October 2022 Update of the AICPA Professional Literature

ALERTS AND AICPA GUIDES

The 2022 editions of the following AICPA Guides are being released:

**Employee Benefit Plans (aag-ebp)**

Whether you're a new or seasoned EBP auditor, you want your name to be on work you can be proud of. This guide is your ideal roadmap to a quality audit, giving you authoritative guidance, practical tips, and illustrative examples to help you at each stage of the audit.

Key topics include the following:

- Statement on Auditing Standards No. 136, as amended and codified in AU-C section 703
- Applicable to single employer, multiple employer, and multiemployer employee benefit plans subject to ERISA (ERISA plans)
- Performance requirements for an audit of ERISA plan financial statements
- Highlights select recent developments in standards impacting EBP auditing and accounting

**Revenue Recognition (aag-rev)**

Designed to unravel the complexities of the new standard and understand how to avoid areas of concern, this guide will help you understand how FASB ASC 606, *Revenue from Contracts with Customers*, affects financial statement preparation and audits across companies and industries.

This edition of the guide has been modified to include certain changes necessary due to the issuance of authoritative guidance after FASB ASC 606 brought unprecedented challenges for private companies. Updates in accounting part are reflected in footnotes and do not alter the positions taken by FinREC, which were based on facts and circumstances stated in the guide and supported by guidance in effect at the time the industry implementation papers were finalized, from 2015–2018.

This guide also includes the updated content in general audit considerations to reflect all guidance issued by AICPA, as applicable, through July 1, 2022.

Key topics include the following:

- Application of FASB ASC 606 as a principal-based framework for revenue recognition across a variety of industries
- Audit considerations specific to revenue transactions, including controls, audit risk, fraud, and management estimates
- Other audit considerations towards potential accounting misstatements, independence, disclosures, and documentation

**SOC 2® Reporting on an Examination of Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy (aag-sop)**

More than ever, organizations are outsourcing functions to other organizations (service organizations) that can usually perform them more cost effectively. Although outsourcing may increase revenue, expand market
opportunities, and reduce costs for customers and business partners, it also results in new risks arising from interactions with the service organization and its system. To identify, assess, and address the risks associated with a service organization, its services, and the system used to provide the services, customers and business partners usually need information about the design, operation, and effectiveness of controls within the service organization’s system. To support their information needs, customers and business partners often request a SOC 2 report from the service organization.

Updated as of October 15, 2022, this authoritative guide is the most important resource you need to understand how to perform and report on a SOC 2 examination (that is, an examination of controls at a service organization relevant to security, availability, processing integrity, confidentiality, or privacy). It also includes guidance that will help you prepare and issue a SOC 3 report.

The October 2022 guide

- has been fully updated to reflect new requirements and guidance of Statement on Standards for Attestation Engagements (SSAE) No. 20 and SSAE No. 21.
- contains insight from expert authors on the SOC 2 Working Group, which consists of CPAs who perform SOC 2 and SOC 3 engagements.
- includes updated guidance on risk assessment and qualitative materiality assessments.
- includes a new illustrative report that may be used when performing and reporting on a SOC 2+ examination.
- includes new implementation guidance related to use of the 2017 Trust Services Criteria (With Revised Points of Focus — 2022) and the 2018 Description Criteria (With Revised Implementation Guidance — 2022).
- includes updated illustrative reports.

Key topics include the following:

- SOC 2 engagements: Assertion-based examination of a service organization’s description of its system and its controls relevant to security, availability, processing integrity, confidentiality, or privacy
- SOC 3 engagements: General-use reports relevant to security, availability, processing integrity, confidentiality, or privacy
- Application of the 2017 Trust Services Criteria (With Revised Points of Focus — 2022) when evaluating control design and effectiveness
- Use of the 2018 Description Criteria (With Revised Implementation Guidance — 2022) for evaluating management’s description of the service organization’s system

The following AICPA Guides contain minor editorial changes:

- Analytical Procedures (aag-anp)
- Assessing and Responding to Audit Risk in a Financial Statement Audit (aag-arr)
- Reporting on an Entity’s Cybersecurity Risk Management Program and Controls (aag-cyb)
- Entities With Oil and Gas Producing Activities (aag-ogp)

BEST PRACTICES IN PRESENTATION AND DISCLOSURE

The 2022 edition of the following product is being released:


Updated for new accounting and auditing guidance issued, this valuable tool provides hundreds of high-quality disclosure examples from carefully selected U.S. companies of different sizes, across industries.
Whether you're a preparer or auditor, you'll save time and improve efficiency with this valuable resource that will give you an unparalleled picture of U.S. GAAP compliance. You'll be able to review hundreds of carefully selected high-quality disclosure examples from U.S. companies of different sizes across virtually any industry. You'll get illustrations of virtually every required disclosure, coverage of current hot topics, and clear guidance to help you understand and comply with all significant reporting requirements. Detailed indexes will help you quickly find exactly what you need. For auditors, an up-to-date auditor's report — fully in compliance with generally accepted auditing standards — is included. Information is included for both public and private companies.

