

Integra International Audit & Accounting Alert

Issue 6 | November 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)

1. **Definition of a Business (Amendments to IFRS 3)**, issued October 22, 2018, “will help companies determine whether an acquisition made is of a business or a group of assets. The amended definition emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others.” Effective January 1, 2020, with early application permitted.

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

1. **The International Auditing and Assurance Standards Board (IAASB) - ISA 540 (Revised), Auditing Accounting Estimates and Related Disclosures**, issued October 3, 2018, “deals with the auditor’s responsibilities relating to accounting estimates and related disclosures in an audit of financial statements. Specifically, it includes requirements and guidance that refer to, or expand on, how ISA 315 (Revised),¹ ISA 330,² ISA 450,³ ISA 5004 and other relevant ISAs are to be applied in relation to accounting estimates and related disclosures. It also includes requirements and guidance on the evaluation of misstatements of accounting estimates and related disclosures, and indicators of possible management bias.” Effective generally in 2020.

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

CIMA – Chartered Institute of Management Accountants (www.cimaglobal.com)

IIRC - International Integrated Reporting Council (www.theiirc.org)

1. **IIRC Integrated Report 2017** – published September 13, 2018, describes “a series of ‘breakthrough’ moments...signaling the breadth of support for integrated reporting as it becomes embedded by businesses around the world.” Among the breakthroughs are

recommendations for alignment with integrated reporting by 16 regulators around the world, a statement of compatibility by the IASB with the IASB's conceptual framework, and voluntary adoption of integrated reporting in 64 countries globally.

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

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

1. **Business model reporting; Risk and viability reporting – Where are we now?** Report released October 18, 2018, by the FRC's Financial Reporting Lab (Lab), "highlights the importance of business model and risk and viability disclosures. It provides practical examples from companies that have adopted the recommendations of previous Lab reports and reiterates investor views on how these improvements help to meet their needs."
2. **Board Diversity Reporting**, report published September 17, 2018. "This report assesses the current extent and manner of reporting by FTSE 350 companies on diversity at board and senior management levels in their annual reports." Results indicate that FTSE 100 boards in 2017 were 27.7% women compared to 12.5% in 2011, showing initial progress, but slowing down recently. Executive teams at FTSE 100 companies included 19% women compared to 12% in 2011. The report also stated that ethnic representation remains at a low level.

ICAEW - *Institute of Chartered Accountants in England and Wales* (<https://www.icaew.com/>)

1. **Assurance Review Engagements on Historical Financial Statements**, Technical Release 09/13AAF (Revised), issued September 25, 2018, to update guidance issued in 2013, provides a framework for conduct of reviews in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised) Engagements to Review Historical Financial Statements.

EFRAG – *European Financial Reporting Advisory Group* (www.efrag.org)

Americas, Asia, Australia and New Zealand (AAANZ)

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

1. **Financial Reporting Executive Committee (FinREC) – Working Draft of Chapter X and Appendixes X, Y, and Z - Multiemployer Benefit Plans and Illustrations of Financial Statements: Multiemployer Defined Benefit Pension Plans, Multiemployer Health and Welfare Benefit Plans, and Multiemployer Apprenticeship Plans - For Inclusion in the AICPA Audit and Accounting Guide Employee Benefit Plans**, issued September 7, 2018, "to assist preparers of multiemployer plan (ME plan) financial statements in preparing financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) and to assist auditors in auditing and reporting on such financial statements in accordance with generally accepted auditing standards...Many of the accounting, reporting, and auditing considerations applicable to a multiemployer plan (ME plan) are the same as those presented for a single employer defined contribution retirement plan (DC plan), a single

employer defined benefit pension plan (DB plan), or a single employer health and welfare benefit plan (H&W plan). This chapter highlights areas more prominent and unique to ME plans and does not include multiple employer retirement plans (MEPs) or multiple employer welfare arrangements (MEWAs).” The comment period ends November 6, 2018.

