to the leases guidance. In a May 20 FASB meeting, the board decided to extend the effective date of ASC 606 for any private company that has not yet issued financial statements, and to delay the effective date for ASC 842 for private companies and any not-for-profit entity that has not yet issued its generally accepted accounting principles-compliant financial statements or made those financial statements available for issuance, including those that have published financial information that reflects adoption of Topic 842 (for example, quarterly financial statements filed on Electronic Municipal Market Access (EMMA)). See more details in this [Journal of Accountancy article](#).
- [Accounting for COVID-19 impact](#). TIC shared a series of accounting questions related to the COVID-19 pandemic on topics that included loans taken under the Small Business Administration's Paycheck Protection Program (PPP), goodwill and intangible asset impairment testing and the classification of unusual items. The FASB is working with the AICPA Depository and Lending Institutions Expert Panel and a group of Big 4 and regional firms to address borrower and lender questions on accounting for loans taken under the SBA's PPP. The FASB has designated additional teams

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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:

- June 10: Virtual liaison meeting with AICPA Accounting and Review Services Committee.
- September 21 to 23, Norwalk, CT: TIC's FASB, GASB and PCC liaison meetings
- November 10 and 11, 2020, virtual TIC meeting.
- January 12 and 23, TIC liaison meeting with AICPA Auditing Standards Board, location TBD.

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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to respond to [technical inquiries](#) on financial instruments, leasing and nonfinancial asset impairment. The Center for Plain English Accounting also recently issued a report addressing some of the accounting issues related to COVID-19 that is available to CPEA members on www.aicpa.org/CPEA.

- *Reference rate reform.* Accounting Standards Update 2020-04, *Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, was issued in March. The transitional guidance is currently set to sunset in 2022, following the expiration of the London Interbank Offered Rate (LIBOR). ■

Addressing ASB Issues

When AICPA Chief Auditor Bob Dohrer joined TIC's meeting in May, the topics discussed included:

- *Delayed adoption of new auditor reporting standards and conforming amendments* (see details in special section beginning on page 3). Firms that decide to take advantage of the deferral might choose to note that fact in their audit planning memos.
- *ASB Proposed Strategy and Work Plan.* The board is planning a formal response to comments on this proposal, which would establish the board's standard-setting strategy through 2022. Convergence with international

standard setting was one of the topics that received the most comments. While many support continued Auditing Standards Board involvement in international audit standard setting, there was support for early ASB involvement in the process, and some commenters emphasized the importance of addressing separate U.S. audit considerations. Commenters also recommended speeding the pace of standard setting. Dohrer offered updates on several of the projects listed in the work plan, including those on attestation standards, audit evidence, estimates, risk assessment and quality control. ■

Ethics Update

- The AICPA Professional Ethics Executive Committee (PEEC) voted to delay the effective dates of three AICPA ethics interpretations because of the coronavirus pandemic (see special section beginning on page 3 for details). The delay is discussed on this [PEEC podcast](#).
- TIC worked with PEEC to offer feedback to International Ethics Standards Board for Accountants discussion

documents on fee-related matters and non-assurance services. TIC is acting to increase its involvement with international standard setters to ensure private company issues are addressed earlier in the process. ■

TIC News

In May, TIC thanked several outgoing members for their work, welcomed new committee members and recognized the appointment of former and outgoing TIC members to influential committees.

Outgoing TIC members include:

- Bryan Bodnar, BKD, LLP, Springfield, MO. Bryan will become TIC's first telephonic member of Zone 1, which follows accounting issues proposed by the AICPA and the FASB.
- David Finkelstein, SingerLewak, LLP, Irvine, CA.
- Melisa Galasso, Galasso Learning Solutions and Cherry Bekaert, LLP, Charlotte, NC.

- Daniel Wernke, Clark Schaefer Hackett, Cincinnati, OH.

Julie Killian, of Clayton & McKervey, in Southfield, MI., is the new Zone 1 chair. Continuing zone chairs are Michael Manspeaker, Smith Elliott Kearns & Company, LLC, in Hagerstown, MD, chair of Zone 2, which covers audit, attest, preparation, compilation, review, ethics, and peer review issues; and Danny Martinez, BKD, LLP, in Dallas, TX, chair of Zone 3, which follows government audit and accounting issues as set forth by GASB.

New TIC members include:

- Heather Funsch, Rehmann, Saginaw, MI.
- Angie Hillestad, Eide Bailly, LLP, Sioux Falls, SD.

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- Rosemary Rehner, Barnes Wendling CPAs Inc., Cleveland, OH.
- Brittney Williams, HeinfeldMeech, Phoenix, AZ.

Outgoing member Melisa Galasso has joined the FASB Not-for-Profit Advisory Committee and the AICPA Women's Initiatives

Executive Committee, and Daniel Wernke has joined the AICPA Peer Review Board. Former TIC member Alan Long, of Baldwin CPAs in Lexington, KY, previously a member of the AICPA Auditing Standards Board, has joined the AICPA Professional Ethics Executive Committee. ■

Special Section: COVID-19 Deferrals and Resources

In light of the COVID-19 pandemic, standard setters and others have acted quickly to provide relief and resources for organizations and practitioners. This special section features some key examples as of late May 2020.

