2014 Standard Setter Update

Financial reporting and accounting developments (current through 31 December 2014)

January 2015
This 2014 Standard Setter Update highlights significant developments in financial accounting and reporting between 1 January 2014 and 31 December 2014 except as noted. This publication also includes summaries of certain proposals presently under consideration by the Financial Accounting Standards Board (FASB), the Emerging Issues Task Force (EITF), the Private Company Council (PCC), the Securities and Exchange Commission (SEC), the Public Company Accounting Oversight Board (PCAOB), the Auditing Standards Board (ASB) and the Governmental Accounting Standards Board (GASB). For additional details on these developments, we refer you to related EY publications, many of which can be found on our AccountingLink website. We will continue to keep you informed about important developments as they occur.

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Business Combinations (Topic 805), Accounting for Identifiable Intangible Assets in a Business Combination (a consensus of the Private Company Council) (ASU 2014-18)

Date issued: 23 December 2014

Summary
The guidance allows private companies to simplify their accounting by recognizing fewer intangible assets in a business combination and certain other transactions. A private company can now choose to limit the customer-related intangibles it recognizes separately to those that are capable of being sold or licensed independently from the other assets of the business. Under the alternative, private companies also wouldn't separately recognize noncompetition agreements. Companies that elect the new alternative will be required to elect the goodwill accounting alternative in Accounting Standards Update (ASU) 2014-02, which requires goodwill to be amortized over a period of 10 years or less. However, companies that elect the goodwill accounting alternative would not be required to elect the intangible assets accounting alternative.

Effective date and transition
The decision to adopt the alternative must be made when the first qualifying transaction occurs after 15 December 2015. If such transaction occurs in the first fiscal year beginning after 15 December 2015, the adoption of the alternative will be effective for that fiscal year’s annual financial reporting and all interim and annual periods thereafter. If such transaction occurs in fiscal years beginning after 15 December 2016, the adoption of the alternative will be effective in the interim period that includes the date of that first qualifying transaction and subsequent interim and annual periods. A company that elects the alternative must apply it to all future qualifying transactions.

Other resources
- To the Point, Private companies can recognize fewer intangible assets acquired in a business combination (SCORE No. BB2916)

Business Combinations (Topic 805), Pushdown Accounting (a consensus of the FASB Emerging Issues Task Force) (ASU 2014-17)

Date issued: 18 November 2014

Summary
All acquired entities have the option to apply pushdown accounting (i.e., reflect the acquirer’s basis of accounting for the acquired entity’s assets and liabilities) when an acquirer obtains control of them. An acquired entity can elect to apply pushdown accounting upon each event in which an acquirer obtains control of it. The guidance also allows any subsidiary of an acquired entity to apply pushdown accounting to its separate financial statements, regardless of whether the acquired entity elects to apply pushdown accounting.

The SEC staff rescinded its guidance on pushdown accounting (see SEC section below), meaning that SEC registrants and non-registrants will follow the new US GAAP guidance.
Effective date and transition
The guidance is effective immediately. Acquired entities may elect to apply it to any future transaction or to their most recent event in which an acquirer obtains or obtained control of them. However, if the financial statements for the period encompassing the most recent event in which an acquirer obtained control of the acquired entity have already been issued or made available to be issued, the application of pushdown accounting will be accounted for retrospectively as a change in accounting principle.

Other resources
• To the Point, FASB makes pushdown accounting optional (SCORE No. BB2882)

Derivatives and Hedging (Topic 815), Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity (a consensus of the FASB Emerging Issues Task Force) (ASU 2014-16)

Date issued: 3 November 2014
Summary
All entities are required to use what is called the “whole instrument approach” to determine the nature of a host contract in a hybrid financial instrument issued in the form of a share. The guidance requires issuers and investors to consider all of a hybrid instrument’s stated and implied substantive terms and features, including any embedded derivative features being evaluated for bifurcation. The guidance eliminates the “chameleon approach,” under which all embedded features except the feature being analyzed are considered.

Effective date
The guidance is effective for public business entities for fiscal years and interim periods within those years beginning after 15 December 2015. For all other entities, it is effective for fiscal years beginning after 15 December 2015, and interim periods within fiscal years beginning after 15 December 2016. Early adoption is permitted.

Other resources
• To the Point, A ‘whole-istic’ approach to defining host contracts in hybrid instruments issued as shares (SCORE No. BB2873)

Presentation of Financial Statements – Going Concern (Subtopic 205-40), Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern (ASU 2014-15)

Date issued: 27 August 2014
Summary
Management of public and private companies is required to evaluate whether there are conditions and events that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the financial statements are issued (or available to be issued when applicable) and, if so, disclose that fact. Management will be required to make this evaluation for both annual and interim reporting periods, if applicable. Management also is required to evaluate and disclose whether its plans alleviate that doubt. The assessment will be similar to the one auditors historically have performed under auditing standards.
Effective date
The standard is effective for annual periods ending after 15 December 2016 and interim periods within annual periods beginning after 15 December 2016. Early adoption is permitted for annual or interim reporting periods for which the financial statements have not previously been issued.

Note: See PCAOB developments below.

Other resources
- To the Point, FASB requires management to assess an entity’s ability to continue as a going concern (SCORE No. BB2823)

Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40), Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure (a consensus of the FASB Emerging Issues Task Force) (ASU 2014-14)

Date issued: 8 August 2014

Summary
The guidance addresses the classification of certain foreclosed mortgage loans held by creditors that are either fully or partially guaranteed under government programs. Under certain government-sponsored loan guarantee programs, qualifying creditors can extend mortgage loans to borrowers with a guarantee that entitles the creditor to recover all or a portion of the unpaid principal balance from the government if the borrower defaults. The ASU requires that a mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if certain conditions are met. The separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered.

Effective date
For public business entities, the guidance is effective for annual periods beginning after 15 December 2014 and interim periods within that year. For other entities, it is effective for annual periods ending after 15 December 2015 and interim periods beginning after 15 December 2015. Early adoption, including adoption in an interim period, is permitted if the entity already has adopted ASU 2014-04.


Date issued: 5 August 2014

Summary
The ASU allows an entity to measure both the financial assets and financial liabilities of a qualifying collateralized financing entity (CFE) it consolidates using the fair value of either the CFE’s financial assets or liabilities, whichever is more observable. The guidance is aimed at eliminating the measurement difference that sometimes arises when a CFE’s financial assets and financial liabilities are independently measured at fair value, as required by Accounting Standards Codification (ASC) 820. An entity that does not elect the alternative will reflect any difference between the fair values of a consolidated CFE’s financial assets and financial liabilities in earnings and will attribute these differences to the reporting entity (i.e., controlling interest holder) in the consolidated statement of income (loss).
Effective date

For public business entities, the guidance is effective for annual periods beginning after 15 December 2015 and interim periods within that year. For other entities, it is effective for annual periods ending after 15 December 2016 and interim periods beginning after 15 December 2016. Early adoption is permitted as of the beginning of an annual period.

Other resources

- To the Point, FASB provides a measurement alternative for consolidated CFES (SCORE No. BB2794)

Compensation – Stock Compensation (Topic 718), Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (a consensus of the FASB Emerging Issues Task Force) (ASU 2014-12)

Date issued: 19 June 2014

Summary

A performance target in a share-based payment that affects vesting and that could be achieved after the requisite service period should be accounted for as a performance condition under ASC 718, Compensation – Stock Compensation. As a result, the target is not reflected in the estimation of the award's grant date fair value. Compensation cost would be recognized over the required service period, if it is probable that the performance condition will be achieved.

This guidance was issued to resolve diversity in practice. However, many entities will not be affected because they currently account for these awards in a manner consistent with the new guidance.

Effective date and transition

The guidance is effective for annual periods beginning after 15 December 2015 and interim periods within those annual periods. Early adoption is permitted.

The guidance should be applied prospectively to awards that are granted or modified on or after the effective date. Entities also have the option to apply the amendments on a modified retrospective basis for performance targets outstanding on or after the beginning of the first annual period presented as of the adoption date. An entity that elects to use this approach should record a cumulative-effect adjustment as of the beginning of the first period presented, and use of hindsight is permitted.

Other resources

- To the Point, Awards with targets that affect vesting and that could be achieved after the requisite service period (SCORE No. BB2777)
Transfers and Servicing (Topic 860), Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures (ASU 2014-11)

**Date issued:** 12 June 2014

**Summary**
The guidance requires repurchase-to-maturity transactions to be accounted for as secured borrowings as if the transferor retains effective control, even though the transferred financial assets are not returned to the transferor at settlement. The ASU also eliminates existing guidance for repurchase financings and requires instead that entities consider the initial transfer and the related repurchase agreement separately when applying the derecognition requirements of ASC 860, *Transfers and Servicing*. New disclosures are required for (1) certain transactions accounted for as secured borrowings and (2) transfers accounted for as sales when the transferor also retains substantially all of the exposure to the economic return on the transferred financial assets throughout the term of the transaction.

**Effective date and transition**
For public business entities, the guidance is effective for the first interim or annual period beginning after 15 December 2014, except for the disclosures related to transactions accounted for as secured borrowings, which are effective for periods beginning after 15 March 2015. For all other entities, the guidance is effective for annual periods beginning after 15 December 2014 and interim periods beginning after 15 December 2015. Early application by public business entities is prohibited; all other entities may elect to apply the requirements for interim periods beginning after 15 December 2014.

Entities are required to present changes in accounting for transactions outstanding on the effective date as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption.

**Other resources**
- Technical Line, *FASB changes accounting for certain repurchase agreements and requires new disclosures* (SCORE No. BB2775)

Development Stage Entities (Topic 915), Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation (ASU 2014-10)

**Date issued:** 10 June 2014

**Summary**
The ASU eliminates financial reporting requirements specific to development stage entities. Entities in a development stage will no longer need to present inception-to-date information about income statement line items, cash flows and equity transactions. Instead, the ASU clarifies how these entities should tailor existing disclosures to explain the risks and uncertainties related to their activities. The ASU also eliminates certain consolidation guidance, which may cause companies with interests in entities in a development stage to identify more of them as variable interest entities and may change prior consolidation decisions.
Effective date
The amendments related to presentation and disclosure requirements are effective for public business entities for annual periods beginning after 15 December 2014, and interim periods therein. For other entities, those amendments are effective for annual periods beginning after 15 December 2014 and interim periods beginning after 15 December 2015. The revised consolidation guidance is effective for public business entities for annual periods beginning after 15 December 2015, and interim periods therein. For other entities, it is effective for annual periods beginning after 15 December 2016 and for interim periods beginning after 15 December 2017.

Revenue from Contracts with Customers (Topic 606) (ASU 2014-09)

Date issued: 28 May 2014

Summary
The FASB and the International Accounting Standards Board (IASB) issued a comprehensive new revenue recognition standard that will supersede existing revenue guidance under US GAAP and IFRS. The standard’s core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under today’s guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation.

Effective date
The guidance is effective for public business entities, certain not-for-profit entities and certain employee benefit plans, for annual periods beginning after 15 December 2016, including interim periods within that period. Early adoption is not permitted under US GAAP. For other entities, the guidance is effective for annual periods beginning after 15 December 2017, and interim periods within annual periods beginning after 15 December 2018. These entities may adopt the standard as of the public entity effective date.

Note: See Other FASB section below for developments.

