

Worldwide Update

Periodic roundup of recent and upcoming actions and activities by audit and accounting organizations throughout the world.



International

IASB – *International Accounting Standards Board* (www.ifrs.org)

1. **Insurance Contracts: IFRS 17** - issued May 18, 2017, replaces IFRS 4, and standardizes the accounting for insurance obligations using current values, eliminating the variety of methods previously used. The effective date is January 1, 2021, with earlier adoption allowed.
2. **Exposure Draft - Property, Plant and Equipment—Proceeds before Intended Use (Proposed amendments to IAS 16)**—published June 20, 2017, “would prohibit deducting sales proceeds from the cost of an item of property, plant and equipment while that asset is being made available for use. Instead, the company would recognise those sales proceeds and related costs in profit or loss” The comment period ends October 19, 2017.

IFAC – *International Federation of Accountants* (www.ifac.org)

1. **International Ethics Standards Board (IESBA) –Exposure Draft - Proposed International Education Standard 7, Continuing Professional Development (Revised)** – published June 7, 2017, “places greater emphasis on learning and development directly related to an accountant’s professional responsibilities rather than simply focusing on a minimum number of hours of continuing professional development (CPD).” The comment period ends September 5, 2017.
2. **Developing a Future-Ready Profession**, report issued May 25, 2017, by the IFAC Professional Accountants in Business Committee, discussing:
 - digital disruption and rapid cognitive business development;
 - the continued evolution of the profiles of finance leadership and accountants in business;
 - effective risk management;
 - how integrated reporting can lead to better reporting outcomes; and

- how the new media landscape is changing the way we communicate.

- 3. International Ethics Standards Board (IESBA) –Exposure Draft - Proposed Application Material Relating to: (a) Professional Skepticism –Linkage with the Fundamental Principles; and (b) Professional Judgment –Emphasis on Understanding Facts and Circumstances** – published May 11, 2017, proposes guidance that “links key concepts in the IESBA Code of Ethics for Professional Accountants and clarifies their application, namely:
- a. how compliance with the fundamental principles in the Code supports professional skepticism by auditors and assurance practitioners for audit, review, and other assurance engagements; and
 - b. the importance of professional accountants obtaining a sufficient understanding of the facts and circumstances known to them when exercising professional judgment in applying the conceptual framework underpinning the Code.” The comment period ends July 25, 2017.

ACCA – *Association of Chartered Certified Accountants* (www.accaglobal.com/)

- 1. Balancing rules and flexibility for growth: A study of corporate governance requirements across global markets - Phase 2: Africa** – Report issued June 21, 2017. “This report examines frameworks of corporate governance for listed companies in 15 countries across Africa, comparing the requirements in place against those of the 2015 OECD Principles of Corporate Governance and KPMG’s Board and Governance Principles.”
- 2. Brexit impact on financial services** – Report issued May 24, 2017. “This report describes the impact of Brexit, as perceived by professional accountants working in financial services organisations globally.”
- 3. Banishing bias: Audit, objectivity and the value of professional skepticism** - Report issued May 9, 2017. “This report explores the importance of cognitive biases – for example, hindsight and groupthink – to the audit process. It explains how these biases are central to improving the exercise of professional scepticism and to understanding the fundamental ethical principle of objectivity.”
- 4. Divided we fall, distributed we stand. The professional accountant's guide to distributed ledgers and blockchain** – Professional Insights Report issued April 25, 2017. “This report explores the concept of distributed ledgers, often referred to as blockchain, with the aim of illuminating this area by exploring what a distributed ledger is, where it might have commercial applications and how it relates to accountancy and finance professionals.”

Africa, Europe, India, and the Middle East (AEIME)

FRC – *Financial Reporting Council of the UK* (www.frc.org.uk)

1. **Exposure Draft: Practice Note 11: The audit of charities in the United Kingdom** – issued May 12, 2017, proposing “to reflect the updated regulatory landscape, the implementation of FRS 102 and a new Charities SORP, and the implementation of revised ISAs (UK) in 2016...particularly with respect to going concern and the auditor’s responsibility to report to charity regulators.” The comment period ends August 25, 2017.
2. **Amendment to FRS 102 (May 2017): Directors’ loans – optional interim relief for small entities**, issued May 8, 2017, “permitting small entities to initially measure a loan from a director who is a natural person and a shareholder in the small entity (or a close member of the family of that person) at transaction price.” Effective immediately.
3. **Digital Future - A framework for future digital reporting** – Financial Reporting Lab Project Report issued May 2, 2017, “sets out the characteristics that companies, investors and other stakeholders want to see in any future digital reporting framework.”
4. **Discussion Paper - Invitation to Comment: Auditors and Preliminary Announcements** – Discussion Paper issued April 27, 2017, “intended to stimulate an open discussion with stakeholders about the use and value of preliminary announcements in the UK, and the role of the auditor in respect to such announcements.” Comment period ended June 23, 2017.

