



# CAQ

# PUBLIC POLICY & TECHNICAL ALERT

## January 2018

As part of the Center for Audit Quality's ongoing effort to keep members and stakeholders informed on significant public policy and accounting matters, we are pleased to offer the Public Policy and Technical Alert (PPTA). Each month, the PPTA highlights and examines the regulatory, standard-setting, legislative, and broader financial reporting developments impacting the public company audit profession. Please note that the PPTA is intended as general information and should not be relied upon as being definitive or all-inclusive. The CAQ encourages member firms to refer to the rules, standards, guidance, and other resources in their entirety at the hyperlinks provided below. All entities should carefully evaluate which requirements apply to their respective organizations.

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## PCAOB

### **PCAOB Chairman Duhnke and Board Member Hamm sworn in**

The Public Company Accounting Oversight Board (PCAOB or Board) on January 2 [announced](#) that William D. Duhnke III was sworn in as Chairman and Kathleen M. Hamm was sworn in as a Board member.

Immediately prior to joining the PCAOB, Duhnke served as majority staff director and general counsel of the Senate Committee on Rules and Administration under Chairman Richard Shelby (R-Ala.). Earlier, he twice served as the staff director and general counsel for the Senate Committee on Banking, Housing, and Urban Affairs.

Hamm comes to the PCAOB from Promontory Financial Group, where she was the global leader of securities and financial technology services and senior strategic adviser to the chief executive officer on cyber solutions. She served at the U.S. Treasury Department from 2014 to early 2017 as counselor to the deputy secretary, spearheading Treasury's development of a domestic and international cybersecurity strategy and related policy initiatives for banks and other financial firms.

The three other new Board members – J. Robert Brown, James Kaiser, and Duane DesParte will join the Board in the near future.

### **PCAOB announces new and reappointed SAG members**

On January 12, the PCAOB announced six new and eight reappointed members to its Standing Advisory Group (SAG), bringing total SAG membership to 34. The full list of new, reappointed, and continuing members is available [here](#).

The Board also announced that it has scheduled two SAG meetings in 2018: June 5-6 and November 28-29. The agendas and logistics will be announced closer to the meeting dates.

## SEC

### **Robert Jackson and Hester Peirce sworn in as SEC Commissioners**

Securities and Exchange Commission (SEC) Chairman Jay Clayton [swore in](#) Robert Jackson and Hester Peirce as SEC Commissioners on January 11. Jackson fills a term that expires on June 5, 2019, and Peirce fills a term that expires on June 5, 2020.



Jackson comes to the SEC from New York University School of Law, where he was a professor of law. He previously was professor of law and director of the Program on Corporate Law and Policy at Columbia Law School. He also has served as an adviser at the Treasury Department and in the Office of the Special Master for Troubled Asset Relief Program – Executive Compensation.

Peirce comes to the SEC from the Mercatus Center at George Mason University where she served as a Senior Research Fellow and Director of the Financial Markets Working Group. She previously worked for U.S. Senator Richard Shelby (R-Ala.) on the Senate Committee on Banking, Housing, and Urban Affairs, and, prior to that, as counsel to then-SEC Commissioner Paul Atkins and as a Staff Attorney in the Division of Investment Management.

## FASB

### FASB issues staff Q&A documents related to Tax Cuts and Jobs Act

On January 11, the Financial Accounting Standards Board (FASB) issued a [Staff Q&A](#) on whether private companies and not-for-profit organizations can apply the SEC's [Staff Accounting Bulletin \(SAB\) No. 118](#) Topic 5.EE, *Income Tax Accounting Implications of the Tax Cuts and Jobs Act*.

On January 22, the FASB staff issued four additional Q&A documents that address various financial accounting and reporting implementation issues related to the Tax Cuts and Jobs Act. The Q&As address the following topics:

- [Whether to Discount the Tax Liability on the Deemed Repatriation](#): The staff believes the tax liability on the deemed repatriation of earnings should not be discounted.
- [Whether to Discount Alternative Minimum Tax \(AMT\) Credits That Become Refundable](#): The staff notes that GAAP prohibits discounting deferred taxes, and accordingly, any AMT credit carryforwards presented as a deferred tax asset would not be discounted.
- [Accounting for the Base Erosion Anti-Abuse Tax](#): The staff believes an entity that is subject to the base-erosion anti-abuse tax should measure deferred tax assets and liabilities using the statutory tax rate under the regular tax system.
- [Accounting for Global Intangible Low-Taxed Income](#): The staff believes it is permissible for financial statement preparers to use one of two interpretations in this accounting. The staff notes that an entity must disclose its accounting policy related to global intangible low-tax income inclusions in accordance with GAAP.

