

**SEC Regulations Committee**  
**March 23, 2017 - Joint Meeting with SEC Staff**  
**SEC Offices – Washington DC**

**HIGHLIGHTS**

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These highlights were prepared by a representative of CAQ who attended the meeting and do not purport to be a transcript of the matters discussed. The views attributed to the SEC staff are informal views of one or more of the staff members present, do not constitute an official statement of the views of the Commission or of the staff of the Commission and should not be relied upon as authoritative.

As available on this website, highlights of Joint Meetings of the SEC Regulations Committee and the SEC staff are not updated for the subsequent issuance of technical pronouncements or positions taken by the SEC staff, nor are they deleted when they are superseded by the issuance of subsequent highlights or authoritative accounting or auditing literature. As a result, the information, commentary or guidance contained herein may not be current or accurate and the CAQ is under no obligation to update such information. Readers are therefore urged to refer to current authoritative or source material.

**I. ATTENDANCE**

| <b>SEC Regulations Committee</b> | <b>Securities and Exchange Commission</b>         | <b>Observers and Guests</b> |
|----------------------------------|---|-----------------------------|
| Christine Davine, Chair          | <i>Division of Corporation Finance (Division)</i> | Kendra Decker,              |
| Steven Jacobs, Vice-Chair        | Mark Kronforst, Chief Accountant                  | Grant Thornton              |
| Timothy Brown                    | Craig Olinger, Deputy Chief Accountant            | Phillip Posey, Deloitte     |
| Curt Calaway                     | Nili Shah, Deputy Chief Accountant                | Brian Cassidy, CAQ          |
| Jason Cuomo                      | Cicely LaMothe, Associate Director                | Observer                    |
| Brad Davidson                    | Christy Adams, Associate Chief                    | Annette Schumacher          |
| Rich Davisson                    | Accountant  | Barr, CAQ Observer          |
| Melanie Dolan                    | Tricia Armelin, Associate Chief Accountant        |                             |
| Fred Frank                       | Jessica Barberich, Associate Chief Accountant     |                             |
| Paula Hamric                     | Patrick Gilmore, Associate Chief Accountant       |                             |
| John May                         | Todd Hardiman, Associate Chief Accountant         |                             |
| Lyndon Park                      | Dana Hartz, Staff Accountant                      |                             |
| Jake Vossen                      | Jaime John, Associate Chief Accountant            |                             |
|                                  | Joel Levine, Associate Chief Accountant           |                             |
|                                  | Lindsay McCord, Associate Chief Accountant        |                             |
|                                  | Eiko Yaoita Pyles, CF-OCA Rotator                 |                             |
|                                  | Jarrett Torno, CF-OCA Rotator                     |                             |
|                                  | <i>Office of the Chief Accountant</i>             |                             |
|                                  | Joseph Epstein, Professional Accounting Fellow    |                             |

## II. PERSONNEL AND COMMITTEE UPDATE

The staff noted that Jaime John and Christine Adams were promoted to Associate Chief Accountants within the Division of Corporation Finance's Office of Chief Accountant (CF-OCA).

The Committee noted the addition of five new members since the previous meeting:

*In Attendance:* Lyndon Park, Curt Calaway, Paula Hamric and Jake Vossen

*Not in Attendance:* Larry Kallio

## III. CURRENT FINANCIAL REPORTING MATTERS

### A. SAB 74 Disclosures<sup>1</sup> about Newly-Issued Standards

The Committee shared observations on current trends in SAB 74 disclosures of newly-issued accounting standards (i.e. Revenue Recognition, Leases and Credit Losses)<sup>2</sup> based on filings of 2016 Forms 10-K.

The staff noted they are monitoring SAB 74 disclosures and will comment on those appearing deficient.

*[Note: In a [speech](#) before the Annual Life Sciences Accounting & Reporting Congress on March 21, 2017, Wes Bricker - Chief Accountant, discussed transition disclosures regarding the impact of the new revenue recognition standard.]*

### B. Non-GAAP Financial Measures

The Committee and the staff discussed observations on non-GAAP financial measure disclosures. The staff indicated they have observed improvement in compliance with non-GAAP measure guidance, resulting in a decline in the overall level of SEC comments on non-GAAP financial measures. They did not indicate any new areas of focus in their reviews of non-GAAP financial measures.

### C. Definition of a Business – Interaction between the new GAAP definition of a business and the S-X Article 11 definition

In January, FASB issued [ASU 2017-01, Business Combinations \(Topic 805\): Clarifying the Definition of a Business](#). Per the ASU, if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar

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<sup>1</sup> Staff Accounting Bulletin (SAB) 74 was codified into SAB Topic 11-M *Disclosure of the Impact That Recently Issued Accounting Standards Will Have on the Financial Statements of the Registrant When Adopted in a Future Period*.

<sup>2</sup> Accounting Standards Update ([ASU 2014-09 – Revenue from Contracts with Customers \(Topic 606\)](#)); [ASU 2016-02 – Leases \(Topic 842\)](#); [ASU 2016-13 – Financial Instruments – Credit Losses \(Topic 326\)](#), *Measurement of Credit Losses on Financial Instruments*.

identifiable assets, the set is not considered a business. The Committee asked the staff whether changes should be expected regarding how the SEC interprets Article 11 of Regulation S-X in light of the change in US GAAP (e.g., whether the conclusion that an acquisition of a working interest in an oil and gas or real estate property is an asset under GAAP impacts the Article 11 conclusion).

The staff indicated that the issuance of ASU 2017-01 did not affect Article 11 of Regulation S-X.

**D. The effects of accounting changes by a successor entity on the predecessor period financial statements**

The Committee and staff discussed the effects of accounting changes by a successor entity on the predecessor period financial statements when there is a different basis of accounting (e.g., due to a change in control, push-down accounting, or fresh-start reporting).

Specifically, the Committee asked for the SEC staff's views on whether the adoption of a new accounting principle by a successor entity using full retrospective transition would be required to be applied to a predecessor entity that has not presented financial statements for the period of adoption (and may not exist as of the effective date) similar to the SEC staff position in FRM 13210.2 as it relates to discontinued operations. The staff stated that the existing guidance in FRM 13210.2 does not apply to any other accounting changes and therefore, has no bearing on the analysis.

The staff is considering this issue.

**E. Adoption of ASC 606, *Revenue from Contracts with Customers*, when an Emerging Growth Company (EGC) that elected private company adoption dates ceases to qualify as an EGC**

The Committee and staff discussed the timing of adoption of ASC 606 and transition when an EGC who elected private company adoption dates ceases to qualify as an EGC (which often may be on the last date of the fiscal year) after the effective date for public business entities but prior to the required effective date for the EGC.

The staff is considering this issue.

**F. Electronic Submission of Pre-Filing Correspondence**

The staff indicated that when submitting interpretive requests, waiver requests and similar pre-filing correspondence, electronic submission (via an email to CF-OCA at [dcaletters@sec.gov](mailto:dcaletters@sec.gov)) is sufficient and submission of paper documents is not necessary.