Other resources
• Technical Line, A closer look at the new revenue recognition standard (SCORE No. BB2771)
• Technical Line, New revenue standard affects more than just revenue (SCORE No. BB2772)
• To the Point, Boards issue sweeping joint revenue standard (SCORE No. BB2753)
Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360), Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity (ASU 2014-08)

*Date issued:* 10 April 2014

**Summary**
The new guidance raises the threshold for disposals to qualify as discontinued operations by focusing on strategic shifts that have or will have a major effect on an entity’s operations and financial results. The guidance allows companies to have significant continuing involvement and continuing cash flows with the disposed component. The standard requires additional disclosures for discontinued operations and new disclosures for individually material disposal transactions that do not meet the definition of a discontinued operation.

**Effective date and transition**
For public business entities and certain not-for-profit entities, the guidance is effective for annual periods beginning on or after 15 December 2014 and interim periods within those years. For other entities, it is effective for annual periods beginning on or after 15 December 2014 and interim periods within annual periods beginning on or after 15 December 2015. The ASU should be applied prospectively. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issue.

**Other resources**
- Technical Line, *How discontinued operations are changing* (SCORE No. BB2746)
- To the Point, *FASB issues standard on reporting discontinued operations* (SCORE No. BB2738)

Consolidation (Topic 810), Applying Variable Interest Entities Guidance to Common Control Leasing Arrangements (a consensus of the Private Company Council) (ASU 2014-07)

*Date issued:* 20 March 2014

**Summary**
The accounting alternative allows a private company to elect not to evaluate whether a lessor entity in a common control leasing arrangement is subject to consolidation under the variable interest entity (VIE) model when certain conditions are met. If the alternative is elected, the private company would not be required to provide the VIE disclosures about the lessor entity but would be required to make certain other disclosures.

**Effective date and transition**
The alternative will be effective for the first annual period beginning after 15 December 2014 and interim periods within annual periods beginning after 15 December 2015. If elected, it should be applied retrospectively to all periods presented. Early application is permitted for any annual or interim period for which the company’s financial statements have not yet been made available for issuance.
Technical Corrections and Improvements Related to Glossary Terms (ASU 2014-06)

**Date issued:** 14 March 2014

**Summary**
The new guidance is designed to clarify the Master Glossary of the Codification, consolidate multiple instances of the same term into a single definition and make minor improvements to the Master Glossary. The FASB said the amendments are not expected to result in substantive changes to the application of existing guidance.

**Effective date**
The amendments are effective upon issuance.

Service Concession Arrangements (Topic 853) (a consensus of the FASB Emerging Issues Task Force) (ASU 2014-05)

**Date issued:** 23 January 2014

**Summary**
An operating entity should not account for certain service concession arrangements with public-sector entities as leases and should not recognize the related infrastructure (e.g., power plant, toll road, bridge) as property, plant and equipment. Instead, the operating entity should refer to other US GAAP (e.g., revenue recognition) to account for these arrangements.

**Effective date and transition**
For public business entities, the guidance is effective for annual periods and interim periods within those annual periods, beginning after 15 December 2014. For all other entities, the guidance is effective for annual periods beginning after 15 December 2014, and interim periods within annual periods beginning after 15 December 2015.

Early adoption is permitted. Entities should apply the guidance on a modified retrospective basis to service concession arrangements in existence at the beginning of the fiscal year of adoption.

Other resources
- Technical Line, Private companies in common control leasing arrangements may be eligible for relief from VIE model (SCORE No. BB2735)
- Other resources
  - To the Point, Board issues final guidance for service concession arrangements (SCORE No. BB2692)
Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40), Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure (a consensus of the FASB Emerging Issues Task Force) (ASU 2014-04)

**Date issued:** 17 January 2014

**Summary**
A creditor is considered to have physical possession of residential real estate property that is collateral for a consumer mortgage loan (and therefore will reclassify the loan to other real estate owned) when it obtains legal title or completes a deed in lieu of foreclosure or similar legal agreement. Creditors are required to disclose the amount of foreclosed residential real estate property they hold and the recorded investment in loans collateralized by residential property that is in the process of foreclosure according to requirements of the applicable jurisdiction.

**Effective date and transition**
The guidance is effective for public business entities for annual periods and interim periods within those annual periods, beginning after 15 December 2014. For all other entities, the guidance is effective for annual periods beginning after 15 December 2014, and interim periods within annual periods beginning after 15 December 2015. An entity can adopt the guidance prospectively or by using a modified retrospective approach. Early adoption is permitted.

**Other resources**
- EITF Update, November 2013 meeting highlights (SCORE No. BB2655)

Derivatives and Hedging (Topic 815), Accounting for Certain Receive-Variable, Pay-Fixed Interest Rate Swaps – Simplified Hedge Accounting Approach (a consensus of the Private Company Council) (ASU 2014-03)

**Date issued:** 16 January 2014

**Summary**
The FASB issued guidance that makes it easier for certain private companies to qualify for hedge accounting for interest rate swaps used to economically convert variable-rate debt to fixed-rate debt. An eligible private company can assume that a hedging relationship is perfectly effective if the swap and the debt meet certain conditions. The guidance permits companies to recognize swaps at their settlement value rather than their fair value and to complete formal hedge documentation by the date on which the company's annual financial statements are available to be issued.

**Effective date and transition**
Companies can adopt the guidance using a modified retrospective approach or a full retrospective approach. The guidance is effective for annual periods beginning after 15 December 2014 and interim periods within annual periods beginning after 15 December 2015. Early adoption is permitted for any annual or interim period for which the entity's financial statements have not yet been made available for issuance. Entities may elect the simplified hedge accounting approach for qualifying swaps existing at the date of adoption and new swaps.

**Other resources**
- Technical Line, Certain private companies can now use simplified hedge accounting (SCORE No. BB2693)
Intangibles – Goodwill and Other (Topic 350), Accounting for Goodwill (a consensus of the Private Company Council) (ASU 2014-02)

Date issued: 16 January 2014

Summary
The FASB issued guidance that allows companies that don’t meet the new definition of a public business entity to elect to amortize goodwill acquired in a business combination and to perform a one-step impairment test. A private company may elect to amortize goodwill on a straight-line basis over 10 years or a period of less than 10 years if it can demonstrate that another useful life (e.g., the useful life of the primary asset) is more appropriate. A private company that elects to amortize goodwill is required to perform a one-step impairment test at either the entity or reporting unit level, only when an event or circumstance indicates that the fair value of the entity or reporting unit may be less than its carrying amount.

Effective date
The guidance is effective for goodwill existing as of the beginning of the period of adoption and new goodwill recognized in annual periods beginning after 15 December 2014 and interim periods within annual periods beginning after 15 December 2015. Early application is permitted for any annual or interim period for which a company’s financial statements have not yet been made available for issuance.

Other resources
- To the Point, An easier way for certain private companies to account for goodwill (SCORE No. BB2689)

Investments – Equity Method and Joint Ventures (Topic 323), Accounting for Investments in Qualified Affordable Housing Projects (a consensus of the FASB Emerging Issues Task Force) (ASU 2014-01)

Date issued: 15 January 2014

Summary
An entity that invests in qualified affordable housing projects through limited liability entities and meets certain conditions may amortize the cost of its investment in proportion to the tax credits and other tax benefits it receives, and present the amortization as a component of income tax expense. New disclosures are required for all investors in these projects.

Effective date and transition
For public business entities, the guidance is effective for annual periods and interim periods within those annual periods, beginning after 15 December 2014. For all other entities, it is effective for annual periods beginning after 15 December 2014, and interim periods within annual periods beginning after 15 December 2015. The guidance must be applied retrospectively and early adoption is permitted.

Other resources
- To the Point, A new method of accounting for investments in qualified affordable housing projects (SCORE No. BB2690)
The FASB has completed deliberations on these proposals or approved consensuses reached by the EITF or the PCC and is expected to issue final guidance soon.

Consolidation (Topic 810), Principal versus Agent Analysis

**Date proposal issued:** 3 November 2011 – comment period ended 15 February 2012

**Summary**

In redeliberations, the FASB abandoned the separate principal-agent analysis it had proposed and decided instead to make targeted revisions to achieve the same objective. The FASB plans to issue a final standard that would rescind the deferral from FAS 167 guidance for certain investment companies, permanently exempt most money market funds and make other changes to today's consolidation guidance.

The guidance is expected to relax the criteria in US GAAP for determining when fees paid to a decision maker or service provider do not represent a variable interest by focusing on whether those fees are “at market” and commensurate with the services provided, as well as on the significance of other interests held by the decision maker or service provider. The guidance also is expected to amend the criteria for determining whether a limited partnership (or similar entity) is a variable interest entity (VIE) and which party is the primary beneficiary. In addition, the guidance is expected to eliminate the current presumption that a general partner controls a limited partnership in the voting model.

**Effective date**

The guidance would be effective for public business entities for annual periods and interim periods within those annual periods beginning after 15 December 2015. For other entities, it would be effective for annual periods beginning after 15 December 2016 and interim periods beginning after 15 December 2017.

**Other resources**

- Technical Line, *New consolidation guidance is coming soon* (SCORE No. BB2880)

Income Statement – Extraordinary and Unusual Items (Subtopic 225-20), Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items

**Date proposal issued:** 15 July 2014 – comment period ended 30 September 2014

**Summary**

As part of its simplification initiative, the Board proposed eliminating the concept of extraordinary items presented in the income statement. Today’s guidance requires an evaluation of whether an event or transaction is both unusual in nature and is of a type that indicates infrequency of occurrence. The proposal would eliminate this evaluation. The terms “unusual nature” and “infrequency of occurrence” currently used in the definition of an extraordinary item would be added to the ASC's Master Glossary, and the current presentation and disclosure requirements for events or transactions meeting those definitions would remain unchanged.
Effective date and transition
The guidance would be applied prospectively and would be effective for annual periods, and interim periods within those annual periods, beginning after 15 December 2015. Early adoption would be permitted.

Note: ASU 2015-01, Income Statement – Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items, was issued on 9 January 2015.

Other resources
- To the Point, FASB eliminates reporting of extraordinary items (SCORE No. BB2917)
- To the Point, Proposals would eliminate extraordinary items and simplify accounting for inventory (SCORE No. BB2787)
- Comment letter (SCORE No. BB2847)
**Issued this quarter**

Financial Services – Investment Companies (Topic 946), Disclosures about Investments in Other Investment Companies

*Date issued:* 4 December 2014 – comment period ends 17 February 2015

**Summary**

Certain presentation and disclosure requirements for investment companies regulated by the Investment Company Act of 1940 (the Act) would be aligned with those that are not regulated by the Act. Feeder funds that are not regulated by the Act would be required to provide the master fund's financial statements along with its financial statements, similar to SEC guidance for feeder funds regulated by the Act. Investment companies that are regulated by the Act would be required to disclose certain information about investments held by investee funds whose fair values exceed 5% of the reporting investment company's net assets.

**Effective date and transition**

The guidance would be applied prospectively. The effective date has not yet been determined. Early adoption would be permitted.

**Other resources**

- FASB Project Update: Investment Companies: Disclosures about Investments in Another Investment Company
- To the Point, *FASB proposes disclosures about investments in other investment companies* (SCORE No. BB2890)

Fair Value Measurement (Topic 820), Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent) (a consensus of the FASB Emerging Issues Task Force)

*Date issued:* 30 October 2014 – comment period ends 15 January 2015

**Summary**

The proposal would eliminate today's requirement for entities to categorize within the fair value hierarchy investments for which fair values are measured at net asset value (NAV) using the practical expedient in ASC 820. Instead, entities would disclose the fair value of investments measured using the NAV practical expedient as reconciling items between the balance sheet amounts and the totals reported in their fair value hierarchy disclosures.