### FASB issues new, proposed ASUs

In January, the FASB issued one new Accounting Standards Update (ASU):



- [ASU 2018-01, Leases \(Topic 842\): Land Easement Practical Expedient for Transition to Topic 842](#)

Issued on January 25, the ASU permits an entity to elect an optional transition practical expedient to not evaluate under Topic 842 land easements that exist or expired before the entity's adoption of Topic 842 and that were not previously accounted for as leases under Topic 840.

The ASU also amends Example 10 (paragraphs 350-30-55-29 through 55-32) of Subtopic 350-30, *Intangibles – Goodwill and Other – General Intangibles Other Than Goodwill*. The ASU clarifies that an entity should determine whether land easements are leases in accordance with Topic 842 before applying the guidance in that example.

The ASU's effective date and transition requirements are the same as the effective date and transition requirements in ASU 2016-02, *Leases (Topic 842)*. An entity that early adopted Topic 842 should apply the amendments in this ASU upon issuance.

The FASB also issued two proposed ASUs:

- [Proposed ASU, Leases \(Topic 842\): Targeted Improvements](#)

Issued on January 5, the proposed ASU would 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 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 deadline for submitting comments is February 5, 2018.

- [Proposed ASU, Income Statement – Reporting Comprehensive Income \(Topic 220\): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income](#)

Issued on January 18, the proposed ASU would require a reclassification from accumulated other comprehensive income to retained earnings for stranded effects resulting from the newly enacted federal corporate income tax rate. 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. Consequently, the proposed ASU would eliminate the stranded tax effects associated with the change in the federal



corporate income tax rate in the Tax Cuts and Jobs Act and is intended to improve the usefulness of information reported to financial statement users.

The deadline for submitting comments was February 2, 2018.

## International

### The IFRS 17 accounting model in one page

The IFRS Foundation on January 17 published a [one-page summary](#) of the accounting model in IFRS 17, *Insurance Contracts*. The summary is intended to help stakeholders understand different elements of the model and how they will be displayed on a company's balance sheet and in its profit or loss statement. A [webcast](#) is also available to guide stakeholders through the summary.

On January 11, the International Accounting Standards Board (IASB) issued an update to the [IFRS Taxonomy 2017 for IFRS 17, Insurance Contracts](#). The IFRS Taxonomy Update includes IFRS Taxonomy elements to reflect the new presentation and disclosure requirements introduced by IFRS 17, *Insurance Contracts*.

### IFRS standards and their impact on financial stability and long-term investments

The IFRS Foundation posted two presentations on January 25 that address questions about whether there is a connection between IFRS standards and financial stability and whether IFRS standards encourage long-term or short-term investments:

- [IFRS standards and financial stability](#) explores the impact of accounting volatility on financial stability, how IFRS 9, *Financial Instruments*, and IFRS 17, *Insurance Contracts*, contribute to stability, and the relationship between the IFRS Foundation and regulators.
- [IFRS standards and long-term investments](#) explains how accounting standards contribute to long-term investments and how capital markets benefit from transparent reporting.

### IASB posts podcast with an update on its January board meeting

The International Accounting Standards Board (IASB) posted a [podcast](#), which provides an informal update on its January board meeting.

IASB Chair Hans Hoogervorst summarizes the IASB's discussions about the Primary Financial Statements project, which this month focused on how some commonly used "non-GAAP" performance metrics may be brought into the financial statements. Vice-Chair Sue Lloyd provides an update on the Financial Instruments with Characteristics of Equity project and the IASB's

discussions about how some aspects of accounting for financial instruments with complex pay offs will be included in the forthcoming Discussion Paper.

Hoogervorst explains that the work to revise the Conceptual Framework is now very close to completion, and Lloyd provides an update on the two issues brought to the IASB's table from the IFRS Interpretations Committee this month. The podcast also includes an update on the feedback discussions from the IFRS 13 Fair Value Measurement Post-implementation Review and the IASB's ongoing discussions about goodwill and impairment.

## CAQ

### CAQ publishes 2017 Year in Review

The CAQ has published its [2017 Year in Review](#), which covers the CAQ's key activities and accomplishments in support of public company audit quality. Among other topics, the *Year in Review* highlights the CAQ's work to help public company auditors improve their effectiveness, its support for independent research, its collaborative efforts around fighting financial reporting fraud and working with audit committees, and its engagement with regulators on a range of key issues. To request a hard copy of the report, please contact Michael Hyde at [mhyde@thecaq.org](mailto:mhyde@thecaq.org).

### CAQ highlights SEC staff regulatory guidance for accounting impacts of the Tax Cuts and Jobs Act

The CAQ on January 2 issued an [alert](#) to highlight recent SEC guidance designed to assist companies in their financial reporting, while protecting investors.

