

## Integra International Audit & Accounting Alert

Issue 2 | March 2018



### 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](http://www.ifrs.org))

1. **Plan Amendment, Curtailment or Settlement (Amendments to IAS 19 Employee Benefits)**, issued February 7, 2018, “) specifies how companies determine pension expenses when changes to a defined benefit pension plan occur...When a change to a plan—an amendment, curtailment or settlement—takes place, IAS 19 requires a company to re-measure its net defined benefit liability or asset. The amendments require a company to use the updated assumptions from this re-measurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.” Effective on or after January 1, 2019.
- 2.

**IFAC** – International Federation of Accountants ([www.ifac.org](http://www.ifac.org))

1. **International Public Sector Accounting Standards Board (IPASB) - Exposure Draft 64, Leases**, released January 31, 2018, “proposes a single right-of-use model for lease accounting that will replace the risks and rewards incidental to ownership model in IPSAS 13, *Leases*. For lessees, ED 64 proposes accounting requirements that are converged with IFRS 16, *Leases* issued by the International Accounting Standards Board. For lessors, ED 64 proposes a right-of-use model specifically designed for public sector financial reporting. ED 64 also proposes new public sector specific accounting requirements for leases at below market terms (also known as “concessionary leases”) for both lessors and lessees.” The comment period ends June 30, 2018.
2. **International Auditing and Assurance Standards Board (IAASB) - Feedback Statement – Exploring the Growing Use of Technology in the Audit, With a Focus on Data Analytics**, released January 8, 2018, reported that respondents affirmed the applicability of current audit standards, while seeking practical guidance on the use of data analytics technology, and recognizing that professional skepticism needs to be applied when using data analytics.

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

**FRC** – Financial Reporting Council of the UK ([www.frc.org.uk](http://www.frc.org.uk))

1. **Accounting and reporting framework for the construction and business support services sectors**, guidance issued January 29, 2018, “reminds Boards of companies in the construction and business support services sectors of their reporting obligations. This guidance will also be relevant to other companies.” The guidance was issued as a result of the collapse of Carillion.

### **Americas, Asia, Australia and New Zealand (AAANZ)**

#### **FASB** – *Financial Accounting Standards Board* ([www.fasb.org](http://www.fasb.org))

1. **Exposure Draft, Derivatives and Hedging: Inclusion of the Overnight Index Swap (OIS) Rate Based on the Secured Overnight Financing Rate (SOFR) as a Benchmark Interest Rate for Hedge Accounting Purposes**, issued February 20, 2018, “would expand the list of U.S. benchmark interest rates permitted in the application of hedge accounting.” The comment period ends March 30, 2018.
2. **Leases - Land Easement Practical Expedient for Transition to Topic 842 – ASU 2018-01**, issued January 25, 2018, reduces the cost of adopting the new leases standard by “providing an optional transition practical expedient that, if elected, would not require an organization to reconsider their accounting for existing land easements that are not currently accounted for under the old leases standard and clarifying that new or modified land easements should be evaluated under the new leases standard, once an entity has adopted the new standard.” Effective generally when the new lease standard is adopted.
3. **Income Statement—Reporting Comprehensive Income: Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, ASU 2018-02**, issued February 14, 2018, provides an option to “financial statement preparers to reclassify stranded tax effects within accumulated other comprehensive income to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act of 2017 (or portion thereof) is recorded. The amount of the reclassification would be the difference between the historical corporate income tax rate and the newly enacted 21 percent corporate income tax rate. Effective generally in 2019. See the first article in this issue for more details.
4. **Staff Q & A Documents** related to implementation of the Tax Cuts and Jobs Act, issued January 11 and 22, 2018. See the first article in this issue for details.
5. **Exposure Draft, Leases: Targeted Improvements**, issued January 5, 2018, proposes to “simplify transition requirements and, for lessors, provide a practical expedient for the separation of non-lease components from lease components. Specifically, the amendments would: add an option for transition to ASU No. 2016-02, *Leases (Topic 842)*, that would permit an organization to apply the transition provisions of the new standard at its adoption date instead of at the earliest comparative period presented in its financial statements; add a practical expedient that would permit lessors to not separate non-lease components from the associated lease components if certain conditions are met. This practical expedient could be elected by class of underlying assets; if elected, certain disclosures would be required.” The comment period ends February 5, 2018.

#### **GASB** – *Governmental Accounting Standards Board* ([www.gasb.org](http://www.gasb.org))

1. **Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)**, issued

December 19, 2017, “provides answers to questions intended to clarify, explain, or elaborate on the requirements of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The document also addresses a limited number of issues related to Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.”

2. **Invitation to Comment of the Governmental Accounting Standards Board on major issues related to Revenue and Expense Recognition** - Project No. 4-6, issued January 23, 2018, “on the development of a comprehensive revenue and expense recognition model for state and local governments.” The comment period ends April 27, 2018.
3. **Exposure Draft, Accounting and Financial Reporting for Majority Equity Interests**, issued November 9, 2017, “would clarify the accounting and financial reporting for a state or local government’s majority equity interest in an organization that remains legally separate after acquisition.” The comment period ends January 19, 2018.

**PCAOB** – *Public Company Accounting Oversight Board* ([www.pcaob.org](http://www.pcaob.org))

1. **Changes to the Auditor's Report Effective for Audits of Fiscal Years Ending on or After December 15, 2017 - Staff Guidance**, issued December 4, 2017, “addresses key changes to the auditor's report required this year, such as the form of the auditor's report, disclosure of auditor tenure, a statement on auditor independence, and a required explanatory paragraph on Internal Control Over Financial Reporting (ICFR) in certain circumstances.”

#### **Additional A & A News**

##### **[Start your audit off right with data analytics](http://blog.aicpa.org/2018/02/start-your-audit-off-right-with-data-analytics.html#sthash.kCNbYix5.dpbs)**

(<http://blog.aicpa.org/2018/02/start-your-audit-off-right-with-data-analytics.html#sthash.kCNbYix5.dpbs>)

##### **[5 common types of back office occupational fraud, and how AI can stop them](https://www.accountingtoday.com/opinion/5-common-types-of-back-office-occupational-fraud-and-how-ai-can-stop-them)**

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##### **[Accounting and reporting framework for the construction and business support services sectors](https://www.frc.org.uk/news/january-2018-(1)/accounting-and-reporting-framework-for-the-constru)**

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##### **[Auditor Independence Rule Isn't Tough Enough](http://ww2.cfo.com/auditing/2018/02/auditor-independence-rule-isnt-tough-enough/)**

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##### **[How accountants can prepare for the blockchain revolution](https://www.accountingtoday.com/opinion/how-accountants-can-prepare-for-the-blockchain-revolution)**

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##### **[Financial reporting update: Corporate governance and digital innovation](https://www.fm-magazine.com/news/2018/jan/financial-reporting-update.html?utm_source=mnl:cpainsider&utm_medium=email&utm_campaign=22Jan2018)**

([https://www.fm-magazine.com/news/2018/jan/financial-reporting-update.html?utm\\_source=mnl:cpainsider&utm\\_medium=email&utm\\_campaign=22Jan2018](https://www.fm-magazine.com/news/2018/jan/financial-reporting-update.html?utm_source=mnl:cpainsider&utm_medium=email&utm_campaign=22Jan2018))