



Technical Issues Alert

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

Special Engage Conference Issue

TIC has long been actively involved in the planning of the technical offerings at the AICPA Engage Conference (and its predecessor, the AICPA National Advanced Accounting and Auditing Technical Symposium), and this year's gathering at the MGM Grand Hotel in Las Vegas was no exception. As part of their participation in 2018, TIC members hosted a lively and informative panel discussion of current issues of concern to local firms and their clients. TIC Staff Liaison Kristy Illuzzi also helped lead a session given by the Center for Plain English Accounting on frequently

asked questions on audit and accounting guidance, and current and former TIC members led numerous sessions on a variety of technical issues.

TIC also took the opportunity to meet with representatives of several standard setters attending the conference. This issue of the TIC Alert reports on some of the topics discussed at those meetings and their importance to private companies and the CPAs who work with them. ■

Getting an Update on FASB Activities

TIC conducts regular calls with Financial Accounting Standards Board staff to gather information about standards in development and to report on practice or implementation issues related to existing standards. TIC had the opportunity at the conference to meet in person with Mike Cheng of the FASB staff as well as some of the PCC members in attendance, including PCC Chair and former TIC Chair Candace Wright. Among the topics discussed at their recent meeting were:

Employee Share-based Compensation Accounting. TIC has continued to recommend disclosure relief for private companies following issuance of *Accounting Standards Update No. 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. TIC provides some specific suggestions for relief in their *comment letter* response to FASB's *Agenda Consultation Invitation to Comment* in October 2016. TIC members discussed whether further guidance is needed in areas such as profits interests, an equity compensation tool used by partnerships, and other topics related to share-based compensation.

Conduit Debt Obligors. TIC members received an update on a proposed ASU, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, and issues related to conduit debt obligors.

Revenue Recognition Implementation Considerations. In a *letter* to FASB staff, TIC discussed challenges for private companies in implementing *Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606)*. See separate item in this issue on the FASB's response to TIC's comments. Among the related topics discussed at this meeting:

- TIC members and FASB staff talked about ways to clarify implementation issues related to out-of-pocket costs and discussed possibilities for further implementation guidance on this topic.
- TIC explained the need for additional clarification of questions about when a contract is legally enforceable.

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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:

- August 14 and 15, Seattle, WA: TIC's annual liaison with ARSC
- October 8-10, Norwalk, CT: TIC's annual liaison with the FASB, GASB, and PCC
- January 15 and 16, 2019, TBD: 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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- TIC and FASB staff also discussed possible added guidance related to short cycle manufacturing contracts.

EITF Cloud Computing Standard. Practitioners should be aware of *EITF Issue No. 17-A: Customer's Accounting for Implementation, Setup,*

and Other Upfront Costs (Implementation Costs) Incurred in a Cloud Computing Arrangement That is Considered a Service Contract, whose issuance was expected soon. ■

Valuable New Revenue Recognition Guidance

Last year, TIC sent a letter to the Financial Accounting Standards Board detailing implementation issues that have arisen as small businesses prepare to implement Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers*, and other revenue related Updates, and asking for some relief for private companies. The FASB recently posted two memos in direct response to some of TIC's concerns that contain valuable information on adopting the standard. The areas covered are:

- Definition of an accounting contract and short-cycle manufacturing contracts.
- Out-of-pocket expenses.

Practitioners can find this useful guidance on the FASB site. ■

Addressing Audit and Attestation Issues

TIC met with Michael Santay, chair of the Auditing Standards Board, and Michael Fleming, chair of the Accounting and Review Services Committee, and staff of both committees to review current standard setting issues. Topics addressed included:

- *Attestation Standards Project*. An ED on performing attestation standards that was discussed at this meeting has since been issued (see separate item).

TIC was supportive of the proposal during its development and the flexibility it can provide CPAs. TIC members urge practitioners to offer their own opinions on the ED.

- *Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA*. TIC heard an update on comment letters that the ASB has received on this topic, and touched on issues raised in [TIC's comment letter](#). It was expected that the ASB will approve issuance of the proposal as a final standard at its July meeting. However, the effective date of this standard will likely be extended to align with the upcoming

changes to overall auditor reporting, which will also be discussed in the July ASB meeting.