- [Staff Accounting Bulletin \(SAB\) No. 118](#) expresses views of the SEC staff regarding application of U.S. GAAP when preparing an initial accounting of the income tax effects of the Tax Cuts and Jobs Act.
- [Compliance and Disclosure Interpretation 110.02](#) expresses views of the SEC staff regarding the applicability of Item 2.06 of Form 8-K with respect to reporting the impact of a change in tax rate or tax laws pursuant to the Tax Cuts and Jobs Act.

### CAQ issues new 'Profession in Focus' video

In January, the CAQ issued one new episode of its online video series, *Profession in Focus*:

- [Episode 56](#) features Sandra Richtermeyer, Dean of the Manning School of Business at the University of Massachusetts Lowell. Among other topics, Richtermeyer discusses the importance of business students having a solid understanding of the role of directors, the



need for more experiential learning in cybersecurity, and why auditing is an excellent place to start a career.

## Upcoming Events

### February 19-23

IASB Board Meeting, London, UK ([Link](#))

### February 23-24

PLI The SEC Speaks in 2018, Washington, DC ([Link](#))

### March 19-23

IASB Board Meeting, London, UK ([Link](#))

### April 23-24

AICPA Cybersecurity Advisory Services Certificate Course, Durham, NC ([Link](#))

### April 23-27

IASB Board Meeting, London, UK ([Link](#))

### April 25-26

AICPA SOC for Cybersecurity Certificate Course, Durham, NC ([Link](#))

### April 26

Center for Capital Markets Competitiveness Annual Capital Markets Summit, Washington, DC ([Link](#))

### May 2-4

AICPA CFO Conference, New York, NY ([Link](#))

### May 15-17

AICPA Employee Benefit Plans Conference, Las Vegas, NV ([Link](#))

### May 17-18

PLI Midyear SEC Reporting & FASB Forum, Dallas, TX ([Link](#))

### May 21-25

IASB Board Meeting, London, UK ([Link](#))



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**June 5-6**

PCAOB Standing Advisory Group Meeting, Washington, DC ([Link](#))

**June 7-8**

PLI Midyear SEC Reporting & FASB Forum, New York, NY ([Link](#))

**June 7-8**

Webcast: PLI Midyear SEC Reporting & FASB Forum, New York, NY ([Link](#))

**June 11-13**

AICPA Advanced Accounting and Auditing Technical Symposium, Las Vegas, NV ([Link](#))

**June 18-22**

IASB Board Meeting, London, UK ([Link](#))

**July 16-20**

IASB Board Meeting, London, UK ([Link](#))

**August 4-8**

American Accounting Association Annual Meeting, National Harbor, MD ([Link](#))

**September 17-19**

AICPA National Conference on Banks & Savings Institutions, National Harbor, MD ([Link](#))

**September 17-21**

IASB Board Meeting, London, UK ([Link](#))

**September 24-25**

PLI Midyear SEC Reporting & FASB Forum for Mid-sized & Smaller Companies, Las Vegas, NV ([Link](#))

**October 1-2**

SIFMA Annual Meeting, Washington, DC ([Link](#))

**October 22-24**

AICPA Conference on Credit Unions, Las Vegas, NV ([Link](#))

**October 22-26**

IASB Board Meeting, London, UK ([Link](#))





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**November 12-13**

PLI Annual SEC Reporting & FASB Forum, Dallas, TX ([Link](#))

**November 12-13**

AICPA Oil & Gas Conference, Denver, CO ([Link](#))

**November 12-16**

IASB Board Meeting, London, UK ([Link](#))

**November 28-29**

PCAOB Standing Advisory Group Meeting, Washington, DC ([Link](#))

**December 3-4**

PLI Annual SEC Reporting & FASB Forum, San Francisco, CA ([Link](#))

**December 10-14**

IASB Board Meeting, London, UK ([Link](#))

**December 17-18**

PLI Annual SEC Reporting & FASB Forum, New York, NY ([Link](#))

**December 17-18**

Webcast: PLI Annual SEC Reporting & FASB Forum ([Link](#))

The Center for Audit Quality is an autonomous, nonpartisan, nonprofit organization dedicated to enhancing investor confidence and public trust in the global capital markets by fostering high-quality public company audits; collaborating with other stakeholders to advance the discussion of critical issues; and advocating policies and standards that promote public company auditors' objectivity, effectiveness and responsiveness to dynamic market conditions. Based in Washington, D.C., the CAQ is affiliated with the American Institute of CPAs. For more information, visit [www.thecaq.org](http://www.thecaq.org).

The CAQ Public Policy and Technical Alert (PPTA) represents the observations of the CAQ, but not necessarily the views of particular member firms, Governing Board members or individuals associated with the CAQ. Questions and comments about the PPTA can be addressed to: [aschumacher@thecaq.org](mailto:aschumacher@thecaq.org).



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