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

1. **Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40) - Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract – ASU 2018-15**, issued August 29, 2018, to “align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by the amendments in this Update. Effective generally in 2020 for public business entities and in 2021 for all other entities, with early adoption permitted.
2. **Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20) - Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans – ASU 2018-14**, issued August 28, 2018, to “improve the effectiveness of disclosure requirements on defined benefit pension and other postretirement plans”, based on the concepts in the Concepts Statement, including the consideration of costs and benefits. Effective generally in 2020 for public business entities and 2021 for all other entities, with early adoption permitted.
3. **Fair Value Measurement (Topic 820) - Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement – ASU 2018-13**, issued August 28, 2018, to “modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement, based on the concepts in the Concepts Statement, including the consideration of costs and benefits. Effective generally in 2020, with early adoption permitted.
4. **Statement of Financial Accounting Concepts No. 8 - Chapter 8, Notes to Financial Statements**, issued August 28, 2018, is a new chapter that “explains what information the Board should consider including in notes to financial statements by describing the purpose of notes, the nature of appropriate content, and general limitations. It also addresses the Board’s considerations specific to interim reporting disclosure requirements.
5. **Amendments to Statement of Financial Accounting Concepts No. 8 - Chapter 3, Qualitative Characteristics of Useful Financial Information**, issued August 28, 2018, “to ensure that the materiality concepts discussed are consistent with the definition of materiality used by the U.S. Securities and Exchange Commission (SEC), the auditing standards of the Public Company Accounting Oversight Board (PCAOB) and the American Institute of Certified Public Accountants (AICPA), and the United States judicial system.

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

- 1. GASB Statement No. 90 – Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61**, issued September 4, 2018, “clarifying the accounting and financial reporting requirements for a state or local government’s majority equity interest in an organization that remains legally separate after acquisition.” Effective generally in 2019, with early application encouraged.

COSO - *The Committee of Sponsoring Organizations of the Treadway Commission* (www.coso.org)

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

SASB – *Sustainability Accounting Standards Board* (www.sasb.org)

Additional A & A News

[Money-laundering watchdog to set first cryptocurrency rules by June](#)

(<https://www.reuters.com/article/us-crypto-currencies/money-laundering-watchdog-to-set-first-cryptocurrency-rules-by-june-idUSKCN1MT1P2>)

[GAAP Accounting Rules Spur Shorter Real Estate Leases](#)

(<https://www.globest.com/2018/10/22/gaap-accounting-rules-are-spurring-shorter-real-estate-leases/?slreturn=20180922130421>)

[Accountancy and technology: the journey to cognitive intelligence](#)

(https://www.accountancyage.com/2018/10/18/accountancy-and-technology-the-journey-to-cognitive-intelligence/?utm_source=accountancy-age&utm_medium=email&utm_campaign=aa-daily-dose&utm_content=2018-10-22-today-autumn-budget-predictions-patisserie-valerie-fraud-deloitte-on-accountancy-and-technology&mkt_tok=eyJpIjoiT1RFNE9UbGtaamMyWkdJNSIsInQiOiJrT1ZmY1BVTzZndmIrkzFpc2syR1wvNktQT0tkcmJrbHZibW1Da3ljQXNITUg0a1VibWtMNTJCemJcLzIjYkdGMzJwVzVoOTJFMUw2dzFXWGRvWXY4N09UeXZYb3dWSDNSdUI6SUE5K1JvSFdyMnQ0d3djVGp1d09scjBxUFRKM3RSIn0%3D)

[Companies still find it difficult to comply with revenue recognition changes](#)

(https://www.accountingtoday.com/news/companies-still-find-it-difficult-to-comply-with-revenue-recognition-accounting-changes?utm_campaign=best%20of%20the%20week-oct%2020%202018&utm_medium=email&utm_source=newsletter&eid=88f2c6c88ddb1fb5f4efdb549d6622a1)

[Critical audit matters coming into focus](#)

(<https://www.journalofaccountancy.com/issues/2018/oct/critical-audit-matters-reporting.html>)

[New Report: Execs Say Blockchain Adoption Has Been 'Harder Than Expected'](#)

(<https://www.forbes.com/sites/sarahhansen/2018/10/11/new-report-execs-say-blockchain-adoption-has-been-harder-than-expected/#605b05d72fab>)