- *Auditor Reporting Project*. The comment period for an ED proposing amendments to AU-C Section 700, *Forming an Opinion and Reporting on Financial Statements*, has passed and a final standard is expected soon. The ASB is also working on a potential proposal on auditor reporting issues related to AU-C Section 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks*.
- *SSARS No. 24, Omnibus Statement on Standards for Accounting and Review Services—2018 and Going Concern Issues*. As discussed in the meeting, practitioners should be aware that this recent standard includes some revisions to the consideration of going concern issues. TIC suggested that sometimes when omnibus statements are issued it can be confusing to practitioners as to what the important changes are and perhaps certain changes should be issued separately from omnibus statements. The ARSC will take this into consideration for future standards. ■

Proposed SSAE Adds Flexibility in Performing Attestation Engagements

The Auditing Standards Board has exposed for public comment through October 11 [proposed Statement on Standards for Attestation Engagements, Revisions to Statement on Standards for Attestation Engagements No. 18: Clarification and Recodification](#), which would supersede AT-C section 105, *Concepts Common to All Attestation Engagements*; AT-C section 205, *Examination Engagements*; AT-C section 210, *Review Engagements*; and AT-C section 215, *Agreed-Upon Procedures Engagements*, in *AICPA Professional Standards*.

The proposed SSAE would:

- No longer require the practitioner to request a written assertion from the responsible party when the practitioner is reporting directly on the subject matter or performing an agreed-upon procedures engagement.
- More closely harmonize AT-C section 210 with the limited assurance provisions of International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits and Reviews of Historical Financial Information*, including changing the term *review engagement* to *limited assurance engagement*. The proposed revisions to AT-C section 210 more explicitly describe the types of procedures a practitioner may perform in a limited

assurance engagement. These procedures are much the same as the procedures a practitioner may perform in an examination engagement, except that the nature, timing, and extent of those procedures are tailored to a limited assurance engagement. Finally, the proposed revisions to AT-C section 210 would require that the practitioner's report include an informative summary of the work performed as a basis for the practitioner's conclusion.

- Revise the agreed-upon procedures section by no longer requiring that all of the parties to the engagement (the engaging party, the responsible party [where applicable], and users of the practitioner's report) agree to the procedures to be performed and, therefore, take responsibility for their sufficiency. Instead, the proposed revision would require that the engaging party acknowledge, prior to the issuance of the report, the *appropriateness* of the procedures for the intended purpose of the engagement, and would explicitly allow the practitioner to develop, or assist in developing, the procedures. The proposed revision would also allow the practitioner to issue a general-use report, unless the procedures are prescribed and the practitioner is precluded from designing or performing additional procedures, or the criteria are not available to users or are suitable only for a limited number of users. ■

Peer Review Clarification Project

Peer review guidance is undergoing clarification and at its recent meeting TIC discussed this project with James Brackens, AICPA vice president, ethics and practice quality. TIC members pointed out that several existing peer review checklist questions contain language that

may be misunderstood to imply a requirement that exceeds current professional standards. In conjunction with scheduled peer review checklist revisions, TIC members will continue to work with peer review staff to clarify these questions. ■

TIC Comments on Information System Services ED

Amid rapid technological change, a TIC [comment letter](#) recommended that principles-based guidance (along with possible FAQs) might be more appropriate than the proposed rules-based guidance in the Professional Ethics Executive Committee ED, [Information System Services](#). TIC volunteered to assist in preparing these FAQs based on committee members' own practice experience if this route was chosen.

To communicate the ED's purpose, TIC also suggested adding language to establish the scope of the standard and to let readers

know that the guidance is a clarification of existing standards rather than a revision. Among TIC's concerns was the possibility that auditors might mistakenly believe the ED would prevent them from performing certain necessary procedures under a continuous audit, which could hinder technology advancements. TIC also thought a distinction should be made in the ED between providing information or a process to reorganize/summarize client information and making actual management decisions. ■

Have an Opinion on a Proposal? Here's How to Make a Difference!

The *TIC Alert* reports on standards that are in the works or being exposed for comment. The comment process is open to all stakeholders, and TIC recommends that practitioners who work with private companies take the opportunity to add their voice to the debate when a standard will affect them or their clients. Standard setters review all comments received and welcome the chance to hear the perspective and experiences of firms like yours.

If you're not certain how commenting works, a recent AICPA Insights blog explains the process. Among other advice and insights, "[7 Tips to Have an Influence on Future Standards](#)":

- Describes why you should turn first to the explanatory memo.
- Reveals that you don't have to answer all the questions in the exposure draft (just stick to the ones that matter to you or best reflect your expertise).
- Discusses the importance of offering alternative solutions if you disagree with a proposal.

Check out the blog and then get started making a difference in standard setting! ■

Let Us Hear from You

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

Mike Westervelt, CPA

TIC Chair

Email: Michael.Westervelt@claconnect.com

Kristy Illuzzi, CPA

TIC Staff Liaison

E-mail: kristy.illuzzi@aicpa-cima.com

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