**MEASUREMENT CRITERIA**

The following products are being released:

**Description Criteria (dcm)**

This update revises and retitles DC section 200, *2018 Description Criteria for a Description of a Service Organization's System in a SOC 2® Report (With Revised Implementation Guidance — 2022)*, to reflect revisions to the implementation guidance relevant to certain of the description criteria.

The revised implementation guidance is intended to provide users of the criteria with the following:

- Additional clarity regarding certain disclosure requirements
- Guidance on disclosure of how controls meet the requirements of a process or control framework
- Guidance on disclosure of information about the risk assessment process and specific risks

**Trust Services Criteria (tsp)**

This update revises and retitles TSP section 100, *2017 Trust Services Criteria for Security, Availability, Processing Integrity, Confidentiality, and Privacy (With Revised Points of Focus — 2022)*, to reflect new points of focus and edits to extant points of focus relevant to certain of the trust services criteria.

The revised points of focus are intended to better support application of the criteria in

- an environment of ever-changing technologies, threats and vulnerabilities, and other matters that may create additional risks to organizations.
- addressing changing legal and regulatory requirements and related cultural expectations regarding privacy.
- addressing data management (for example, data storage, backup, and retention), particularly when related to confidentiality.
- differentiating which points of focus related to privacy may apply only to an organization that is a data controller or only to an organization that is a data processor, as defined in the glossary. (Although this distinction is intended to assist management and the practitioner in identifying situations in which certain points of focus may be particularly relevant, the specific facts and circumstances of the organization’s operations should be considered when identifying and applying points of focus in a trust services engagement.)

**PCAOB STANDARDS AND RELATED RULES**

No updates for October 2022.
This update consists of the following:

- **PRP section 20,700 Employee Benefit Plan Audit Engagement Checklist** revised primarily to reflect AICPA Audit and Accounting Guide *Employee Benefit Plans* updated as of August 1, 2021, and to more fully integrate requirements of AU-C section 703, *Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA*.

  - New checklists for engagements performed in accordance with SSAE Nos. 21 and 22, as applicable:
    - 20,900B Agreed-Upon Procedures Engagement Checklist
    - 21,000A Examination Attestation Engagement Checklist
    - 21,050A Review Attestation Engagement Checklist
    - 21,100A Reporting on Controls at a Service Organization Checklist (SOC 1® Reports)

- **PRP section 21,300 Supplemental Checklist for Review of Agreed-Upon Procedures Related to the Securities Investor Protection Corporation (SIPC) Assessment Reconciliation for Broker Dealers** revised to add references to SIPC Member FAQs and AICPA illustrative reports and enhance reporting questions.

  Reminder: Use the Table of PRPM Sections to determine the current version dates for any practice aid and use the most current version of a practice aid that is available as of a peer review’s commencement date.

  **Next PRPM update:** The next update is currently scheduled for Spring 2022.

**PRACTICE AIDS AND TOOLS**

No updates for October 2022.

**AICPA PROFESSIONAL STANDARDS**

**U.S. Attestation Standards — AICPA (Clarified) [AT-C]**

This update adds Interpretation No. 1, “Examination and Review Engagements on Subject Matter Measured or Evaluated in Accordance With Criteria Specified in Laws, Regulations, Rules, Contracts, or Grants” (AT-C sec. 9315 par. .01–.05), of AT-C section 315, *Compliance Attestation*.

**Code of Professional Conduct [ET]**

This update revises the “Section 529 Plans” interpretation (ET sec. 1.240.070).

