

# Integra International Audit & Accounting Alert

Issue 1 | January 2019



## 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. **Exposure Draft - Onerous Contracts—Cost of Fulfilling a Contract**, issued December 13, 2018 as a proposed amendment to **IAS 37 - Provisions, Contingent Liabilities and Contingent Assets**, would “specify that the costs of fulfilling a contract include both incremental costs, such as the costs of materials, and an allocation of other costs directly related to the contract, such as the depreciation charge for equipment the company uses to fulfil contracts.” The comment period ends on April 15, 2019.
2. **Disclosure Initiative—Definition of Material (Amendments to IAS 1 and IAS 8)**, issued October 30, 2018, to “clarify the definition of material and how it should be applied.” The new definition states “Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Effective January 1, 2020, with early application permitted.

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

1. **International Accounting Education Standards Board (IAESB) - Exposure Draft, International Education Standards 2, 3, 4, and 8: Information and Communications Technologies and Professional Skepticism** – issued December 4, 2018, “speaks to strengthening professional skepticism to improve the quality of financial reporting and auditing and developing competence to meet ICT’s [information and communications technology] disruptive potential. The comment period ends on March 4, 2019.
2. **The International Auditing and Assurance Standards Board (IAASB) - Proposed International Standard on Related Services 4400 (Revised), Agreed-Up Procedures Engagements**, Exposure Draft issued November 15, 2018, “proposes to enhance key concepts in the standard, including: •the role of professional judgment in an AUP engagement Disclosures relating to the practitioner’s independence or lack thereof; • guidance on appropriate or inappropriate terminology to describe procedures and findings in AUP reports; • the use of a

practitioner’s expert in an AUP engagement; • restrictions on the distribution and use of the AUP report.” The comment period ends on March 15, 2019.

3. **Data Analytics: An Information Resource for IFAC Members**, published November 9, 2018, provides an overview of the different types of data analytics and their applications to financial reporting and audit, as well as usage in business, to uncover valuable insights.

**ACCA** – Association of Chartered Certified Accountants ([www.accaglobal.com/](http://www.accaglobal.com/))

**CIMA** – Chartered Institute of Management Accountants ([www.cimaglobal.com](http://www.cimaglobal.com))

**IIRC** - International Integrated Reporting Council ([www.theiirc.org](http://www.theiirc.org))

**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. **International Standard on Auditing (UK) 540 (Revised) Auditing Accounting Estimates and Related Disclosures**, issued December 12, 2018, “covering the audit of expected credit losses in banks and which reflects the increased importance and complexity of estimates in financial statements.” Effective generally for audits of 2020 financial statements, with early adoption encouraged.
2. **Audit Quality Thematic Review – Other Information in the annual Report**, report issued December 6, 2018, noting that “auditors’ work on the information in the front end of company reports outside of the financial statements does not meet the requirements of Auditing Standards consistently,” and needs to improve.
3. **Reporting By Smaller Listed and AIM Quoted Companies (‘smaller companies’)**, Report released November 6, 2018, determining from a periodic corporate reporting thematic review that “smaller companies should provide more specific disclosures of significant accounting judgements and more quantitative information on key sources of estimation uncertainty.”

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

**EFRAG** – European Financial Reporting Advisory Group ([www.efrag.org](http://www.efrag.org))

1. **Demystifying FICE - A clearer picture on classification and Visualising FICE - A closer look at presentation and disclosure**, two bulletins issued November 1, 2018, to help constituents understand the IASB Discussion Paper **Financial Instruments with Characteristics of Equity (FICE)**.

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

**AICPA** – American Institute of Certified Public Accountants ([www.aicpa.org](http://www.aicpa.org))

1. **Auditing Standards Board – Final Balloted Draft of Statement on Auditing Standards Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA**, published December 3, 2018, “includes new requirements for engagement acceptance, audit risk assessment and response, communications with those charged with governance, procedures for an ERISA section 103(a)(3)(C) audit, and considerations relating to

the Form 5500. It also contains a new report format for ERISA section 103(a)(3)(C) audits. For audits of ERISA plan financial statements only, this SAS would apply in place of AU-C section 700, Forming an Opinion and Reporting on Financial Statements, and paragraph .09 of AU-C section 725, Supplementary Information in Relation to the Financial Statements as a Whole (AICPA, Professional Standards). The SAS also would amend various other AU-C sections in AICPA Professional Standards.” When issued, generally expected to be effective for year ends after December 15, 2020.

