



Technical Issues Alert

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

TIC Update with FASB Staff

In addition to its annual liaison meetings with standard setters, TIC meets regularly with standard setting board staff to discuss projects in progress and current implementation and practice issues. These topics were covered at TIC's most recent meeting with Financial Accounting Standards Board (FASB) staff.

Proposed Accounting Standards Update: Interim Reporting (Topic 270): Disclosure Framework: Disclosures—Changes to Interim Disclosure Requirements. In its [comment letter](#), TIC recommends that the FASB provide greater clarification in the final standard to ensure that entities correctly evaluate whether Topic 270, *Interim Reporting*, is applicable to their interim reporting. At the meeting, FASB staff welcomed suggestions on clarifications in this area and on other wording changes related to correction of errors in interim reporting.

Passthrough entity tax considerations. TIC alerted FASB staff to diversity in practice in this area. The Tax Cuts and Jobs Act of 2017 set a \$10,000 limit on individual itemized deductions for state and local taxes through 2025 (informally known as the "SALT cap"). However, the SALT cap does not limit deductibility of state taxes imposed on business entities. In response, numerous states have enacted new entity level taxes on passthrough entities designed to permit the entity to deduct state income taxes that the individual owners would have otherwise been unable to deduct

under the SALT cap. TIC believes there is uncertainty about whether these entity-level taxes would fall under the scope of Topic 740, *Income Taxes*.

Profits interests. In 2020, the Private Company Council (PCC) formed a working group to address profits interests and their interrelationship with partnership accounting. Profits interests are not explicitly mentioned in the FASB codification, and definitions and approaches in nonauthoritative guidance are not in agreement. This has resulted in diversity in practice. The PCC is considering whether further research and guidance is needed.

Agenda Consultation. FASB staff members discussed the review of comment letters received on the invitation to comment on this topic (see TIC's [comments](#)). Based on the letters received, the board has decided to make [comprehensive changes](#) to FASB's research agenda related to accounting and reporting issues.

Reference rate reform. In 2020, the FASB issued *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, to provide temporary, optional expedients and exceptions to ease accounting concerns as markets transition away from use of the London Interbank Offered Rate (LIBOR) as the benchmark interest rate on short-term interbank loans. Since the pandemic the transition from LIBOR has been delayed. As a result, FASB is now planning to extend the

continued on page 2

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 Kari Hipsak, CPA, TIC staff liaison at the AICPA, at kari.hipsak@aicpa-cima.com to learn about attending or receiving information on upcoming meetings.

The next TIC meetings will be held:

- May 10-12, location TBD
- June 8, TIC meeting at the [AICPA & CIMA Engage Conference](#), Las Vegas

continued from page 1

sunset date for Topic 848, *Rate Reference Reform*. FASB has also recently [clarified the scope](#) of this guidance.

Identifiable Intangible Assets and Subsequent Accounting for Goodwill. FASB staff offered updates on this project in progress, including insights on approaches to amortization and on potential floors and caps on the amortization period for subsequent measurement of goodwill.

Joint Venture Formations. This project aims to address existing diversity in practice. TIC members offered feedback on potential costs for private companies related to fair value calculations.

Audits of Less Complex Entities

TIC continues to monitor a proposal from the International Auditing and Assurance Standards Board on *Auditing of Financial Statements of Less Complex Entities*. The intent is to provide high-quality guidance that is appropriate for the needs of less complex entities in terms of complexity, understandability and scalability. The proposed standalone standard is based on underlying concepts from current

In addition to the issues discussed at the meeting, TIC also planned to comment on a proposed Accounting Standards Update—*Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*. Supplier finance programs—also called reverse factoring, payables finance and structured payables arrangements—allow suppliers to be paid on demand before an invoice due date. To address diversity in practice, the proposal would establish disclosure requirements for these arrangements. Comments are due March 21. ■

international auditing standards and intended to offer the same level of assurance as existing standards.

