



Technical Issues Alert

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

TIC Update with ARSC

As part of its ongoing outreach to standard setters, TIC met with members of the AICPA Accounting and Review Services Committee, including chair Denny Ard, as well as AICPA chief auditor Bob Dohrer and ARSC staff liaison Mike Glynn. Several of the ARSC members are former TIC members. Issues discussed included:

- Statement on Standards for Accounting and Review Services No. 25, *Materiality in a Review of Financial Statements and Adverse Conclusions*. This standard, issued in February:
 - Explicitly established that determining materiality for a review engagement is required.
 - Removed the prohibition on issuing an adverse conclusion in a review.
 - Required review reports to state that the accountant must be independent of the entity and adhere to other ethical requirements.

The standard is effective for engagements performed in accordance with SSARs on financial statements for periods ending on or after December 15, 2021. Early implementation is permitted. More details can be found in an [At A Glance](#) document on the standard.

- *Communications between the predecessor and successor accountant*. Although this communication is not required in compilation and review engagements, ARSC is gathering information on related practice issues. TIC members offered feedback on what they see in practice.
- *Application guidance*. TIC regularly updates standard setters on issues in practice or offers feedback on implementation concerns. At the ARSC liaison, TIC members discussed the value of possible application guidance in areas such as revenue recognition, based on challenges they have seen with their review and compilation clients and diversity in practice. TIC also recommended possible Q&As or an article on addressing COVID-19 issues in nondisclosure compilations.

COVID-19-Related Guidance

- AICPA [Technical Question and Answer \(TQA\) 3200.18, Borrower Accounting for a Forgivable Loan Received Under the Small Business Administration Paycheck Protection Program](#). Questions have arisen on whether the loan should be accounted for as debt or a government grant. The TQA establishes that nongovernmental entities—business entities and not-for-profits—may account for a Paycheck Protection Program loan as a financial liability in accordance with Financial Accounting Standards Board

Accounting Standards Codification 470, *Debt*. Alternatively, if the borrower concludes that the PPP loan is in substance a grant, it may analogize to IAS 20 or ASC Subtopic 958-605. Turn to the [AICPA's SBA Paycheck Protection Program Resources for CPAs](#) for more resources on the program.

- Governmental Accounting Standards Board Proposed Technical Bulletin No. 2020-a, *Accounting and Financial Reporting Issues Related to the Coronavirus Aid, Relief, and*

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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:

- 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 13, TIC liaison meeting with AICPA Auditing Standards Board, location TBD.

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Economic Security Act (CARES Act) of 2020 and Coronavirus Diseases, clarifies the appropriate recognition under GASB Statements Nos. 33, 56, and 70 of resources received under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Comments on this proposal are due June 25

and TIC will likely comment. In other GASB-related activities, TIC member Danny Martinez will attend a GASB [public hearing](#) on "Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements" on July 28.

AICPA COVID-19 Resources

- [AICPA Coronavirus \(COVID-19\) Resource Center](#). This site includes a wealth of tools and information, including topics related to the Small Business Administration Paycheck Protection Program, the CARES Act, accounting and reporting, audit and assurance, government and small firm concerns.
- [AICPA Center for Plain English Accounting](#). Subscribers have access to a variety of [reports](#) on topics related to

the pandemic, including "Pandemic Lease Concessions: Treatment Options Under FASB ASC 840," "Accounting in the Fog of War: Treatment of PPP Loans," and a planned report on Accounting for Termination Benefits: Other Accounting Impacts of COVID-19.

AICPA Engage Online

Online sections of the AICPA Engage [conference](#), including advanced accounting and auditing presentations, will be presented from July 20 through 24. TIC chair Danielle Supkis Cheek and staff liaison Kristy Illuzzi led a discussion on

hosting independence under a recent AICPA Professional Ethics Executive Committee standard in a June section of the conference.

PEEC Proposal on Records Requests

An exposure draft from the AICPA Professional Ethics Executive Committee on [Records Requests](#) would clarify requirements when responding to requests for client provided or member prepared records, offering details on when it is appropriate.

Issues that TIC discussed in an initial review of the proposal included possible clarification of the term "make available," the

need to establish that some guidance refers to initial requests for records, and how the guidance would apply to spreadsheet formulas developed by firms. James Brackens, AICPA vice-president, ethics and practice quality, joined TIC for the discussion. Comments are due by September 30 and TIC plans to submit a comment letter once its comments are finalized.

Let Us Hear from You

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

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