The proposal would continue to require certain disclosures about investments measured using the NAV practical expedient but would eliminate today's requirement to make these disclosures about investments that qualify for the practical expedient but are not measured that way.
Effective date and transition
The proposed changes would be applied retrospectively to all prior periods presented. An effective date has not yet been determined.

Other resources
- FASB Project Update: Fair Value Hierarchy Levels for Certain Investments Measured at Net Asset Value
- To the Point, *FASB proposes eliminating certain investments from the fair value hierarchy* (SCORE No. BB2871)

Earnings Per Share (Topic 260), Effects on Historical Earnings per Unit of Master Limited Partnership Dropdown Transactions (a consensus of the FASB Emerging Issues Task Force)

*Date issued: 30 October 2014 – comment period ends 15 January 2015*

*Summary*
A master limited partnership (MLP) would be required to allocate the earnings or losses of a transferred business for periods before the date of a dropdown of net assets accounted for as a common control transaction entirely to the general partner interest for purposes of calculating historical earnings per unit (EPU). The previously reported EPU of the limited partners would not change as a result of the dropdown transaction.

The proposal also would require certain qualitative disclosures.

Effective date and transition
The guidance would be applied retrospectively for all financial statements presented. The effective date has not yet been determined.

Other resources
- FASB Project Update: Effects on Historical Earnings per Unit of Master Limited Partnership Dropdown Transactions

Compensation – Retirement Benefits (Topic 715), Practical Expedient for the Measurement Date of an Employer’s Defined Benefit Obligation and Plan Assets

*Date issued: 14 October 2014 – comment period ended 15 December 2014*

*Summary*
Employers with fiscal year ends that do not fall on the end of the month would be allowed to elect to measure defined benefit plan assets and obligations as of the end of the month closest to their fiscal year ends. Companies would have to disclose the alternative measurement date and the accounting policy election, which would have to be consistently applied in subsequent years. An employer would adjust the funded status for contributions made between the measurement date and the employer’s fiscal year end by adding to or deducting from plan assets. The amount would have to be disclosed as part of the fair value reconciliation for plan assets as of the employer’s fiscal year end but not by asset class. The employer also would not have to categorize it in the fair value hierarchy.
Effective date and transition

The guidance would be applied prospectively. The effective date has not yet been determined.

Other resources

- FASB Project Update: Simplifying the Measurement Date for Plan Assets
- To the Point, FASB issues simplification proposals on debt issuance costs and retirement benefits (SCORE No. BB2861)
- Comment letter (SCORE No. BB2894)

Interest – Imputation of Interest (Subtopic 835-30), Simplifying the Presentation of Debt Issuance Cost

Date issued: 14 October 2014 – comment period ended 15 December 2014

Summary

To reduce complexity, the proposed guidance would require that debt issuance costs be considered a deduction to the corresponding debt for presentation purposes, rather than presented as an asset. The recognition and measurement guidance for debt issuance costs and certain other accounting for debt issuance costs (e.g., as part of troubled debt restructurings under ASC 470-60) would not be affected by the proposal.

Effective date and transition

The proposal would be applied retrospectively. The effective date has not yet been determined.

Other resources

- FASB Project Update: Simplifying the Presentation of Debt Issuance Cost
- To the Point, FASB issues simplification proposals on debt issuance costs and retirement benefits (SCORE No. BB2861)
- Comment letter (SCORE No. BB2897)

Other proposals previously issued

Technical Corrections and Improvements

Date issued: 15 September 2014 – comment period ended 1 December 2014

Summary

The FASB proposed technical corrections and improvements to a variety of topics in the Codification to correct unintended application of guidance, clarify the Codification and make other minor improvements.
Effective date

The Board will determine the effective date after it considers constituents’ feedback. The FASB doesn’t expect most of the amendments to change current practice, but it is proposing transition guidance for amendments that it deemed potentially more substantive.

Other resources

- FASB Project Update: Technical Corrections and Improvements
- Comment letter (SCORE No. BB2886)

Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40), Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement

Date issued: 20 August 2014 – comment period ended 18 November 2014

Summary

The proposal would provide guidance to customers about whether a cloud computing arrangement includes a software license versus simply providing a service, by incorporating guidance already included in the software revenue recognition standard applied by cloud service providers. If the arrangement includes a software license, the customer would account for the software license consistent with other software licenses. If a cloud computing arrangement does not include a software license, the customer would account for the arrangement as a service contract. The proposal is part of the Board’s simplification initiative, under which the Board is adding targeted projects to its agenda that have been identified as opportunities to simplify US GAAP in a relatively short period of time.

Effective date and transition

For public business entities, the proposed amendments would be applied for annual periods, including interim periods within those annual periods, beginning after 15 December 2015. For all other entities, the proposed amendments would be applied for annual periods beginning after 15 December 2015, and interim periods in annual periods beginning after 15 December 2016. An entity could elect prospective or retrospective transition.

Other resources

- FASB Project Update: Customer’s Accounting for Fees in a Cloud Computing Arrangement
Inventory (Topic 330), Simplifying the Measurement of Inventory

Date issued: 15 July 2014 – comment period ended 30 September 2014

Summary
This proposal, also part of the FASB’s simplification initiative, would simplify the subsequent measurement of inventory by requiring entities to measure it at the lower of its cost and net realizable value (i.e., estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation). When evidence exists that the net realizable value of inventory is less than its cost, entities would recognize the difference as a loss in earnings in the period in which it occurs. The amendments would eliminate existing guidance that requires a reporting entity also to consider the replacement cost of inventory and the net realizable value of inventory, less an approximately normal profit margin.

Effective date and transition
This guidance would be applied prospectively and would be effective for annual periods, and interim periods within those annual periods, beginning after 15 December 2015. Early adoption would be permitted.

Other resources
- FASB Project Update: Simplifying the Subsequent Measurement of Inventory
- To the Point, Proposals would eliminate extraordinary items and simplify accounting for inventory (SCORE No. BB2787)
- Comment letter (SCORE No. BB2849)

Conceptual Framework for Financial Reporting, Chapter 8: Notes to Financial Statements

Date issued: 4 March 2014 – comment period ended 14 July 2014

Summary
The FASB proposed adding a chapter to its conceptual framework that would discuss the types of information that should be included in the notes to financial statements and list a series of questions the FASB would use to evaluate disclosure requirements. The new chapter also would discuss considerations for the Board to use in evaluating interim disclosures.

In a second phase of the project, the Board is working on developing guidance that would allow companies to apply discretion in determining which disclosures they should make.

As part of the Disclosure Framework project, the FASB is reviewing the disclosure requirements for defined benefit plans by employers, fair value measurement, income taxes and inventory. The FASB also is evaluating the disclosure requirements for interim financial reporting.

The FASB recently held a forum with representatives of companies that prepare financial statements and users of financial statements, as well as standard setters and regulators, to share views on financial disclosures. The FASB was seeking input on how to improve disclosures and how to proceed with its disclosure framework project.
Other resources
- FASB Project Update: Disclosure Framework
- To the Point, FASB holds forum on financial disclosures (SCORE No. BB2891)
- To the Point, A framework to help the FASB establish effective disclosures (SCORE No. BB2707)
- Comment letter - Chapter 8: Notes to Financial Statements (SCORE No. BB2785)

Insurance (Topic 944), Disclosures about Short-Duration Contracts

Date related proposal issued: 27 June 2013 – comment period ended 25 October 2013

Summary
The FASB had proposed overhauling the accounting for insurance contracts but decided to make targeted improvements to disclosures related to short-duration contracts and to separately make targeted improvements to the guidance for recognition and measurement for long-duration contracts (see below).

The FASB decided to issue a final standard that will require insurers to make new disclosures about their short-duration insurance contracts in their financial statements.

Effective date
The guidance will be effective for public business entities for annual periods beginning after 15 December 2014 and interim periods within annual periods beginning after 15 December 2015. For all other entities, there would be a one-year delay. Early adoption would be permitted.

Other resources
- FASB Project Update, Disclosures about Short-Duration Contracts
- To the Point, FASB to issue final guidance on short-duration insurance disclosures (SCORE No. BB2798)

Insurance (Topic 944), Targeted Improvements to the Accounting for Long-Duration Contracts

Date related proposal issued: 27 June 2013 – comment period ended 25 October 2013

Summary
The FASB had proposed overhauling the accounting for insurance contracts but decided to make targeted improvements to the guidance for recognition and measurement for long-duration contracts in addition to improvements to disclosures related to short-duration contracts.

After the Board deliberates the remaining topics, it will consider whether to issue another exposure draft or final guidance.

Effective date
The effective date is yet to be determined.
### Other resources

- FASB Project Update: Targeted Improvements to the Accounting for Long-Duration Contracts
- To the Point, *FASB decides to change accounting and disclosures for long-duration insurance contracts* (SCORE No. BB2820)
- Technical Line, *Insurance contracts proposal would overhaul accounting and disclosures for insurers and others* (SCORE No. BB2601)
- To the Point, *Accounting for insurance contracts could change significantly* (SCORE No. BB2563)
- Insurance Accounting Alert, *IASB issues revised exposure draft on insurance contracts* (SCORE No. AU1696)
- *Comment letter* (SCORE No. BB2638)

### Leases (Topic 842), a revision of the 2010 proposed FASB Accounting Standards Update, Leases (Topic 840)

**Date issued:** 16 May 2013 – comment period ended 13 September 2013

**Summary**

The FASB and the IASB issued exposure drafts that would require lessees to recognize assets and liabilities arising from their involvement in most leases.

During 2014, the FASB and the IASB redeliberated their 2013 proposal and have remained committed to putting most leases on the balance sheets of lessees. They have agreed to simplify many aspects of their 2013 proposal in response to constituents' concerns about its cost and complexity. However, certain fundamental differences have developed between the Boards. The Boards plan to complete deliberations in early 2015.

**Effective date**

The effective date is yet to be determined.

### Other resources

- FASB Project Update: Leases – Joint Project of the FASB and the IASB
- To the Point, *Boards complete redeliberations of the definition of a lease* (SCORE No. BB2911)
- To the Point, *Boards reaffirm the definition of a lease but continue to work on its application* (SCORE No. BB2866)
- To the Point, *FASB addresses sale and leasebacks, US GAAP topics in leases project* (SCORE No. BB2822)
- To the Point, *Boards address sale and leaseback transactions, lessor disclosures* (SCORE No. BB2790)
- To the Point, *Boards to redeliberate key aspects of lease accounting – again* (SCORE No. BB2657)
Financial Instruments – Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities

Date issued: 14 February 2013 – comment period ended 15 May 2013

Summary
The FASB proposed a new classification and measurement model for financial instruments that would apply to all entities. Classification and measurement of financial instruments under the proposal would have been based on the cash flow characteristics and an entity’s business model for managing such instruments. The proposed model would have resulted in more instruments being classified at fair value through net income (FV-NI) than under today’s guidance.

The FASB began redeliberations in September 2013. In light of feedback received, the FASB decided not to proceed with the model that it had jointly developed with the IASB, and instead make targeted improvements to existing GAAP. The Board is expected to complete its deliberations soon.

The IASB finalized its classification and measurement guidance in July 2014.

Effective date
The effective date is yet to be determined.

