



CENTER FOR AUDIT QUALITY

Serving Investors, Public Company Auditors & the Markets
Affiliated with the American Institute of CPAs

CAQ Public Policy and Technical Alert

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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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SEC

SEC Chair Mary Jo White announces departure

Securities and Exchange Commission (SEC) Chair Mary Jo White on November 14 [announced](#) that she will step down at the end of the Obama administration. White became the 31st chair of the SEC in April 2013.

"I am very proud of our three consecutive years of record enforcement actions, dozens of fundamental reforms through our rulemakings that have strengthened investor protections and market stability, and that the job satisfaction of our phenomenal staff has climbed in each of the last three years," White said. "My

duty has been to ensure that the Commission implemented strong investor and market protections, and to establish an enduring foundation for future progress in the most critical areas - asset management regulation, equity market structure and disclosure effectiveness. Thanks to the hard work and dedication of the SEC's staff, we have accomplished both."

White's departure means that, when President-Elect Donald Trump takes the oath of office on January 20, the SEC will have to operate with only two commissioners until the new administration can fill the three vacancies.

SEC names Wesley R. Bricker as Chief Accountant

On November 22, the SEC announced the appointment of [Wesley R. Bricker](#) as Chief Accountant, succeeding James Schnurr who plans to retire from the agency. Mr. Bricker has served as Deputy Chief Accountant for the accounting group since 2015 and Interim Chief Accountant since July 2016. As Chief Accountant, Mr. Bricker will serve as the principal advisor to the SEC on accounting and auditing matters and lead the SEC's Office of the Chief Accountant (OCA). He also will be responsible for assisting the SEC's with discharging its oversight of the Financial Accounting Standards Board (FASB) and the Public Company Accounting Oversight Board (PCAOB).

Mr. Bricker joined the SEC in 2015 from PricewaterhouseCoopers LLP, where he was a partner responsible for audit engagements in the banking, capital markets, financial technology, and investment management sectors. He had previously served as a professional accounting fellow in Office of the Chief Accountant from 2009 to 2011.

SEC names Marc A. Panucci as Deputy Chief Accountant

The SEC on November 2 announced the appointment of [Marc A. Panucci](#) as a Deputy Chief Accountant in the OCA. Panucci will lead the OCA's professional practice group, which includes understanding investor and audit committee perspectives and consulting with registrants and auditors on the application of internal control over financial reporting obligations, independence requirements and auditing standards. He also will assist the SEC in its oversight of the PCAOB.

He joins the SEC from PricewaterhouseCoopers LLP, where he was a partner in the national professional services group. He also was a member of the American Institute of CPA's (AICPA) Auditing Standards Board.

Panucci previously worked at the SEC from 2007 to 2010. He replaces Brian T. Croteau, who announced his departure in July.

SEC updates Financial Reporting Manual

The SEC on November 9 updated the following sections of the [Financial Reporting Manual](#) (FRM):

- 1140.3 and 10220.7 – Revisions to clarify guidance on the number of years of financial statements of a target company in a proxy statement when an emerging growth company is involved.
- 1330.5 – Revisions to clarify filings required after effectiveness of Form 10.
- 5120.1 – Revisions to clarify effect of loss of smaller reporting company status on accelerated filer determination and filing due dates.

- 8110.2 – Revisions to reflect May 17, 2016 updates to the Division of Corporation Finance’s Compliance and Disclosure Interpretations (C&DIs), *Non-GAAP Financial Measures*.
- 10220.5 – Revisions to clarify emerging growth company guidance on financial statements of entities other than the registrant and pro forma information.
- 11120.4 and Index – Revisions to add guidance relating to the implementation of the FASB Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (as amended by ASU No. 2015-14) and International Financial Reporting Standard (IFRS) 15, *Revenue from Contracts with Customers*.
- 11200 and Index – Revisions to add guidance relating to the implementation of ASU 2016-02, *Leases (Topic 842)* and IFRS 16, *Leases*.
- 11300 and Index – Revisions to add guidance relating to the implementation of ASU 2015-09, *Disclosures About Short-Duration Contracts (Topic 944)*.

SEC updates C&DIs

The SEC Division of Corporation Finance updated the following sections of the C&DIs in November:

- **Securities Act Rules**
 - Regulation A (Updated 11/17/16)
 - [New C&DI 182.12](#)
 - [New C&DI 182.13](#)
 - [New C&DI 182.14](#)
 - Regulation D (Updated 11/17/16)
 - [New C&DI 256.34](#)
 - Section 240. Rule 457 – Computation of Fee (Updated 11/9/16)
 - [Revised C&DI 240.11](#)
 - [New C&DI 240.15](#)
 - [New C&DI 240.16](#)
- **Securities Act Forms**
 - Section 126. Form S-8 (Updated 11/9/16)
 - [Revised C&DI 126.06](#)
 - [New C&DI 126.43](#)
 - [New C&DI 126.44](#)
 - Section 116. Form S-3 – General Instructions I.B.1 to I.B.6 – Transaction Requirements (Updated 11/2/16)
 - [New C&DI 116.25](#)
- **Proxy Rules and Schedule 14A**
 - Exchange Act Rules 14a-3 and 14c-3 (Updated 11/2/16)
 - [New C&DI Regarding Submission of Annual Reports to SEC](#)