2. **Financial Reporting Executive Committee (FinREC) – Working Draft of Inventory Valuation Guidance**, issued November 19, 2018, as part of the Business Combinations Accounting and Valuation Guide, “regarding how to estimate the fair value of inventory acquired in a business combination in accordance with Financial Accounting Standards Board (FASB) ASC 820, Fair Value Measurement. This guidance is focused on measuring fair value of inventory for financial reporting purposes.” The comment period ends February 19, 2019.
3. **Financial Reporting Executive Committee (FinREC) – Working Draft: Allowance for Credit Losses Implementation Issue**, issued October 30, 2018, related to **ASU 2016-13, Financial Instruments-Credit Losses**, to be Included in the Allowance for Credit Losses- Audit and Accounting Guide. “The working draft discusses helpful considerations for Depository and Lending Institutions, and Insurance Companies.” The comment period ends December 31, 2018.

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

1. **Exposure Draft - Leases: Codification Improvements for Lessors**, issued December 19, 2018. See first article in this issue for details. The comment period ends January 15, 2019.
2. **Leases: Narrow Scope Improvements for Lessors - ASU 2018-20**, issued December 10, 2018. See first article in this issue for details.
3. **Codification Improvements to Topic 326, Financial Instruments—Credit Losses – ASU 2018-19**, issued November 15, 2018, provides minor adjustments to **ASU 2016-13 Financial Instruments-Credit Losses**. Effective generally in 2020, with early adoption permitted.
4. **Exposure Draft - Codification Improvements—Financial Instruments** issued November 19, 2018, to “clarify and improve areas of guidance related to the recently issued standards on credit losses, hedging, and recognition and measurement.” The comment period ended December 19, 2018.
5. **Exposure Draft - Entertainment—Films—Other Assets—Film Costs (Subtopic 926-20) and Entertainment—Broadcasters—Intangibles—Goodwill and Other (Subtopic 920-350): Improvements to Accounting for Costs of Films and License Agreements for Program Materials**, issued November 7, 2018, to “align the accounting for production costs for films and episodic content produced for television and streaming services. The comment period ended December 7, 2018.
6. **Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606– ASU 2018-18**, issued November 5, 2018, to “to clarify the interaction between Topic 808, Collaborative Arrangements, and Topic 606, Revenue from Contracts with Customers. Effective generally in 2020 for public business entities and 2021 for all other entities, with early adoption permitted.
7. **Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities– ASU 2018-17**, issued October 31, 2018, to improve Topic 810, Consolidation,

by “1. Applying the variable interest entity (VIE) guidance to private companies under common control, and 2. Considering indirect interests held through related parties under common control for determining whether fees paid to decision makers and service providers are variable interests. Effective generally in 2020 for public business entities and 2021 for private entities, with retrospective application required with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented.

8. **Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes-ASU 2018-16**, issued October 25, 2018. “Topic 815, Derivatives and Hedging, provides guidance on the risks associated with financial assets or liabilities that are permitted to be hedged. Among those risks is the risk of changes in fair values or cash flows of existing or forecasted issuances or purchases of fixed-rate financial assets or liabilities attributable to the designated benchmark interest rate (referred to as interest rate risk).” Effective generally in 2019 for public business entities and 2020 for all other entities, if not already adopted. The amendments should be adopted on a prospective basis for qualifying new or redesignated hedging relationships entered into on or after the date of adoption.

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

1. **Exposure Draft, Implementation Guidance Update—2019**, issued November 27, 2018, “proposes new questions and answers to address application of the Board’s standards on cash flows reporting, postemployment benefits, derivative instruments, irrevocable split-interest agreements, tax abatement disclosures, and other topics. The Exposure Draft also proposes amendments to previously issued implementation guidance.” The comment period ends January 31, 2019.

**COSO** - *The Committee of Sponsoring Organizations of the Treadway Commission* ([www.coso.org](http://www.coso.org))

1. **Guidance for Applying Enterprise Risk Management (ERM) to Environmental, Social and Governance (ESG)-related Risks**, issued October 23, 2018, “is intended to bring ESG risks and opportunities into a clearer focus for mainstream business and other organizations around the world. It is designed to enhance organizations’ resiliency as they confront the increasing prevalence and severity of ESG-related risks, ranging from extreme weather events to product safety recalls.”

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

1. **Amendments to Auditing Standards for Auditor’s Use of the Work of Specialists**, PCAOB Release No. 2018-006, issued December 20, 2018, “to strengthen requirements that apply when auditors use the work of specialists in an audit.” Effective, subject to SEC approval, for audits for fiscal years ending on or after December 15, 2020.
2. **Auditing Accounting Estimates, including Fair Value Measurements**, PCAOB Release No. 2018-005, issued December 20, 2018, “to enhance the requirements that apply when auditing accounting estimates, including fair value measurements.” Effective, subject to SEC approval, for audits for fiscal years ending on or after December 15, 2020.