Other resources
- FASB Project Update: Accounting for Financial Instruments – Classification and Measurement – Joint Project of the FASB and IASB
- To the Point, FASB sets path on changes to accounting for financial instruments (SCORE No. BB2711)
- Technical Line, FASB’s new classification and measurement model – a closer look (SCORE No. BB2504)
- To the Point, FASB proposes new classification and measurement model (SCORE No. BB2498)
- Comment letter (SCORE No. BB2539)
Financial Instruments – Credit Losses (Subtopic 825-15)

Date issued: 20 December 2012 – comment period ended 31 May 2013

Summary
The FASB’s proposed new principles-based credit impairment model would primarily affect financial assets classified and measured at amortized cost. All companies would be affected by the proposal, which would change the way they estimate credit losses on receivables (e.g., trade, lease, reinsurance), held-to-maturity debt securities, loans and loan commitments. The proposal would remove today’s probable threshold for recognizing credit losses and require an entity to estimate and record as an allowance, at each reporting date, the contractual cash flows it does not expect to collect. Based on decisions made in redeliberations, the current other-than-temporary impairment model for available-for-sale securities would also be modified, and would require an allowance for credit losses instead of a direct write off of impairments. We expect the FASB will finish redeliberations on the proposed model in the next few months and issue a final standard in 2015.

The FASB and the IASB had worked on a joint solution and developed the three-bucket expected loss model, but the FASB simplified its proposal in response to feedback from constituents who expressed concern about the model’s complexity and how it would work in practice. The IASB finalized its three-bucket model in July 2014.

Effective date
The effective date is yet to be determined.

Other resources
- FASB Project Update: Accounting for Financial Instruments – Credit Impairment – Joint Project of the FASB and IASB
- Technical Line, FASB’s credit loss proposal – a closer look (SCORE No. BB2488)
- To the Point, FASB proposes new credit impairment model (SCORE No. BB2469)
- Comment letter (SCORE No. BB2547)
Revenue recognition developments

Summary
The FASB is exploring whether to propose a delay in the effective date of the new revenue recognition standard and expects to make a decision on whether to issue such a proposal by early in the second quarter of 2015.

Meanwhile, the FASB and the IASB are considering whether more guidance is needed on topics their Joint Transition Resource Group on Revenue Recognition (TRG) discussed. The Boards have asked their staffs to research whether improvements can be made to the guidance on the principal-agent assessment in arrangements involving intangible goods and services, as well as on identifying performance obligations. The Boards also will consider providing more guidance on licenses of intellectual property, a topic the TRG discussed at both of its meetings. The Boards are using the TRG discussions to determine which issues require more attention. The next TRG meeting is scheduled for 26 January 2015.

Other resources
- To the Point, Joint Transition Resource Group tackles new revenue topics (SCORE No. BB2872)
- To the Point, Joint Transition Resource Group for Revenue Recognition debates implementation issues (SCORE No. BB2788)
- Technical Line, New revenue standard affects more than just revenue (SCORE No. BB2772)
- Technical Line, A closer look at the new revenue recognition standard (SCORE No. BB2771)\(^1\)

FAF, FASB and GASB issue draft of strategic plan

The Financial Accounting Foundation (FAF), the FASB and the GASB issued a draft of a strategic plan that articulates their long-term vision and mission and top four priorities, noting that comments from stakeholders are welcome.

Other resources
- Working draft of FAF, FASB and GASB strategic plan

\(^1\) A number of industry supplements to this Technical Line are available.
What’s next – agenda highlights

FASB agenda
In addition to the topics above, the FASB’s agenda includes:

¬ Accounting for income taxes: intra-entity asset transfers and balance sheet classification of deferred taxes
¬ Financial statements of not-for-profit entities
¬ Simplifying the balance sheet classification of debt
¬ Employee share-based payment accounting improvements
¬ Clarifying certain existing principles on statement of cash flows
¬ Disclosure framework: entity’s decision process
¬ Clarifying the definition of a business
¬ Accounting for goodwill for public business entities and not-for-profit entities
¬ Accounting for identifiable intangible assets in a business combination for public business entities and not-for-profit entities
¬ Liabilities and equity: short-term improvements
¬ Disclosures by business entities about government assistance
¬ Accounting for financial instruments: hedging
¬ Conceptual framework: measurement and presentation

EITF agenda
In addition to the issues for which an exposure draft was issued, the EITF agenda includes:

¬ Application of the normal purchases and normal sales scope exception to certain electricity contracts within nodal energy markets
¬ Recognition of breakage for no-cash prepaid cards
¬ Accounting issues in employee benefit plan financial statements

The next EITF meeting is scheduled for 19 March 2015. An education session will be held on 22 January 2015.

PCC agenda
At its December meeting, the PCC discussed its project to consider whether the FASB should amend older US GAAP standards to include the term public business entity and a possible project on partnership accounting. The PCC also discussed an accounting alternative some members said the FASB could provide for private companies to measure both equity and liability awards in its project to improve the accounting for shared-based payments. In addition, the PCC discussed several topics it may add to its agenda, including accounting for licenses, financial statement presentation for non-GAAP measures and improvements to the variable interest model, but didn’t make any decisions.
The PCC will meet again on 13 February 2015 and will host a town hall meeting in Dallas on 28 April 2015 to give private company stakeholders an opportunity to provide input on these and other potential projects.

**Other resources**
- FASB Technical Agenda
- To the Point, *FASB to propose more ways to simplify accounting for employee share-based payments* (SCORE No. BB2912)
- To the Point, *FASB finishes deliberations on not-for-profit proposal* (SCORE No. BB2862)
- To the Point, *FASB launches project to simplify share-based payment accounting* (SCORE No. BB2855)
- EITF Update, *September 2014 meeting highlights* (SCORE No. BB2844)
- To the Point, *New projects added to FASB and EITF agendas* (SCORE No. BB2799)
- To the Point, *PCC discusses expanding the use of the term public business entity and other projects* (SCORE No. BB2898)
- To the Point, *PCC wraps up intangible assets and discusses share-based payments* (SCORE No. BB2843)
Credit Risk Retention (Release No. 34-73407)

**Date issued:** 22 October 2014

**Summary**

The SEC, along with five other federal agencies, jointly approved rules required by Section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) that requires sponsors of securitizations of certain asset-backed securities (ABS) to retain at least 5% credit risk in the underlying assets of such securities.

The rules define a qualified residential mortgage (QRM) and exempt securitizations of QRMs from the risk retention requirements. The rules also do not require any credit risk retention for securitizations of commercial loans, commercial real estate loans and consumer automobile loans that meet certain underwriting standards. Sponsors may choose from a menu of options to comply with the risk retention requirements, including retaining an eligible vertical interest, horizontal residual interest or any combination thereof.

**Effective date**

The new rules are effective on 24 December 2015 for residential mortgage-backed securitizations and 24 December 2016 for all other securitizations.

Asset-Backed Securities Disclosure and Registration (Release No. 33-9638)

**Date issued:** 4 September 2014

**Summary**

The SEC adopted rules that require ABS issuers to make new asset-level disclosures in initial and ongoing reporting with the SEC. The rules also revise the definition of an “asset-backed security” in Regulation AB.

In addition, the rules revise the ABS shelf offering eligibility criteria, eliminate the prior investment-grade requirement and change the procedures and forms related to shelf offerings. The rules also require ABS issuers that use a shelf registration statement to file a preliminary prospectus at least three business days before the first sale of securities.

**Effective date**

The new rules are effective on 24 November 2014.

Nationally Recognized Statistical Rating Organizations (Release No. 34-72936)

**Date issued:** 27 August 2014

**Summary**

The SEC adopted amendments and new rules that apply to credit rating agencies registered with it as nationally recognized statistical rating organizations (NRSROs). The rules, mandated by the Dodd-Frank Act, require registered credit rating agencies to enhance governance, protect against conflicts of interest and increase transparency. The changes are intended to improve the quality of credit ratings and increase credit rating agency accountability.
The rules require NRSROs to file an annual report on internal controls with the SEC, including an annual certification by the CEO about the effectiveness of internal controls. The rules also require NRSROs to provide additional certifications accompanying each credit rating action saying that the rating was not influenced by other business activities.

The new rules also require issuers and underwriters of rated ABS to disclose the findings and conclusions of any third-party due diligence report obtained by the issuer or underwriter in connection with the ABS offering. Additional reporting is also required of the third-party due diligence providers and NRSROs that rate a registered ABS.

**Effective date**

Certain amendments related to NRSROs are effective as early as 14 November 2014 and others are effective 15 June 2015. The reporting requirements related to ABS third-party due diligence reports are effective 15 June 2015. The first annual report on internal controls from NRSROs will be due no later than 90 days after their fiscal year ending on or after 1 January 2015.

**Money Market Fund Reform; Amendments to Form PF (Release No. 33-9616)**

*Date issued: 23 July 2014*

**Summary**

The SEC adopted amendments to the rules that govern money market mutual funds to reduce the risk of investor runs in money market funds while preserving the benefits of the funds. Institutional prime money market funds, including institutional municipal money market funds, will be required to operate with floating net asset values (NAVs) that are based on the market value of the securities in their portfolios. Boards of directors of nongovernment money market funds will be required to impose a 1% fee on redemptions if the fund’s weekly liquid assets fall below 10% of total assets, unless the board determines that imposing such a fee would not be in the best interest of the fund. Boards of these funds will have the option of imposing redemption fees of up to 2% and/or suspending redemptions (i.e., imposing gates) for up to 10 business days in a 90-day period, if the fund’s weekly liquid assets fall below 30% of its total assets. Government funds will be permitted but not required to impose fees and gates.

The new rules require increased diversification of money market fund holdings and stress testing. The rules also will require money market funds to disclose certain information about fees, gates, floating NAVs and significant events on their website. Money market funds also will be required to disclose significant events by filing a Form N-CR within one business day of the event.

**Effective date**

The effective date for the amendments related to fees, gates and the floating NAVs is 14 October 2016. The effective date for Form N-CR and related website disclosure is 14 July 2015. The effective date for the diversification, stress testing and disclosure requirements is 14 April 2016.
Treatment of Certain Collateralized Debt Obligations Backed Primarily by Trust Preferred Securities with Regard to Prohibitions and Restrictions on Certain Interests in, and Relationships with, Hedge Funds and Private Equity Funds (Release No. BHCA-2)

Date issued: 17 January 2014

Summary
The SEC and four other federal agencies approved an interim final rule to state that certain collateralized debt obligations backed primarily by bank-issued trust preferred securities (TruPS CDOs) are not “covered funds” under the final rules known collectively as the Volcker rule. The interim final rule permits all banking entities to retain interests in, or to act as sponsor of, an issuer that is backed by TruPS CDOs as long as (1) the issuer was established before 19 May 2010, (2) the banking entity reasonably believes that the offering proceeds received by the issuer were invested primarily in qualifying TruPS collateral and (3) the banking entity’s interest in the vehicle was acquired on or before 10 December 2013.

The Volcker rule, issued in December 2013, prohibits banking entities from engaging in trading of securities, derivatives, commodity futures and options on these instruments for their own accounts (i.e., proprietary trading) and from owning or sponsoring hedge funds and private equity funds. While the Volcker rule’s prohibitions included holding certain TruPS CDOs, Section 171 of the Dodd-Frank Act permits community banking organizations to retain their interests in TruPS CDOs issued before 19 May 2010. The interim final rule reconciles the Volcker rule’s requirements with the provisions of Section 171 and expands the TruPS CDO investment exemption to all banking entities.