- **Tender Offer Rules and Schedules**
 - [Tender Offer Rules and Schedules](#) (Updated 11/18/16)

FASB

FAF reappoints Golden as FASB chair, names two new Board members

The Financial Accounting Foundation's (FAF) Board of Trustees on November 15 [announced](#) the reappointment of Russell Golden as chair of the FASB. Golden's current term as chair, which began in 2013, ends on June 30, 2017. His second and final term will conclude on June 30, 2020.

The Board of Trustees also announced the appointments of Marsha L. Hunt and Harold L. Monk Jr. as FASB members.

Hunt is vice president and corporate controller at Cummins Inc., where she manages Sarbanes-Oxley Act compliance, external reporting, consolidation, finance systems, accounting policy, government contract compliance and accounting functions. She also currently serves on the Financial Accounting Standards Advisory Council. Hunt's term will begin on July 1, 2017 and conclude on June 30, 2022. She will succeed Lawrence W. Smith, who joined the FASB in July 2007 and whose second and final term concludes on June 30, 2017.

Monk is a partner with Carr, Riggs & Ingram, LLC, where he provides auditing and attestation, accounting, tax, forensic accounting, and M&A services to businesses of all sizes in various industries. He also currently serves on the Private Company Council. He previously served as chairman of the AICPA's Auditing Standards Board. Monk's term will begin on January 1, 2017 and conclude on June 30, 2022. He will succeed Daryl E. Buck, who joined the FASB in February 2011 and will retire on December 31, 2016.

FASB releases new, proposed ASUs

In November, the FASB issued one new ASU and two Proposed ASUs:

- [ASU 2016-18, *Statement of Cash Flows \(Topic 230\): Restricted Cash*](#)

Issued on November 17, the ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The ASU does not provide a definition of restricted cash or restricted cash equivalents.

The ASU is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The amendments in this ASU should be applied using a retrospective transition method to each period presented.

- [Proposed ASU, Service Concession Arrangements \(Topic 853\): Determining the Customer of the Operation Services](#)

Issued on November 4, this Proposed ASU addresses current diversity in practice in how an operating entity determines the customer of the operation services for transactions within the scope of Topic 853, *Service Concession Arrangements*. The deadline for submitting comments is January 6, 2017.

- [Proposed ASU, Compensation – Stock Compensation \(Topic 718\): Scope of Modification Accounting](#)

Issued on November 17, this Proposed ASU would 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. An entity would account for the effects of a modification unless all the following are the same immediately before and after the modification:

1. The fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the award;
2. The vesting conditions of the award;
3. The classification of the award as an equity instrument or a liability instrument.

The current disclosure requirements in Topic 718 would apply regardless of whether an entity is required to apply modification accounting under the Proposed ASU. The deadline for submitting comments is January 6, 2017.

FASB issues proposed Taxonomy Implementation Guides

The FASB Taxonomy Staff on November 7 issued four [proposed Taxonomy Implementation Guides](#) related to the proposed 2017 U.S. GAAP Financial Reporting Taxonomy. The four Guides include:

- Leases under Topic 842;
- Revenue from Contracts with Customers;
- Dimensional Modeling for Disclosures of Consolidated and Nonconsolidated Entities; and
- Retirement Benefits.

The deadline for submitting comments on the proposed Guides was December 2.

International

IASB publishes five-year work plan

The International Accounting Standards Board (IASB) on November 2 published its [work plan for 2017-2021](#). In [announcing](#) its work plan, the IASB noted that a central theme for its activities until 2021 will be *better communication* in financial statements. During this period, the IASB aims to improve the communication effectiveness of financial statements by taking a fresh look at how financial information is presented and grouped together. It will also continue to enhance disclosures and – through the IFRS Taxonomy™ – support the use of electronic reporting.

Other areas of focus for the five-year period are:

- Completion of remaining standard-setting projects, which include finalizing the new insurance contracts Standard and revising the *Conceptual Framework*, both of which are expected to be issued in 2017;
- Continued development of implementation support, for recently issued major standards, in particular; and
- A more focused research program.

CAQ Updates

CAQ issues 2016 Audit Committee Transparency Barometer

The Center for Audit Quality (CAQ) and Audit Analytics on November 1 issued their third annual [Audit Committee Transparency Barometer \(2016 Barometer\)](#). Overall, the CAQ and Audit Analytics found “encouraging trends in 2016 with respect to voluntary, enhanced disclosure around external auditor oversight.” They also found “double-digit growth” since 2014 in the percentage of S&P 500 companies that voluntarily disclose information in several key areas of external auditor oversight, including auditor appointment, audit firm tenure, engagement partner selection, engagement partner rotation, and criteria used to evaluate the audit firm.