TIC member Mike Brand and former TIC member Mike Manspeaker are on a task force that prepared a [comment letter](#) for the Auditing Standards Board. TIC and the [Center for Plain English Accounting](#) assisted in a survey of potential users of this standard for the task force. ■

ARSC Quality Management ED

The AICPA Accounting and Review Services Committee (ARSC) issued proposed *Quality Management for An Engagement Performed in Accordance with Statements on Standards for Accounting and Review Services* (SSARS) to ensure that the SSARS are aligned with the Auditing

Standards Board (ASB) [proposed standards](#) on quality management. In its [comment letter](#), TIC generally agreed with the proposal but noted that the effective date of the ARSC standard may need to be revised to reflect any changes in the proposed ASB standard. ■

ASB Proposes Amendment to Compliance Audits Standard

The AICPA ASB has issued a proposed Statement on Auditing Standards to amend AU-C section 935, *Compliance Audits*, in AICPA *Professional Standards* to update the appendix, "AU-C Sections That Are Not Applicable to Compliance Audits," and conform the standard to reflect the issuance of SASs No. 142, *Audit Evidence*, and No. 145, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*. The proposed amendment would be effective for compliance audits for fiscal periods ending on or after

December 15, 2023. However, the proposed amendment to the appendix with regard to AU-C section 501, *Audit Evidence—Specific Considerations for Selected Items*, would be effective for compliance audits for fiscal periods ending on or after December 15, 2022 in order to align with the effective date of SAS No. 142. Interested parties are encouraged to submit their feedback to CommentLetters@aicpa-cima.com by May 16. ■

GASB Standards Update

These are some of the Governmental Accounting Standards Board projects that TIC is monitoring.

- [Classification of nonfinancial assets](#). This project in progress is focusing on determining whether existing definitions of nonfinancial assets should be changed, what changes might be needed and how new definitions would impact presentation of net position or disclosure in notes to financial statements.
- [Compensated Absences—Reexamination of Statement 16](#). This project plans to update the definition of compensated absences to reflect the variety of benefits that government employees might receive beyond sick and vacation leave. The board has considered comments on an initial exposure draft issued last year and plans to issue a final statement during the second quarter of 2022.
- [Going Concern Disclosures—Reexamination of Statement 56](#). This project aims to identify and address any necessary enhancements to the existing guidance on assessing and disclosing uncertainties related to severe financial distress or going concern uncertainties.
- [Omnibus 20XX](#). The board is redeliberating this proposal based on comments received. TIC's [comments](#) focused on exchange or exchange-like financial guarantees.
- [Prior-Period Adjustments, Accounting Changes, and Error Corrections—Reexamination of Statement 62](#). The board is redeliberating issues identified in comments. A final statement is expected in the second quarter.
- [Risks and uncertainties disclosures](#). An exposure draft is expected in the second quarter. ■

TQA on Recipient Accounting for Vaccines or Other Items for Distribution

The AICPA Health Care Expert Panel has issued [Technical Question and Answer \(TQA\) 6400.71](#) (AICPA, [Technical Questions and Answers](#)) to provide background and nonauthoritative accounting information about whether nongovernmental healthcare entities that receive vaccines or other pharmaceuticals, medical supplies or equipment

free of charge to dispense to specified patients may record a contributed nonfinancial asset at the fair value of the items. The TQA provides a framework for healthcare practitioners as well as providers and preparers to consider based on each specific program. The TQA does not address the accounting related to the dispensing of these items. ■

Let Us Hear from You

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

Bryan Bodnar, CPA

TIC Chair
Email: bbodnar@bkd.com

Kari Hipsak, CPA

TIC Staff Liaison
E-mail: kari.hipsak@aicpa-cima.com

This publication has not been approved, disapproved or otherwise acted upon by any senior technical committees of, and does not represent an official position of, the American Institute of Certified Public Accountants. It is distributed with the understanding that the contributing authors and editors, and the publisher, are not rendering legal, accounting, or other professional services in this publication. The views expressed are those of the authors and not the publisher. If legal advice or other expert assistance is required, the services of a competent professional should be sought.