



Technical Issues Alert

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

TIC Meets with the ASB

TIC's annual liaison meeting with the Auditing Standards Board allows the two groups to discuss existing standards and guidance in development. Issues discussed at the most recent liaison included:

- A proposed Statement on Auditing Standards (SAS) on *Auditor Reporting*. TIC offered insights on the ED--including possible challenges for private companies related to proposals on key audit matters--and suggested some clarifications.
- A proposed SAS, *Omnibus Statement on Auditing Standards—2018*. Issues discussed included the need for further clarification on the scope of the requirement on discussions with those charged with governance and on considerations in testing accuracy and completeness.
- A proposed SAS, *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports*. Among other issues, the groups discussed what types of information would be covered.
- A proposed SAS, *Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA*. TIC received an update on the board's review of the comment letters on this ED and reviewed points made in the committee's own comment letter.
- Proposed Statement on Standards on Attestation Engagements, *Selected Procedures*. TIC received an update on next steps for this project, which would create a new attestation service. ■

Update on FASB Developments

In its latest update meeting with members of the FASB staff, topics discussed included:

- *Revenue recognition concerns for private entities*. TIC and FASB staff members discussed a recent letter that TIC submitted to the FASB on challenges that private entities are discovering now that the revenue recognition guidance is becoming effective for them. Given the importance and magnitude of the standard, TIC recommended additional consideration be given to recognition and measurement differences for private companies as well as disclosure differences for certain conduit debt obligors. Specific issues discussed included the new definition of an accounting contract, customer options for additional goods and services that are a material right, short-cycle manufacturing contracts and out-of-pocket costs. TIC suggested practical expedients to address these issues.
- *Financial reporting effect of the Tax Cut and Jobs Act*. Immediately following the TIC meeting, the FASB issued

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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:

- May 8 and 9, Scottsdale, AZ (TIC liaison with PEEC)
- June 11-14, Las Vegas, NV (AICPA Engage Conference and TIC meeting with select PCC and FASB board and staff members)
- August 14 and 15, location TBD (TIC's annual liaison with ARSC)
- October 7-9, Norwalk, CT (TIC's annual liaison with the FASB, GASB, and PCC)

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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a proposed Accounting Standards Update (ASU), *Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects From Accumulated Other Comprehensive Income*. The ASU would require organizations to reclassify stranded tax effects within accumulated other comprehensive income to retained earnings in each period when they record the change in the federal corporate income tax rate under the act. The amount reclassified would be the difference between the previous corporate income tax rate and the new 21% corporate income tax rate. The FASB staff has prepared a related [Q&A](#) on whether organizations can apply SEC Staff Accounting Bulletin 118. The proposed amendments in the ED would be effective for all organizations for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption would be permitted. Read TIC's comment letter on the proposal [here](#).

- *Proposed ASU, Leases (Topic 842) Targeted Improvements*. TIC reviewed the points in its [comment letter](#), which generally agreed with the proposed changes in this exposure draft. Since private companies may face unexpected implementation issues when the guidance becomes effective, TIC will report any

challenges to the FASB staff as they arise and suggest practical expedients for private companies as needed.

- *Proposed ASU, Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The board will begin redeliberating this ED based on comments received when it was issued, including considerations raised by TIC in its [comment letter](#).
- *Implementation of guidance on goodwill and intangibles*. In answer to a question from FASB staff, TIC members discussed the use of Private Company Council alternatives for private companies on goodwill and intangibles and whether use of those alternatives has resulted in significant time and cost savings to private entities.
- *PCC activities*. TIC and FASB staff discussed issues on the council's agenda, including cloud computing arrangements and share-based compensation. Candy Wright, chair of the PCC and a former TIC chair, attended the meeting and provided an update. ■

Revisions to Definition of a Client

Practitioners should be aware of the changes made in [revisions](#) published by the AICPA Professional Ethics Executive Committee. The new guidance clarifies the definitions of "client" and "attest client," and CPAs' responsibilities when the engaging entity is not

also the person or entity for whom the CPA is performing the services (or the subject entity). The revisions became effective on December 31, 2017, unless otherwise noted. ■

GASB Update

Recent GASB EDs include:

- *Accounting for Interest Cost during the Period of Construction*. This ED's provisions included a recommendation that interest costs be recognized as an expense in the period in which they were incurred. Comments are due March 5, and TIC plans to comment in favor of this proposal.
- *GASB Implementation Guide No. 201Y-X, Implementation Guidance Update-201Y*. This ED offers clarification, explanation or elaboration on a range of existing guidance, including some questions related to pensions and tax abatements. Comments are due February 16. ■

Reporting on an Attestation Engagement Under Two Sets of Standards

The recently released *AT-C Section 9105, Concepts Common to All Attestation Engagements: Attestation Interpretations of AT-C Section 105*, establishes that AICPA attestation standards do allow CPAs to perform and report on an attestation engagement in which the practitioner follows both the AICPA attestation standards and another set of attestation standards, such as those issued by the International Auditing and Assurance Standards Board or the PCAOB, as long as

both sets of attestation standards are followed in their entirety. The interpretation also describes how a practitioner would reference both sets of attestation standards (if the practitioner chooses to do so in the attestation report) if he or she performs an engagement in accordance with AICPA attestation standards and the PCAOB interim attestation standards. The guidance includes illustrative reports. ■

TIC News

Danielle Supkis Cheek, owner of D. Supkis Cheek PLLC in Houston, TX, has been named vice chair of TIC. She will become the committee's chair when current chair Mike Westervelt, principal of CliftonAllenLarson LLP, in Charlotte, NC, completes his term in May of 2019.

TIC members are assigned to zones whose members follow developments in specific areas. Bryan Bodnar, partner of BKD, LLP, in Springfield, MO, recently became the chair of Zone 1, which follows accounting issues that are proposed by the AICPA and FASB. Michael Manspeaker, partner of Smith Elliott Kearns & Company, LLC, in Hagerstown, MD, was named chair of Zone 2, which covers audit, attest, preparation, compilation, review, ethics, and peer review issues. They join Vicki Hellenbrand, partner of Baker Tilly Virchow Krause, LLP, Madison, WI, the current chair of Zone 3, which follows government audit and accounting issues as set forth by GASB.

TIC also welcomed several new members to the committee at the beginning of January. They included:

- Kimberly Hardy, shareholder of Matthews, Cutrer & Lindsay, P. A., in Ridgeland, MS.
- Danny Martinez, partner, Carr, Riggs & Ingram, LLC, Albuquerque, NM.
- Adam Roark, senior manager, Dixon Hughes Goodman LLP, Charlotte, NC.

Bruce Nunnally, partner of Carr, Riggs & Ingram, LLC, in Miramar Beach, FL, who recently completed a three-year term on TIC, will be joining the AICPA Accounting & Review Services Committee. ■

Let Us Hear from You

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

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