Effective date
The interim final rule was effective on 1 April 2014.
SEC rule proposals and other releases

Issued this quarter

Changes to Exchange Act Registration Requirements to Implement Title V and Title VI of the JOBS Act (Release No. 33-9693)

*Date issued:* 18 December 2014 - comment period ends 2 March 2015

**Summary**
The SEC proposed amendments to its rules to change the thresholds for registration, termination of registration and the suspension of reporting under Section 12(g) and Section 15(d) of the Securities Exchange Act of 1934 (Exchange Act). The proposal would allow savings and loan holding companies to use the same thresholds that apply to banks and bank holding companies to register, terminate registration or suspend their Exchange Act reporting obligations. The proposal would also amend the definition of “held of record” to exclude securities received under employee compensation plans in transactions exempt from registration. The definition of “accredited investor” in existing Rule 501(a) of the Securities Act of 1933 would be applied to determine which record holders are accredited investors as of the last day of the fiscal year for purposes of determining whether registration is required under Section 12(g) of the Exchange Act. These amendments were mandated by the Jumpstart Our Business Startups Act (JOBS Act).

**Effective date**
The proposal does not suggest an effective date.

Other proposals previously issued

Removal of Certain References to Credit Ratings and Amendment to the Issuer Diversification Requirement in the Money Market Fund Rule (Release No. IC-31184)

*Date issued:* 23 July 2014 – comment period ended 14 October 2014

**Summary**
The SEC re-proposed rules to remove references to credit ratings and no longer require money market funds to rely on credit ratings when determining whether they can invest in securities. The proposal would establish standards of creditworthiness applicable to money market fund investments. Currently, SEC rules require that money market funds invest only in securities that have received one of the two highest short-term ratings (i.e., first tier and second tier) or of comparable quality if not rated.

The SEC also proposed rules that would require money market funds to comply with both issuer and guarantor diversification requirements. Under the proposal, each money market fund that invests in securities subject to a guarantee (whether or not the guarantor is a non-controlled person) would have to comply with both the 10% diversification requirement for the guarantor as well as the 5% diversification requirement for the issuer.

**Effective date**
The effective date would be 14 April 2016.
Proposed Rule Amendments for Small and Additional Issues Exemptions Under Section 3(b) of the Securities Act (Release No. 33-9497)

**Date issued:** 18 December 2013 – comment period ended 24 March 2014

**Summary**
The SEC proposed amendments to Regulation A to allow exempt public offerings of up to $50 million, as mandated by the JOBS Act.

The proposed amendments would establish two tiers under Regulation A:

- Tier 1, which would cover public offerings of up to $5 million within a 12-month period, would retain many of the existing requirements of Regulation A.
- Tier 2 would allow exempt public offerings of up to $50 million within 12 months but would require more robust initial and ongoing reporting. As required by the JOBS Act, the SEC will review the $50 million offering limit every two years.

For offerings up to $5 million within 12 months, companies could elect to follow either the Tier 1 or Tier 2 requirements. The proposed rules would pre-empt state securities laws known as Blue Sky laws for Tier 2 offerings. However, companies that conduct Tier 2 offerings would have to provide audited financial statements and meet ongoing reporting requirements similar to those of smaller reporting companies. Investors in Regulation A transactions still count toward the security holder threshold that requires registration under the Exchange Act.

**Effective date**
The proposal does not suggest an effective date.

**Other resources**
- To the Point, SEC proposes ‘Regulation A+’ to expand exempt offerings (SCORE No. CC0385)
- Comment letter – Proposed Rule Amendments for Small and Additional Issues Exemptions Under Section 3(b) of the Securities Act (SCORE No. CC0390)

Crowdfunding (Release No. 33-9470)

**Date issued:** 23 October 2013 – comment period ended 3 February 2014

**Summary**
The SEC proposed rules that would allow startups and other small businesses to raise small amounts of capital from potentially large pools of investors over the internet in a process known as “crowdfunding.” US companies (including their predecessors and any commonly controlled companies) could raise a maximum of $1 million (subject to inflation adjustments at least every five years) in any 12-month period. The proposal would require these offerings to be handled by an intermediary registered with the SEC that would facilitate awareness and communication between the issuer and potential investors. The proposal would limit the amount individuals could invest in crowdfunding offerings over a 12-month period based on their annual income or net worth.
The rules were mandated by the JOBS Act, which created an exemption from SEC registration for capital raised this way. Under the JOBS Act, investors in crowdfunding transactions would not count toward the security holder threshold that requires registration under the Exchange Act. Companies using this exemption would be required to disclose certain financial and other information about these offerings and report to investors annually. Companies would have to file annual financial statements that are audited, reviewed or certified by the CEO and accompanied by a tax return, depending on the size of the offering.

Effective date
The proposal does not suggest an effective date. The SEC staff has reminded companies that the use of the crowdfunding exemption is unlawful until the SEC adopts final rules.

Other resources
- To the Point, SEC proposes rules to permit crowdfunding (SCORE No. CC0378)
- Comment letter – Crowdfunding (SCORE No. CC0389)

Pay Ratio Disclosure (Release No. 33-9452)

Date issued: 18 September 2013 – comment period ended 2 December 2013

Summary
The SEC proposed a rule that would require most registrants to calculate and disclose the median annual compensation of all of their employees (excluding the principal executive officer), the annual compensation of their principal executive officer and the ratio of these two amounts. Emerging growth companies, smaller reporting companies, foreign private issuers and certain other filers would not have to provide the proposed disclosures.

The proposal does not prescribe a “one-size-fits-all” approach. Instead, the proposed rule allows each company to consider its facts and circumstances in determining the appropriate approach when calculating the median compensation of its employees. Under the proposal, when determining the median compensation, a company would be allowed to first identify its median employee by using any “consistently applied compensation measure.” The proposal also would allow registrants to identify the median employee by using their entire employee population or by using a statistical sample of that population.

Effective date
The proposal would require a company to disclose its pay ratio for its first fiscal year beginning on or after the effective date of the rule, which hasn’t been set.

Other resources
- To the Point, SEC proposes rule requiring most companies to disclose ‘pay ratio’ (SCORE No. CC0375)
- Comment letter – Pay ratio disclosure (SCORE No. CC0382)
Amendments to Regulation D, Form D and Rule 156 under the Securities Act (Release No. 33-9416)

Date issued: 10 July 2013 — comment period ended 4 November 2013

Summary
The SEC proposed rules to amend Regulation D, Form D and Rule 156 under the Securities Act to require issuers to provide more information to enhance the ability of the SEC to evaluate market practices in offerings under new Rule 506(c). Issuers would need to:

- File Form D with the SEC 15 calendar days before beginning a general solicitation of an offering under Rule 506(c) and a closing amendment at the conclusion of any exempt offering under Regulation D
- Continue to file a new or amended Form D within 15 calendar days after the date of the first sale of securities
- Provide information in Form D about the issuer and the offering under Rule 506(c), including the types of investors, use of proceeds, types of general solicitation used and methods used to verify purchasers’ accredited status
- Provide certain cautionary language in written solicitation materials (and provide them to the SEC on a confidential basis for the first two years Rule 506(c) is in effect) to inform potential investors of the risks associated with the offering and the fact that purchasers must be accredited investors

Effective date
The proposal does not suggest an effective date.

Other resources
- To the Point, SEC allows general solicitation and disqualifies ‘bad actors’ (SCORE No. CC0371)

Prohibition against Conflicts of Interest in Certain Securitizations (Release No. 34-65355)

Date issued: 19 September 2011 — comment period ended 13 February 2012

Summary
The SEC proposed a rule that would implement Section 621 of the Dodd-Frank Act and prohibit entities that package and sell ABS from benefiting directly or indirectly from certain adverse events (e.g., a decline in the performance of the underlying asset pool, a decline in market value of the ABS) if a reasonable investor would consider the conflict important to his or her investment decision. The proposal also would prohibit entities involved in creating or selling an ABS from participating in transactions in which they would benefit directly or indirectly from adverse events for one year after the first sale of the ABS. Exceptions include activities related to risk-mitigating hedging, liquidity commitments and bona fide market making.

Effective date
The proposal does not suggest an effective date.
Incentive-Based Compensation Arrangements (Release No. 34-64140)

Date issued: 29 March 2011 – comment period ended 31 May 2011

Summary
The SEC (along with other financial regulators) proposed a rule on incentive-based compensation by financial institutions, such as brokers, dealers or investment advisers, with assets of $1 billion or more. The rule would:

- Require a financial institution to provide a report describing the firm's incentive-based compensation arrangements
- Prohibit incentive-based compensation arrangements that encourage inappropriate risk-taking
- Prohibit incentive-based compensation arrangements that have not been adopted under policies and procedures developed and maintained by the institution and approved by its board of directors

The proposal would require financial institutions with assets of $50 billion or more to defer 50% of executive officer incentive compensation for three years. During that period, any deferred incentive-based compensation would be adjusted for losses incurred by the financial institution after the compensation was initially awarded. The proposed rule is required by Section 956 of the Dodd-Frank Act.

Effective date
The proposal suggests an effective date of six months after a final rule is published in the Federal Register.

End-User Exception to Mandatory Clearing of Security-Based Swaps (Release No. 34-63556)

Date issued: 15 December 2010 – comment period ended 22 July 2013

Summary
The Dodd-Frank Act established a framework for regulating the over-the-counter swaps markets and requires that swaps be centrally cleared if the transactions are of a type that the Commodity Futures Trading Commission (CFTC) or the SEC determines must be cleared. Counterparties meeting certain criteria, however, may continue to hedge commercial risks without being subject to the increased costs associated with the new requirements. The SEC proposed a rule describing the steps an end-user would need to take to inform the regulators about how it meets its financial obligations when engaging in a security-based swap transaction that is exempt from mandatory clearing under Section 763 of the Dodd-Frank Act.

Effective date
The proposal does not suggest an effective date.
Reporting of Proxy Votes on Executive Compensation and Other Matters  
(Release No. 34-63123)  

Date issued: 18 October 2010 – comment period ended 18 November 2010  

Summary
Section 951 of the Dodd-Frank Act requires institutional investors to report, at least annually, how they voted on executive compensation matters. The SEC proposed requiring institutional investment managers that manage a portfolio with an aggregate value in equity securities of at least $100 million to disclose the securities voted, executive compensation matters voted on, the number of shares voted and how the manager voted these shares.

Effective date
The proposed effective dates have passed. These dates will be reevaluated when the SEC issues a final rule.
SEC staff considers another possible IFRS alternative for US registrants

**Summary**

At the 2014 AICPA National Conference on Current SEC and PCAOB Developments (AICPA Conference), SEC Chief Accountant James Schnurr said he is exploring the possibility of allowing US registrants to voluntarily disclose IFRS financial information as a supplement to their US GAAP financial statements and asked for feedback. He said that allowing registrants to report IFRS information as a supplement would retain the primacy of US GAAP financial statements while allowing US issuers to voluntary provide IFRS information such as:

- Selected IFRS financial data (e.g., revenues, gross margin, net income)
- Reconciliations of IFRS to US GAAP for selected financial measures
- Full IFRS financial statements on an audited or unaudited basis

Mr. Schnurr said he hopes to make a recommendation to the Commission in the near future about whether and how to further incorporate IFRS into the US financial reporting system.