**Various Sections**

This update also contains minor editorial changes to various sections.
This update adds the following Q&A sections:

- Q&A section 670.05, “Disclosing Client Information to a Successor Firm After a Purchase, Sale, or Merger”
- Q&A section 825.02, “Transfer of Files to Another Partner in the Firm”
- Q&A section 825.03, “Transfer of Client Files in a Merger”
- Q&A section 825.04, “Transfer of Files and Return of Client Records in Acquisition of a Nonmember Practice”

This update also revises the titles of the following Q&A sections:

- Q&A section 217.01, “General Cybersecurity Training for Attest Client”
- Q&A section 217.02, “Review of an Attest Client’s Cybersecurity Practices”

This update also moves the following Q&As from Q&A section 705, Unpaid Fees, to the new Q&A section 125, Fees, and deletes Q&A section 705:

- Q&A section 125.01, “The Term “Covered Member” and the Significance of Unpaid Fees”
- Q&A section 125.02, “Comparison of Safeguards Related to Unpaid Fees for Small and Large Firms”
- Q&A section 125.03, “Other Situations With Unpaid Fees That Require Judgment About Independence”

This update also revises the following Q&A sections:

- Q&A section 1200.10, “Accounting Guidance for Transfer of Insurance Risk”
- Q&A section 1200.11, “Differences Between Retroactive and Prospective Insurance”

This update also revises the following Q&A sections:

- Q&A section 2130.38, “Certificates of Deposit and FASB ASC 820, Fair Value Measurements and Disclosures”
- Q&A section 2210.15, “Capitalization of Cost of Dredging Log Pond”
- Q&A section 2220.05, “Assuming Pro Rata Share of Venture’s Revenues and Expenses”
- Q&A section 2250.06, “Accounting Treatment of Agreements Not to Compete”

This update also deletes the following Q&A section:

- Q&A section 2260.03, “Legal Expenses Incurred to Defend Patent Infringement Suit”

This update also deletes the following Q&A section:

- Q&A section 3600.01, “Balance Sheet Presentation of Unearned Revenue”
Revenue and Expense

This update also revises the following Q&A sections:

- Q&A section 5100.08, “Life Membership Fees in a Club”
- Q&A section 5290.05, “Accrual of Audit Fee”

This update also deletes the following Q&A sections:

- Q&A section 5100.07, “One Cent Sales”
- Q&A section 5100.11, “Excise Tax on Club Dues”
- Q&A section 5100.25, “Finished Parts Held by Manufacturer for Customers”

Specialized Industry Problems

This update also revises the following Q&A sections:

- Q&A section 6140.24, “Contributions of Certain Nonfinancial Assets, Such as Fundraising Material, Informational Material, or Advertising, Including Media Time or Space for Public Service Announcements or Other Purposes”
- Q&A section 6300.08, “Definition of an Insurance Benefit Feature”
- Q&A section 6300.09, “Definition of an Assessment”
- Q&A section 6300.10, “Level of Aggregation of Additional Liabilities Determined Under FASB ASC 944”
- Q&A section 6300.11, “Losses Followed by Losses”
- Q&A section 6300.12, “Reinsurance”
- Q&A section 6300.13, “Accounting for Contracts That Provide Annuity Benefits”
- Q&A section 6300.26, “Evaluation of Significance of Modification in Applying FASB ASC 944-30”
- Q&A section 6300.31, “Participating Dividends and the Interaction of Guidance in FASB ASC 944”
- Q&A section 6300.34, “Nature of Investment Return Rights in FASB ASC 944-30-35-37(b)”
- Q&A section 6300.36, “Prospective Unlocking”
- Q&A section 6300.40, “Deferrable Commissions and Bonuses Under ASU No. 2010-26”
- Q&A section 6910.27, “Treatment of Deferred Fees”

This update also deletes the following Q&A sections:

- Q&A section 6130.05, “Disclosure of Contractual Maturities of Direct Cash Loans”
- Q&A section 6300.37, “Application of Accounting Standards Update No. 2010-26, Financial Services — Insurance (Topic 944): Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts (a consensus of the FASB Emerging Issues Task Force)”
- Q&A section 6300.38, “Retrospective Application of ASU No. 2010-26”
- Q&A section 6300.39, “Cumulative Effect of Change in Accounting Principle — ASU No. 2010-26”
- Q&A section 6600.03, “Accounting for Sale of Property With Option to Repurchase”
• Q&A section 6931.28, “Presentation of Fully Benefit Responsive Investment Contracts in Single Employer DC plans When Using the Liquidation Basis of Accounting”

### Various Sections

This update also contains minor editorial changes to various Q&A sections.

### SUPPORTING DOCUMENT COLLECTION

This update includes the following documents:

ARSC Meeting Highlights (May 18, 2022)