Among the 2016 Barometer’s specific findings are the following:

- Thirty-one percent of S&P 500 companies’ proxy statements present enhanced discussion of the audit committee’s considerations in recommending the appointment of the audit firm, up from 13 percent in 2014 and 25 percent in 2015. Twenty-two percent of MidCap companies show enhanced discussion (up from 10 percent in 2014) compared to 17 percent of SmallCap companies (up from 8 percent in 2014). Seventeen percent of S&P 500 companies explicitly stated the role audit committees play in negotiating audit fees, more than doubling from 8 percent in 2014. Thirty-four percent of S&P 500 companies disclose the evaluation or supervision of the audit firm, more than quadrupling from just 8 percent in 2014.
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As a companion to the report, the CAQ has produced a video that brings to life the topics discussed in the Barometer through interviews with audit committee chairs discussing best practices related to appointment, compensation, and oversight of the work of the external auditor. [The video is available on the CAQ website.](#)

CAQ issues highlights of SEC Regulations Committee’s September 2016 meeting

The CAQ on September 27 issued [highlights](#) from the September 27 meeting of the SEC Regulations Committee with SEC staff. Among the topics discussed were:

- Non-GAAP financial measures;
- SAB Topic 13 update;
- Extinguishment of registered guaranteed debt after period end but before the filing date;

- Preparing pro forma financial statements when fiscal year ends differ by more than 93 days; and
- Transition questions related to the new leasing standard.

CAQ issues new 'Profession in Focus' video

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

- [Episode 35](#) features Timothy F. Ryan, Chairman and Senior Partner at PricewaterhouseCoopers LLP. Ryan, a member of the CAQ's Governing Board, discusses the state of audit quality, the importance of intellectual curiosity in auditing, cybersecurity, and key lessons he's learned from being a parent.

Upcoming Events

December 5-6

AICPA Employee Benefit Plans Accounting, Auditing and Regulatory Update, Washington, DC ([Link](#))

December 5-7

AICPA Conference on Current SEC and PCAOB Developments, Washington, DC ([Link](#))

December 5-9

IAASB Meeting, New York, NY ([Link](#))

December 6-7

ICGN-IIRC Conference, London, UK ([Link](#))

December 7

PCAOB Forum for Auditors of Broker-Dealers, Las Vegas, NV ([Link](#))

December 8

PCAOB Forum on Auditing in the Small Business Environment, Las Vegas, NV ([Link](#))

December 12-16

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

December 13

Anti-Fraud Collaboration Webcast: SEC Investigations: Are There Benefits to Cooperation and Self-Reporting? ([Link](#))

December 13

PCAOB Webcast: Auditing Information Produced by Service Organizations ([Link](#))

December 16

FASB Roundtable on Consolidation Reorganization and Targeted Improvements, Norwalk, CT ([Link](#))

December 16

FASB Roundtable on Agenda Consultation, Norwalk, CT ([Link](#))

2017

January 12-14

American Accounting Association Auditing Section Midyear Meeting, Orlando, FL ([Link](#))

January 16-20

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

January 19

National Association of Corporate Directors Event: Audit Committee Agendas 2017, Chicago, IL ([Link](#))

January 27-28

American Accounting Association Financial Accounting and Reporting Section Midyear Meeting, Charlotte, NC ([Link](#))

March 1-2

International Corporate Governance Network Washington DC Event, Washington, DC ([Link](#))

March 13-17

IAASB Meeting, Lima, Peru ([Link](#))

March 30

U.S. Chamber of Commerce Annual Capital Markets Summit, Washington, DC ([Link](#))

May 3-5

AICPA CFO Conference, Phoenix, AZ ([Link](#))

May 3-5

Investment Company Institute General Membership Meeting, Washington, DC ([Link](#))

May 21-24

CFA Institute Annual Conference, Philadelphia, PA ([Link](#))

June 6-8

National Association of State Boards of Accountancy Western Regional Meeting, Coeur d'Alene, ID ([Link](#))

June 12-14

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

June 19-23

IAASB Meeting, New York, NY ([Link](#))

June 27-29

National Association of State Boards of Accountancy Eastern Regional Meeting, Newport, RI ([Link](#))

June 28-July 1

Society for Corporate Governance Professionals National Conference, San Francisco, CA ([Link](#))

July 11-13

International Corporate Governance Network Annual Conference, Kuala Lumpur, Malaysia ([Link](#))

August 5-9

American Accounting Association Annual Meeting, San Diego, CA ([Link](#))

September 18-22

IAASB Meeting, New York, NY ([Link](#))

September 24-27

Investment Company Institute Tax and Accounting Conference, San Antonio, TX ([Link](#))

December 4-8

IAASB Meeting, New York, NY ([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.

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.