**Other resources**

- Compendium of significant accounting and reporting issues, 2014 AICPA National Conference on Current SEC and PCAOB Developments (SCORE No. CC0405)
- Speech by SEC Chief Accountant: Remarks before the 2014 AICPA National Conference on Current SEC and PCAOB Developments

SEC staff monitoring implementation of new revenue recognition standards

**Summary**

The SEC staff is monitoring implementation of the new revenue recognition standards that the FASB and the IASB issued last year. In addition, the SEC staff is considering various reporting issues that will arise shortly after the new revenue recognition standard is effective. The SEC staff has said that it will not object if companies that select a full retrospective approach for transition do not recast the earliest two years in their selected financial data disclosures if that fact is clearly disclosed. In addition, the staff is currently considering how transition to the new standard will affect:

- Emerging growth companies that have elected to adopt new accounting standards using private company transition dates
- Rule 3-05 significance tests when significant acquired businesses and registrant acquirers have elected different transition methods
- Rule 3-09 significance tests when full retrospective application is selected for the registrant and whether registrants must use amounts they recast to reassess significance for equity method investees

**Other resources**

- Compendium of significant accounting and reporting issues, 2014 AICPA National Conference on Current SEC and PCAOB Developments (SCORE No. CC0405)
SEC staff moves ahead with disclosure reform

Summary
The SEC staff has begun reviewing SEC disclosure requirements and reaching out to companies, investors and other market participants for ideas on how to streamline disclosures and make them more meaningful. The SEC staff is encouraging these constituents to submit their suggestions to the SEC's website in advance of the expected SEC concept releases. While the effort is aimed at improving the effectiveness of disclosures rather than reducing their volume, SEC officials have indicated that they believe investors aren't well served if they are overwhelmed with information. The SEC staff also plans to work with the FASB to explore overlapping requirements in US GAAP and SEC rules.

In a recent speech, SEC Division of Corporation Finance Director Keith Higgins said the SEC staff does not believe the disclosure system is broken but believes that improvements are necessary. The SEC staff is reviewing business and financial disclosures in Regulations S-K and S-X as well as Form 8-K. The SEC staff also is considering how to leverage technology and the EDGAR delivery system to facilitate user access to meaningful information.

Meanwhile, the SEC staff has highlighted the efforts by many companies to improve their disclosures and has invited companies that are considering significantly changing their disclosures to discuss the contemplated changes with the staff in advance.

Other resources
- Comment letter - Section 108 of the JOBS Act – Regulation S-K Review (SCORE No. CC0356)
- Disclosure effectiveness - What companies can do now (SCORE No. CC0403)
- Disclosure effectiveness - What investors, company executives and other stakeholders are saying (SCORE No. CC0404)
- Unlocking the potential of disclosure committees: Leading practices and trends (SCORE No. BB2881)
- Compendium of significant accounting and reporting issues, 2014 AICPA National Conference on Current SEC and PCAOB Developments (SCORE No. CC0405)

SEC staff rescinds guidance on pushdown accounting

Summary
The SEC staff issued Staff Accounting Bulletin (SAB) No. 115 to rescind its guidance on pushdown accounting after the FASB issued final guidance that provides all acquired entities an option to apply pushdown accounting in their separate financial statements when an acquirer obtains control of them. The new FASB guidance applies to both SEC registrants and non-registrants. The now-rescinded guidance in SAB Topic 5.J, New Basis of Accounting Required in Certain Circumstances required or allowed registrants to apply pushdown accounting in certain circumstances and prohibited it in other circumstances. Refer to FASB section for further discussion.

Other resources
- To the Point, FASB makes pushdown accounting optional (SCORE No. BB2882)
SEC staff updates Financial Reporting Manual

Summary
The SEC staff in the Division of Corporation Finance updated its Financial Reporting Manual (FRM) to say that companies may be able to scale back their disclosures in management’s discussion and analysis (MD&A) relating to events and business developments that affected their estimates used to value stock-based compensation awards granted before the company’s initial public offering (often referred to as “cheap stock” disclosures). The revised guidance also states that, while the SEC staff will continue to issue comments to help it understand unusual valuations, the staff will not expect expanded disclosure in MD&A related to the underlying events and business developments that affected such valuations. The updated FRM states that companies should continue to disclose all of the following:

- The methods used to determine the fair value of the company’s shares and the nature of material assumptions used in determining the fair value
- The extent to which such estimates are considered highly complex and subjective
- That such estimates will not be necessary for new awards once the shares begin trading

In addition, the staff updated its FRM this year clarifying its guidance in a number of areas, such as:

- Clarifying that probable acquisitions that are less than 50% significant should be considered when evaluating individually insignificant acquisitions for purposes of complying with Rule 3-05 of Regulation S-X in registration statements
- Permitting annual reports to comply with the due dates under Rule 3-09 of Regulation S-X when lessee financial statements are required for properties subject to triple net lease arrangements

SEC staff makes observations on first conflict minerals filings as litigation continues

Summary
Approximately 1,300 registrants filed a Form SD with their conflict minerals disclosures in 2014 that requires registrants to disclose the use of conflict minerals in their products and whether those minerals originated from certain conflict-ridden regions of Africa. Of these filings, 77% included a conflict minerals report, and only four conflict minerals reports were accompanied by an independent private sector audit report. The SEC’s Director of the Division of Corporation Finance, Keith Higgins, provided the following observations based on the first conflict minerals filings:

- Registrants may proceed directly to the step of performing due diligence on the source and chain of custody of their conflict minerals without making a reasonable country of origin inquiry. If a registrant determines that its conflict minerals were not sourced from certain African countries, the registrant should provide clear disclosure about the process used to reach that conclusion.
- Registrants should not make statements implying that products are conflict-free if they have not obtained an independent private sector audit (IPSA) of their conflict minerals report.
- Registrants must disclose the smelter or refiner used to process their minerals, if known.

As required by the Dodd-Frank Act, the Department of Commerce (DOC) recently released a list of all known conflict mineral processing facilities worldwide. Although the list identifies known processing facilities, the DOC was unable to identify which facilities process minerals used to finance conflict in the covered countries.
Meanwhile, the litigation over the conflict minerals rule is ongoing. The US Court of Appeals for the District of Columbia Circuit issued an order granting the SEC’s petition for a rehearing by the three-judge panel that originally decided that the conflict minerals rule violated the First Amendment. It is not clear when the three-judge panel will decide the case, and the case could be appealed to the full Court. As a result, affected registrants should continue preparing to file the required form and exhibits by the 1 June deadline (the filing deadline would be 31 May, but it is a day later this year since that date falls on a weekend) while monitoring the legal challenge.

**AICPA sheds light on objectives and scope of conflict minerals audits**

The AICPA issued a series of questions and answers (Q&As) to clarify the objective and scope of the IPSA that may be required to accompany a registrant’s conflict minerals report (CMR) that many registrants will file with the SEC for the first time this year. The AICPA document includes examples of audit procedures and provides guidance about continuing professional education requirements for auditors who perform these audits.

**Other resources**

- To the Point, SEC moves ahead with modified conflict minerals reporting (SCORE No. CC0394)
- Let’s talk: governance, First-year conflict mineral reporting reveals insights and surprises (SCORE No. CF0086)
- SEC Frequently Asked Questions on the SEC’s Conflict Minerals rule

**New pilot program to facilitate analysis of XBRL data**

**Summary**

The SEC launched a pilot program aimed at making it easier for investors to analyze and compare public company financial information submitted in an XBRL format. The data that companies provide in XBRL will be combined and organized into structured data sets and available for download from the SEC’s website. The data sets initially will contain financial statement data. They will be expanded in 2015 to include data in footnotes to the financial statements.

**Other resources**

- Press release, SEC Announces Program to Facilitate Analysis of Corporate Financial Data

**US GAAP XBRL taxonomy updates**

**Summary**

The 2012 US GAAP XBRL Taxonomy is now unavailable for use.

The SEC approved the use of the 2014 US GAAP XBRL Taxonomy and updated EDGAR to support it. The 2014 taxonomy adds tags for accounting standards updates, eliminates industry views and makes other changes. Companies that use the 2013 taxonomy are not required to start using the 2014 taxonomy, but the SEC staff strongly encourages registrants to adopt the latest version of the US GAAP taxonomy.

The FASB made available the 2015 US GAAP XBRL Taxonomy, along with a taxonomy viewer and guidance that describes changes from the 2014 taxonomy. The 2015 taxonomy may be used for SEC XBRL exhibit submissions only after it is adopted by the SEC, which is expected in the first half of 2015.
Other resources

- Technical Line, Using the 2014 XBRL US GAAP Taxonomy (SCORE No. CC0395)

SEC staff weighs in on XBRL practices

Summary

The SEC Division of Corporation Finance sent letters to certain registrants saying their XBRL exhibits omitted the required calculation relationships for certain line item elements and requesting that they be included in future XBRL exhibits. These relationships show the mathematical connection between elements (e.g., current assets plus noncurrent assets equal total assets on the balance sheet). A sample “Dear CFO letter” is also available on the SEC’s website.

Separately, the staff of the Division of Economic and Risk Analysis (DERA) issued observations about custom tagging in XBRL exhibits and noted that some registrants, often those in the last XBRL phase-in group (i.e., accelerated and non-accelerated filers), used custom tags for more than half the tagged items in their filings. SEC rules permit custom tags to be used only when a standard tag from the XBRL taxonomy doesn’t exist for a financial element. The SEC staff plans to continue monitoring trends in custom tagging and may consider further guidance or other actions.

Other resources

- Sample Letter Sent to Public Companies Regarding XBRL Requirement to Include Calculation Relationships
- Staff Observations of Custom Tag Rates

SEC staff issues guidance on proxy advisory firms

Summary

The Divisions of Investment Management and Corporation Finance jointly issued Staff Legal Bulletin No. 20 providing guidance on investment advisers’ responsibilities when voting client proxies and retaining proxy advisory firms. The bulletin discusses procedures an investment adviser could consider to evaluate the capacity and competency of a proxy advisory firm. It also says that an investment adviser must adopt and implement policies and procedures to oversee its proxy advisory firm(s) and ensure that proxies continue to be voted in the best interests of its clients. The staff clarified that an investment adviser and its client have flexibility in determining the scope of the investment adviser’s obligation to exercise proxy voting authority, acknowledging that there may be certain proxy voting arrangements in which the adviser would not assume all of the proxy voting authority.

The bulletin also provides guidance on when a proxy advisory firm is subject to the federal proxy rules and the nature and extent of disclosures required when a proxy advisory firm has a potential conflict of interest. The staff noted that investment advisers and proxy advisory firms may need to make changes to systems and processes based on the bulletin. The staff said any such changes should be made promptly, before the 2015 proxy season.

Other resources

- Staff Legal Bulletin No. 20, Proxy Voting Responsibilities of Investment Advisers and Availability of Exemptions from the Proxy Rules for Proxy Advisory Firms
SEC hosts cybersecurity roundtable

Summary
The SEC hosted a roundtable to better understand the cybersecurity risks that market participants face and how they can be addressed. The roundtable served as a forum for the SEC Commissioners and staff to ask questions to inform the SEC’s next steps to maintain the integrity of market systems, protect customer data and promote disclosure of material information to investors. It’s unclear whether the SEC will issue additional guidance or rules to address cybersecurity.

SEC Commissioners and staff encouraged the public to provide views about cybersecurity issues and to respond to questions and views expressed by roundtable panelists. The comment file is available on the SEC’s website.

Other resources
- To the Point, Washington focuses on cybersecurity (SCORE No. CC0391)

Pilot plan to assess impact of tick size for smaller companies pending SEC approval

Summary
The implementation of a targeted 12-month pilot program by the national securities exchanges and the Financial Industry Regulatory Authority (FINRA) to establish a national market system to increase tick sizes of smaller companies that meet certain criteria is pending SEC approval. The pilot will include stocks with a market capitalization of $5 billion or less, an average daily trading volume of one million shares or less and a closing share price of at least $2 per share. The pilot will consist of one control group that will be quoted at the current tick size increment of one cent and three test groups with wider tick sizes for quotes and trading (e.g., five-cent minimum increments).