Financial Accounting Standards Board

The FASB approved a [limited deferral of the effective dates](#) of some Accounting Standards Updates (including amendments issued after the issuance of the original Update):

- Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). While an initial ED on the deferral only covered private company franchisors that are not public business entities, the FASB ultimately voted to extend the deferral to encompass all private companies, a step that was in line with TIC comments. They can choose to apply the new standard for annual reporting periods beginning after December 15, 2019, and interim reporting periods within annual reporting periods beginning after December 15, 2020.
- Accounting Standards Update No. 2016-02, *Leases* (Topic 842). The FASB voted to clarify that the Topic 842, *Leases*, proposed deferral is available for any not-for-profit entity that has not yet issued its generally accepted accounting principles-compliant financial statements or made those financials statements available for issuance, including those that have published financial information that reflects adoption of Topic 842 (for example, quarterly financial statements filed on EMMA).

These entities will have the option to apply the new leases standard for fiscal years beginning after December 15, 2021, and to interim periods within fiscal years beginning after December 15, 2022. Not-for-profit organizations that are conduit bond obligors that have not yet issued financial statements and other public business entities (PBEs) that have not yet made their financial statements available for issuance can choose

to apply the standard for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years.

CECL relief. The Coronavirus Aid, Relief and Economic Security (CARES) Act [provided financial institutions with temporary, optional relief](#) from ASU 2016-13, *Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments*, and its current expected credit loss (CECL) model and from troubled debt restructuring (TDR) accounting. Organizations can delay CECL or TDR implementation or adopt the standard using the original required date.

FASB resources. The FASB has released Qs&As on [lease concessions](#) related to COVID-19 and on [hedge accounting](#) during the pandemic. Its site features [implementation information](#) on new standards.

Auditing Standards Board

Statement on Auditing Standards No. 141, *Amendment to the Effective Dates of SAS Nos. 134 to 140*, delays implementation of some standards by one year from December 15, 2020, to December 15, 2021, and immediately lifts the prohibition against early implementation for firms that are able to do so. The SAS covers:

- SAS No. 134, *Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements, as amended*
- SAS No. 135, *Omnibus Statement on Auditing Standards — 2019*
- SAS No. 136, *Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA, as amended*
- SAS No. 137, *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports*
- SAS No. 138, *Amendments to the Description of the Concept of Materiality*

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- SAS No. 139, *Amendments to AU-C Sections 800, 805, and 810 to Incorporate Auditor Reporting Changes From SAS No. 134*
- SAS No. 140, *Amendments to AU-C Sections 725, 730, 930, 935, and 940 to Incorporate Auditor Reporting Changes From SAS Nos. 134 and 137*

An [At-a-Glance](#) summary of this standard is available. Visit the ASB site, [Recently Issued Auditing and Attestation Standards Issued: Information and Resources](#), for the latest information on this standard.

Governmental Accounting Standards Board

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postpones by one year the effective dates of these pronouncements:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*.

It postpones the effective dates of these pronouncements by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*.

The ED notes that earlier application of these provisions to the extent allowed in the original pronouncements is encouraged.

It does not postpone the effective dates of Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, or Implementation Guide No. 2020-1, *Implementation Guidance Update—2020*, because the pandemic was factored into those standards effective dates, according to the GASB.

Other GASB COVID-19-related resources for stakeholders can be found at www.gasb.org/COVID19. Of particular interest is the “emergency toolbox,” which helps stakeholders quickly identify the GASB’s authoritative guidance that could be relevant to the current circumstances.

Professional Ethics Executive Committee

Effective dates of these standards have been delayed:

- The “[Information Systems Services](#)” interpretation (ET §1.295.145), is now effective on Jan. 1, 2022, with early implementation permitted.
- The “[State and Local Government Client Affiliates](#)” interpretation (ET §1.224.020), is now effective for years beginning after Dec. 15, 2021.
- The “[Leases](#)” interpretation (ET §1.260.040), is now effective for fiscal years beginning after Dec. 15, 2020, with early implementation permitted.

Peer Review

The Peer Review Board granted firms six-month extensions for peer reviews, corrective actions and implementation plans with original due dates between Jan. 1 and Sept. 30 of this year. Firms are not required to wait the added six months for their peer reviews if they don’t feel it is necessary, and the board encouraged firms to have them as soon as they are able.

Other Related Resources

- [AICPA Coronavirus \(COVID-19\) Resource Center](#)
- The [Center for Plain English Accounting](#) site includes a variety of resources related to COVID-19 and other topics of importance to practitioners, including:

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- **Special Report:** Consequences of COVID-19: Potential Auditing Challenges
- **Report:** Accounting in the Fog of War: Treatment of PPP Loans
- **Alert:** FASB Proposes to Defer Effective Dates: Lease Standard & Revenue Standard for Franchisors
- **Alert:** SAS No. 140 Issued: Conforming Changes Related to New Auditor Reporting Model
- **Alert:** FASB Issues Q&As: Lease Modifications Due to COVID-19
- **Special Report:** Consequences of COVID-19: Financial Reporting Considerations
- **Special Report:** Consequences of COVID-19: Illustrative Public Company Disclosures
- **Alert:** CARES Act (Stimulus Package): Financial Reporting Provisions for Financial Institutions ■

Let Us Hear from You

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

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