Americas, Asia, Australia and New Zealand (AAANZ)

FASB – *Financial Accounting Standards Board* (www.fasb.org)

1. **Exposure Draft - Consolidation: Targeted Improvements to Related Party Guidance for Variable Interest Entities** – issued June 22, 2017, “intended to reduce cost and complexity and to improve financial reporting associated with consolidation of variable interest entities (VIEs).” “Under the proposed ASU, a private company would not have to apply VIE guidance to legal entities under common control if both the parent of the commonly controlled group and the legal entity being evaluated for consolidation are not public business entities. The accounting alternative would be an accounting policy election that a private company would apply to all current and future legal entities under common control that meet the criteria for applying this alternative. In other words, the alternative could not be applied to select common control arrangements. If the alternative is elected, a private company still would be required to follow other consolidation guidance, particularly the voting interest entity guidance, unless a scope exception applies.” The comment period ends September 5, 2017.
2. **Service Concession Arrangements: Determining the Customer of the Operation Services (a consensus of the FASB Emerging Issues Task Force) – ASU 2017-10**, issued March 16, 2017. “The main provisions of this Update are illustrated by the following example: A public-sector entity grantor (government) enters into an arrangement with an operating entity under which the operating entity will provide operation services (which include operation and general maintenance of the infrastructure) for a toll road that will be used by third-party users (drivers). The amendments in this Update clarify that the grantor

(government), rather than the third-party drivers, is the customer of the operation services in all cases for service concession arrangements within the scope of Topic 853." Effective generally at the same time as the new Revenue from Contracts with Customers standards (2014-09 and 2015-14) are adopted.

3. **Compensation—Stock Compensation: Scope of Modification Accounting – ASU 2017-09**, issued May 10, 2017. to amend the standards to “provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718.” Effective generally in 2018 with early adoption permitted.

GASB – *Governmental Accounting Standards Board* (www.gasb.org)

1. **GASB Statement No. 86 – Certain Debt Extinguishment Issues**, issued on May 15, 2017, “to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.” Effective for periods beginning after June 15, 2017, with earlier application encouraged.

AICPA – *American Institute of Certified Public Accountants* (www.aicpa.org)

1. **The Association and CPA.com Startup Accelerator**, initiative launched June 14, 2017, “to provide funding and support to early-stage companies developing innovative technologies for the accounting profession.” See first article above for details. Submissions are due by October 5, 2017.
2. **Cybersecurity Risk Management Reporting Framework**, initially proposed in September, 2016 as a standardized “reporting framework through which organizations can communicate useful information regarding their cybersecurity risk-management programs to stakeholders.” See January 2017 Audit & Accounting Alert for discussion. To support reporting under the Framework, on April 26, 2017, the AICPA issued: 1) Description criteria – “For use by management in explaining its cybersecurity risk management program in a consistent manner and for use by CPAs to report on management’s description;” and 2) Control criteria – “Used by CPAs providing advisory or attestation services to evaluate and report on the effectiveness of the controls within a client’s program.” Subsequently, in May 2017, **Reporting on an Entity's Cybersecurity Risk Management Program and Controls - Attestation Guide** was issued “to assist CPAs engaged to examine and report on an entity’s cybersecurity risk management program.”
3. **Auditing Standards Board –**

- a. **Attestation Interpretation No. 4 to AT-C Section 105, Concepts Common to All Attestation Engagements** – “provides practitioners with examples of additional language to use in attestation reports to indicate that the engagement was conducted under AICPA attestation standards and another set of attestation standards.”

4. Financial Reporting Executive Committee (FinRec)

- a. **Exposure Drafts – Various Implementation Issues in the Asset Management, Engineering and Construction Contractors, Gaming, Healthcare, Hospitality, and Software industries, arising from ASU 2014-09** - issued June 1, 2017. The comment period ends August 1, 2017.
- b. **Exposure Draft – Telecommunications industry: Considering the Effect of the Time Value of Money - Implementation Issue arising from ASU 2014-09** - issued May 1, 2017. The comment periods end July 3, 2017.

PCAOB – *Public Company Accounting Oversight Board* (www.pcaob.org)

- 1. The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion PCAOB Release No. 2017-001** – adopted June 1, 2017. The new auditor reporting standard and related amendments “will require the auditor to provide new information about the audit and make the auditor's report more informative and relevant to investors and other financial statement users...including the following:
- Communication of critical audit matters—matters communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements; and (2) involved especially challenging, subjective, or complex auditor judgment;
 - Disclosure of auditor tenure—the year in which the auditor began serving consecutively as the company's auditor; and
 - Other improvements to the auditor's report—a number of other improvements to the auditor's report to clarify the auditor's role and responsibilities, and make the auditor's report easier to read.”
- 2. Exposure Draft - Auditing Accounting Estimates, Including Fair Value Measurements**, issued June 1, 2017. “The proposal strengthens and enhances the requirements for auditing accounting estimates by establishing a single standard that sets forth a uniform, risk-based approach.” The Comment period ends August 30, 2017.
- 3. Exposure Draft - Using the Work of an Auditor-Engaged Specialist**, issued June 1, 2017. “The proposal calls for auditors to devote more attention to areas of the audit where a specialist's work is used. It also aligns applicable requirements for using the work of specialists with the PCAOB's risk assessment standards.” The Comment period ends August 30, 2017.