SEC Investor Advisory Committee

Summary
The Investor Advisory Committee (the Committee), which was established by the Dodd-Frank Act to advise the SEC on regulatory priorities and initiatives to protect investors and promote investor confidence, approved a number of recommendations during the four meetings held in 2014, including that the SEC:

- Evaluate whether the current accredited investor definition is effective in identifying individuals who do not need the protections afforded by the Securities Act and recommended certain revisions to the definition if the Commission finds that a significant percentage of individuals who currently qualify as an accredited investor are not capable of protecting their own interests
- Issue rules to ensure that brokers and intermediaries act impartially when disclosing preliminary proxy voting results
- Include additional investor protections in its final crowdfunding rules, such as placing further limits on the maximum amount an investor can invest in a crowdfunding offering
Consider certain parameters in any future pilot program for increased tick sizes, including that the pilot program have a short time frame and a sunset provision, unless the benefits of increased tick sizes exceed the costs; however, the Committee recommended against both an increase in trading price increments and a pilot program.

SEC Advisory Committee on Small and Emerging Companies

Summary
The SEC Advisory Committee on Small and Emerging Companies (the Committee) was established in 2011 to provide the SEC with a formal mechanism to receive advice and recommendations related to small and emerging companies in the areas of capital formation, trading securities, public reporting and corporate governance. The Committee held a meeting on 17 December 2014 to discuss the accredited investor definition and whether to recommend changes, if any, to the SEC. There were no formal recommendations made to the SEC at this meeting.
Auditing Standard No. 18, Related Parties and Amendments to Certain PCAOB Auditing Standards Regarding Significant Unusual Transactions and Other Amendments to PCAOB Auditing Standards (PCAOB Release No. 2014-002)

Date approved by the SEC: 21 October 2014

Summary
The PCAOB adopted Auditing Standard No. 18, Related Parties and Amendments to Certain PCAOB Auditing Standards Regarding Significant Unusual Transactions and Other Amendments to PCAOB Auditing Standards, to strengthen auditor performance requirements for related-party transactions, significant unusual transactions, and financial relationships and transactions with executive officers. The standard requires auditors to perform specific procedures when evaluating how a company identifies, accounts for and discloses its transactions and relationships with related parties. The amendments regarding significant unusual transactions include specific procedures to help the auditor identify and evaluate such transactions and to improve the auditor’s understanding of their business purposes. Other amendments to PCAOB auditing standards include, among other things, specific procedures requiring the auditor to obtain, during the risk assessment process, an understanding of a company's financial relationships and transactions with its executive officers.

The standard is effective for audits of financial statements (including audits of emerging growth companies and broker-dealers) for fiscal years beginning on or after 15 December 2014, including reviews of interim financial information within these fiscal years.

Other resources
- To the Point, Spotlight on transactions with related parties, significant unusual transactions and executives (SCORE No. EE0954)

Amendments to Conform the Board’s Rules and Forms to the Dodd-Frank Act and Make Certain Updates and Clarifications (PCAOB Release No. 2013-010)

Date approved by the SEC: 2 May 2014

Summary
The SEC approved amendments, updates and clarifications to PCAOB rules and forms to make them apply to the audits and auditors of brokers and dealers registered with the SEC, as authorized by the Dodd-Frank Wall Street Reform and Consumer Protection Act.

The amendments insert references to audits and auditors of broker-dealers in relevant Board rules and call for broker-dealer audit client information on the Board’s registration, withdrawal and reporting forms (PCAOB Forms 1, 1-WD, 2, 3 and 4). The amendments also (1) require registered firms that audit broker-dealers to comply with certain of the Board’s professional practice standards, (2) update a number of Board rules and forms based on the Board’s experience administering and enforcing PCAOB rules and (3) make certain updates to the Board’s ethics and independence requirements.

The amendments to Forms 1, 1-WD, 3 and 4 will take effect on 1 July 2014. The amendments to Form 2 will take effect 1 April 2015.

*Date approved by the SEC: 12 February 2014*

**Summary**

The PCAOB adopted Auditing Standard No. 17 (AS 17), *Auditing Supplemental Information Accompanying Audited Financial Statements*, that establishes the auditor’s responsibilities when performing audit procedures and reporting on supplemental information that accompanies the audited financial statements of broker-dealers and others, such as certain employee benefit plans that must file with the SEC audited financial statements and schedules prepared in accordance with certain financial reporting requirements of the Employee Retirement Income Security Act of 1974.

AS 17 and related amendments became effective for reports on supplemental information that accompanies financial statements for fiscal years ending on or after 1 June 2014.

Standards for Attestation Engagements Related to Broker and Dealer Compliance or Exemption Reports Required by the U.S. Securities and Exchange Commission (PCAOB Release No. 2013-007)

*Date approved by the SEC: 12 February 2014*

**Summary**

The PCAOB adopted two new attestation standards, *Examination Engagements Regarding Compliance Reports of Brokers and Dealers* and *Review Engagements Regarding Exemption Reports of Brokers and Dealers*.

The *Examination* standard requires auditors to obtain sufficient appropriate evidence to opine on a broker-dealer’s statements in its compliance report as to whether:

- The broker-dealer’s internal control over compliance was effective during and as of the end of the most recent fiscal year
- The broker-dealer was in compliance with the net capital rule and the reserve requirements rule as of the end of the most recent fiscal year
- The information used by the broker-dealer to state whether it was in compliance with the net capital rule and reserve requirements rule was derived from its books and records

The *Review* standard requires auditors to obtain moderate assurance about the following statements in the broker-dealer’s exemption report:

- A statement that identifies the “exemption provisions” under which the broker-dealer claimed an exemption
- A statement that the broker-dealer (1) met the identified exemption provisions throughout the most recent fiscal year without exception or (2) met the identified exemption provisions throughout the most recent fiscal year, except as described in the exemption report
If applicable, a statement that identifies each exception during the most recent fiscal year in meeting the identified exemption provisions and that briefly describes the nature of each exception and the approximate date(s) on which the exceptions existed.

The new standards became effective for examination engagements and review engagements of fiscal years ending on or after 1 June 2014.

Staff Audit Practice Alert No. 13, Matters Related to the Auditor’s Consideration of a Company’s Ability to Continue as a Going Concern

**Date issued:** 22 September 2014

**Summary**
The PCAOB issued a Staff Audit Practice Alert that says auditors should evaluate management’s assessment of an entity’s ability to continue as a going concern (as required by new accounting guidance in Accounting Standards Update 2014-15) when determining whether the financial statements are presented fairly.

The new guidance is effective in annual periods ending after 15 December 2016. However, the alert says auditors should continue to follow the auditing standard (Interim Standard AU sec. 341) when making their own assessment of the need for going concern disclosure in the auditor’s report. In particular, the alert states that a determination that no disclosure is needed under ASU 2014-15 is not conclusive as to whether modifications to the auditor’s report are necessary under AU 341.

The PCAOB plans to issue a staff consultation paper in the first quarter of 2015 to solicit feedback on potential changes to the auditor’s responsibilities in this area, including whether the auditor’s reporting responsibilities should include matters that may be less severe than “substantial doubt.”

**Other resources**
- Staff Audit Practice Alert No. 13, Matters Related to the Auditor’s Consideration of a Company’s Ability to Continue as a Going Concern

Staff Audit Practice Alert No. 12, Matters Related to Auditing Revenue in an Audit of Financial Statements

**Date issued:** 9 September 2014

**Summary**
The PCAOB issued a Staff Audit Practice Alert on auditing revenue due to significant audit deficiencies it frequently observes during inspections. The alert discusses:

- Testing recognition of revenue from contractual arrangements
- Evaluating presentation of revenue (i.e., gross versus net revenue)
- Testing whether revenue was recognized in the correct period
- Evaluating whether the financial statements include the required disclosures on revenue
- Responding to risks of material misstatement due to fraud associated with revenue
Testing and evaluating controls over revenue
Applying audit sampling procedures to test revenue
Performing substantive analytical procedures to test revenue
Testing revenue in companies with multiple locations

Given that professional standards presume there is a risk of material misstatement due to fraud associated with revenue, the alert emphasizes the importance of exercising professional skepticism when auditing revenue and the need for audit team executives to ensure that their teams are implementing and executing appropriate procedures. It also notes that it is critical for engagement quality reviewers to focus on our audit strategy and execution related to revenue.

Other resources

- Staff Audit Practice Alert No. 12, *Matters Related to Auditing Revenue in an Audit of Financial Statements*
Proposals previously issued


**Date issued:** 4 December 2013 – comment period ended 17 March 2014

**Summary**
The PCAOB reproposed a requirement that auditors include in the auditor’s report: (1) the name of the engagement partner who led the audit for the most recent period, (2) the names, locations and extent of participation (as a percentage of total audit hours) of other public accounting firms that participated in the audit and (3) the locations and extent of participation by other individuals or companies that are not employed by the auditor. The proposal notes that issuers would likely be required to obtain a consent from the engagement partner named in the report, as well as from the participating firms named in the report, including affiliates of the signing firm.

The PCAOB is expected to issue a supplemental request for comment in early 2015 to consider the possibility of naming the audit engagement partner and other firms that participate in the audit in a new form that would be filed with the PCAOB shortly after a company filed its annual report with the SEC.

**Other resources**
- Comment letter (SCORE No. BB2696)


**Date issued:** 13 August 2013 – comment period ended 2 May 2014

**Summary**
The PCAOB held a roundtable discussion in early April on its proposal to require more information in the auditor’s report than the traditional pass-fail opinion. The proposal would require auditors to include a discussion of “critical audit matters” and include information on the auditor’s evaluation of “other information” accompanying the audited financial statements and auditor tenure. The proposal also would require auditors to perform additional procedures to evaluate, based on evidence gathered during the audit, whether information outside the financial statements contained material inconsistencies with amounts or information in the financial statements, a material misstatement of fact or both. The PCAOB is expected to issue a second proposal in early 2015 based on feedback received.

**Other resources**
- Comment letter (SCORE No. EE0944)

_Date issued:_ 26 March 2013 – _comment period ended_ 28 May 2013

**Supplemental request for comment issued:** 7 May 2014 – _comment period ended_ 8 July 2014

**Summary**

The PCAOB proposed for comment a framework for reorganizing its auditing standards. The proposed reorganization is intended to present the standards in a logical order that generally follows the flow of the audit process to help users navigate the standards more easily.

Under the proposal, auditing standards the PCAOB has issued and interim standards would be reorganized by topic with a single numbering system. The standards would be grouped into the following categories: general auditing standards, audit procedures, auditor reporting, matters relating to filings under federal securities laws and other matters associated with audits.

The PCAOB did not propose to redraft any standards or make substantive changes to their requirements. In conjunction with the proposed reorganization, however, the PCAOB did propose to rescind certain auditing standards that it believes are no longer necessary. After consideration of the comments received, the Board intends to release and seek comment on the amendments necessary to implement the reorganization of the auditing standards during 2015.