**SASB** – Sustainability Accounting Standards Board ([www.sasb.org](http://www.sasb.org))

1. **Codification of Industry-Specific Sustainability Accounting Standards**, issued November 7, 2018. The standards cover 77 industries. “By addressing the subset of sustainability factors most likely to have financially material impacts on the typical company in an industry, SASB’s industry-specific standards help investors and companies make more informed decisions.” See second article in this issue for more details.

## **Additional A & A News**

### **[Have the Big Four lost their advantage?](https://www.accountingtoday.com/news/have-the-big-4-lost-their-advantage/)**

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### **[Converging Technologies Will Lead to ‘Continuous Auditing’](http://ww2.cfo.com/technology/2018/11/converging-technologies-will-lead-to-continuous-auditing/)**

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### **[Why and How Accountants Should “Think Blockchain”](https://www.cpapracticeadvisor.com/news/12436527/why-and-how-accountants-should-think-blockchain)**

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### **[CAQ Tool Helps Audit Committees Address Emerging Tech's Impact on Financial Reporting](https://www.thecaq.org/caq-tool-helps-audit-committees-address-emerging-techs-impact-financial-reporting)**

(<https://www.thecaq.org/caq-tool-helps-audit-committees-address-emerging-techs-impact-financial-reporting>)

### **[Audit: what it was, what it is, and what it shall never be](https://www.accountancyage.com/2018/12/12/audit-what-it-was-what-it-is-and-what-it-shall-never-be/?utm_source=accountancy-age&utm_medium=email&utm_campaign=aa-daily-dose&utm_content=2018-12-13-today-big-four-reveal-fired-partners-new-ey-partner-the-past-and-future-of-audit&mkt_tok=eyJpIjoiWVRJMVl6Y3dOMlZsTW1NdYslnQiOiJzaGVMNWxYUURaclh0R2tMS1dVWkZNVmtHXC84K0p0eW4zb3o1a0ZqSzlVZndGQ0Jmbmsxdk9kMzFsS09KV0xKYjVPaCtTRmlTOWxMVDgwbWZKNTV2NW5Md1RYUTJEb2FqbEdDXC9JenRXTDRNRURjZDVBNmlrNmRSUVBab09PVkkrIn0%3D)**

([https://www.accountancyage.com/2018/12/12/audit-what-it-was-what-it-is-and-what-it-shall-never-be/?utm\\_source=accountancy-age&utm\\_medium=email&utm\\_campaign=aa-daily-dose&utm\\_content=2018-12-13-today-big-four-reveal-fired-partners-new-ey-partner-the-past-and-future-of-audit&mkt\\_tok=eyJpIjoiWVRJMVl6Y3dOMlZsTW1NdYslnQiOiJzaGVMNWxYUURaclh0R2tMS1dVWkZNVmtHXC84K0p0eW4zb3o1a0ZqSzlVZndGQ0Jmbmsxdk9kMzFsS09KV0xKYjVPaCtTRmlTOWxMVDgwbWZKNTV2NW5Md1RYUTJEb2FqbEdDXC9JenRXTDRNRURjZDVBNmlrNmRSUVBab09PVkkrIn0%3D](https://www.accountancyage.com/2018/12/12/audit-what-it-was-what-it-is-and-what-it-shall-never-be/?utm_source=accountancy-age&utm_medium=email&utm_campaign=aa-daily-dose&utm_content=2018-12-13-today-big-four-reveal-fired-partners-new-ey-partner-the-past-and-future-of-audit&mkt_tok=eyJpIjoiWVRJMVl6Y3dOMlZsTW1NdYslnQiOiJzaGVMNWxYUURaclh0R2tMS1dVWkZNVmtHXC84K0p0eW4zb3o1a0ZqSzlVZndGQ0Jmbmsxdk9kMzFsS09KV0xKYjVPaCtTRmlTOWxMVDgwbWZKNTV2NW5Md1RYUTJEb2FqbEdDXC9JenRXTDRNRURjZDVBNmlrNmRSUVBab09PVkkrIn0%3D))

### **[How to recognize ‘individually tailored’ disclosures](https://www.journalofaccountancy.com/news/2018/dec/recognize-individually-tailored-disclosures-201820268.html?utm_source=mnl:cpald&utm_medium=email&utm_campaign=12Dec2018)**

([https://www.journalofaccountancy.com/news/2018/dec/recognize-individually-tailored-disclosures-201820268.html?utm\\_source=mnl:cpald&utm\\_medium=email&utm\\_campaign=12Dec2018](https://www.journalofaccountancy.com/news/2018/dec/recognize-individually-tailored-disclosures-201820268.html?utm_source=mnl:cpald&utm_medium=email&utm_campaign=12Dec2018))