**Other resources**

- _Comment letter (SCORE No. EE0920)_

Concept Release on Auditor Independence and Audit Firm Rotation (PCAOB Release No. 2011-006)

_Date issued:_ 16 August 2011 – _comment period ended_ 19 November 2012

**Summary**

The PCAOB issued a concept release seeking comment on possible ways to enhance auditor independence, objectivity and professional skepticism, including mandatory audit firm rotation. Mandatory firm rotation would limit the number of consecutive years that a registered public accounting firm could serve as the auditor of a public company.

The concept release noted that proponents of mandatory rotation believe it would allow auditors to better withstand client pressures and provide a “fresh look” at the company’s financial reporting, while opponents believe it would lower audit quality. The PCAOB also is considering other ways to enhance auditor independence, objectivity and professional skepticism.

There are currently no projects specifically related to mandatory firm rotation on the PCAOB’s standard-setting agenda. However, certain PCAOB board members have previously stated that the PCAOB continues to consider activities that will improve auditor independence, objectivity and professional skepticism.

Date issued: 5 August 2010 – comment period ended 3 November 2010

Summary

The PCAOB issued a two-part release to (1) highlight the scope of Section 105(c)(6) of the Sarbanes-Oxley Act of 2002, which authorizes the PCAOB to impose sanctions on registered public accounting firms and their supervisory personnel for failing to reasonably supervise an associated person who has violated certain laws, rules or standards and (2) solicit comment on specific rulemaking concepts that, while not imposing any new supervision responsibilities, would require firms to make and document clear assignments of the supervision responsibilities that are already required to be part of any audit practice. The PCAOB’s current standard-setting agenda notes that the PCAOB has analyzed comments received but does not provide a timeline for further action.

Other resources

› Comment letter (SCORE No. BB2048)

Proposed Auditing Standard, Confirmation (PCAOB Release No. 2010-003)

Date issued: 13 July 2010 – comment period ended 13 September 2010

Summary

The PCAOB issued a proposed auditing standard on confirmation that would supersede PCAOB interim standard AU Section 330, The Confirmation Process. The proposed standard would expand the current presumptive requirement to confirm accounts receivable to include (1) receivables that arise from credit sales, loans or other transactions and (2) cash and other relationships with financial institutions. The proposed standard also would require the auditor to perform confirmation procedures in response to significant risks that relate to the relevant assertions that can be adequately addressed by confirmation
procedures. In addition, the proposed standard introduces certain limitations on the involvement of internal auditors in the confirmation process and also would require expanded procedures to be performed both in evaluating the evidence received from confirmation procedures and when agreeing to management’s requests not to confirm certain accounts, balances or other items. The PCAOB’s current standard-setting agenda notes that the PCAOB has analyzed comments and is drafting a reproposal, but it does not provide a timeline for further action.

**Other resources**

- Comment letter (SCORE No. BB1999)
PCAOB revisits rules on auditing estimates and fair value measurements

Summary
The PCAOB issued a Staff Consultation Paper, *Auditing Estimates and Fair Value Measurements*, seeking input on whether it should update its rules on auditing accounting estimates and fair value measurements. The paper seeks comment on whether the PCAOB should develop a new standard that would consolidate and supersede existing audit guidance (including guidance on auditing derivative instruments and investments in securities) and include new material to address inspection findings, practice issues and changes in accounting guidance.

Commenters generally supported enhancing the existing standards. Some of them said additional guidance on evaluating the reasonableness of estimates with significant measurement uncertainty and how to consider the use of third parties involved in the development of an estimate would be helpful. In our response to the staff consultation paper, we said we believe there is an opportunity to improve existing standards, but we expressed concern that a single standard would not effectively consider the wide array of accounting estimates and fair value measurements that need to be addressed and could result in unintended consequences.

Other resources
- Comment letter (SCORE No. BB2868)
Amendment to Statement on Auditing Standards No. 122 Section 920, *Letters for Underwriters and Certain Other Requesting Parties*, as Amended (Statement on Auditing Standards No. 129)

*Date issued:* 23 July 2014

**Summary**

This Statement on Auditing Standards (SAS) was issued to address unintended changes to practice as a result of the ASB’s Clarity Project. AU-C 920 addresses the auditor’s responsibilities when engaged to issue letters to requesting parties in connection with a non-issuer entity’s financial statements included in a registration statement or other securities offerings.

The primary changes to the SAS include:

- Clarifying that when reports of component auditors are included in the securities offering and the component auditors have issued a comfort letter to a requesting party, the auditor is required to read each comfort letter issued by the component auditor rather than just those related to significant components, as allowed under current guidance.

- Requiring the review report to be attached when the auditor states in the comfort letter that the auditor has issued a review report on unaudited interim financial information, instead of requiring it when the auditor states in the comfort letter that the auditor has performed a review of unaudited interim financial information.

- Amending example D, *Comments on Pro Forma Financial Information*, to address certain inconsistencies in the language, including:
  - Changing the concluding paragraph in example D to refer to the applicable accounting requirements of Rule 11-02 of Regulation S-X rather than the pro forma bases described in the notes to the pro forma financial statements.
  - Adding example D-2 to address providing negative assurance on pro forma financial information as to compliance with pro forma bases as described in the pro forma financial information.
  - Amending example O to address procedures performed on pro forma financial information and subsequent change period that were not previously carried forward from AU section 634, *Letters for Underwriters and Certain Other Requesting Parties*.

**Effective date**

The statement is effective for comfort letters issued on or after 15 December 2014. Early adoption is encouraged.
Using the Work of Internal Auditors (Statement on Auditing Standards No. 128)

Date Issued: 11 February 2014

Summary
This SAS supersedes SAS No. 65, The Auditor’s Consideration of the Internal Audit Function in an Audit of Financial Statements (AICPA Professional Standards, AU section 322 and AU-C section 610). This SAS also amends:

- SAS No. 122, Statements on Auditing Standards: Clarification and Recodification, section 315, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement (AICPA Professional Standards, AU-C section 315), and other sections in SAS No. 122
- Statement on Quality Control Standards No. 8, A Firm’s System of Quality Control (Redrafted) (AICPA Professional Standards, QC section 10)

The SAS addresses the external auditor’s responsibilities when using the work of the internal audit function to obtain audit evidence and when using internal auditors to provide direct assistance under the external auditor’s direction, supervision and review.

The SAS introduces the concept of a “systematic and disciplined approach,” consistent with ISA 610, Using the Work of Internal Auditors (Revised 2013). As a prerequisite to using the work of the internal audit function, the external auditor is required to evaluate whether the internal audit function applies a systematic and disciplined approach, including quality control. The ASB believes that this requirement represents an additional and explicit evaluation to conclude on the appropriateness of using the work of internal auditors by the external auditor.

Additionally, before using the work of internal auditors to provide direct assistance in an audit, the external auditor is required to obtain a written agreement from an authorized representative of the entity stating that internal auditors will be allowed to follow the external auditor’s instructions and that the entity will not intervene in the work being performed by the internal auditors on behalf of the external auditor.

Effective date
The statement is effective for audits of financial statements for periods ending on or after 15 December 2014.

Note: In certain countries (e.g., Australia, France, Germany, Ireland, Japan, UK), regulators prohibit external auditors to use the work of internal auditors to provide direct assistance for audits of entities located in those countries, including subsidiaries located elsewhere, and statutory audits of subsidiaries for which parent companies are domiciled in other countries. Companies with overseas operations should assess the requirements in those countries for the effect on their audits.
Proposals previously issued

Proposed Statement on Standards for Attestation Engagements, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities’ Internal Control Over Financial Reporting: Clarification and Recodification

Date issued: 18 September 2014 – comment period ended 18 December 2014

Summary

This proposed Statement on Standards for Attestation Engagements (SSAE) would supersede AT section 801, Reporting on Controls at a Service Organization (AICPA, Professional Standards). The proposed SSAE is consistent with the ASB’s clarity drafting conventions.

A practitioner performing an engagement that would be covered by this proposed SSAE would also be required to understand and comply with the applicable requirements in proposed chapters 1 and 2 of the Attestation Standards: Clarification and Recodification.

This proposed SSAE revises AT section 801 to:

- Introduce and define the term “complementary subservice organization controls,” which replaces the term “controls at a subservice organization”
- Revise the definition of complementary user entity controls to include only controls that are necessary to achieve the control objectives statement in management’s description of the service organization’s system
- Require the service auditor, as part of the risk assessment process, to read the reports of the internal audit function and regulatory examinations that relate to the services provided to user entities and the scope of the engagement
- Require the service auditor to determine that management’s assertion includes all of the criteria management used to evaluate the fairness of the presentation of the description, the suitability of the design of the controls, and, in a type 2 engagement, the operating effectiveness of the controls
- Clarify that if management’s assertion is included in the description of the service organization’s system, it should be clearly segregated from the description of the service organization’s system
- Add illustrative paragraphs to the type 1 and type 2 reports that would be added to the report in certain situations

Effective date

The effective date for the proposed SSAE has not been determined. The ASB does not anticipate that the effective date would be earlier than for reports for periods ending on or after 15 December 2016. After the ASB finalizes and approves all of the general and subject-matter specific chapters, a single SSAE will be issued with a single effective date.

**Date issued:** 10 September 2014 – comment period ended 10 December 2014

**Summary**
Currently, audits of internal control over financial reporting performed under AT section 501, *An Examination of an Entity’s Internal Control Over Financial Reporting That Is Integrated With an Audit of Its Financial Statements* (AICPA, Professional Standards), as well as attestation interpretation No. 1, “Reporting Under Section 112 of the Federal Deposit Insurance Corporation Improvement Act” (AICPA, Professional Standards, AT Sec. 9501), are required to be integrated with an audit of the financial statements. The ASB determined that it would be more appropriate to move the content of AT 501 from the attestation standards into generally accepted auditing standards (GAAS).

The ASB intended to adhere as closely as possible to AT section 501 and PCAOB Auditing Standard No. 5, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*, while aligning with GAAS and avoiding unintended changes in practice. The following changes would be made in order to integrate the proposed SAS into GAAS:

- The auditor would be required to examine and report directly on the effectiveness of internal control over financial reporting (ICFR). There would no longer be an option to examine and report on management’s assertion about the effectiveness of ICFR.

- The proposed SAS presumes management uses the 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 COSO framework) and includes requirements for evaluating the five components of internal control by assessing the principles in the 2013 COSO framework. However, the proposed SAS allows the auditor to adapt and apply the standard when management applies other internal control frameworks such as the US Government Accountability Office’s Standards for Internal Control in the Federal Government (the Green Book), which the GAO updated to reflect the changes in the COSO framework.

- The term significant account or disclosure used in AT section 501 would be changed to significant class of transactions, account balance or disclosure to align with terminology used in GAAS and the proposed SAS would clarify that the risk factors the auditor is required to evaluate in the identification of significant classes of transactions, account balances and disclosures and their relevant assertions are the same in the audit of ICFR as in the audit of the financial statements. The proposed SAS would amend AU-C section 315, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement* (AICPA, Professional Standards), to include the definition of “significant class of transactions, account balance, or disclosure.”
The proposed SAS would continue to allow the auditor to use the work of the internal audit function and others to obtain evidence about the effectiveness of ICFR. Although AU-C section 610, *Using the Work of Internal Auditors* (AICPA, Professional Standards), does not discuss “others,” the proposed SAS would require that the auditor planning to use the work of others in the audit of ICFR, adapt and apply, as necessary, the requirements of AU-C section 610, including the need for others to apply a systematic and disciplined approach.

**Effective date**
The proposed SAS would be effective for integrated audits for periods ending on or after 15 December 2016.

**Other resources**
- Comment letter (SCORE No. EE0968)

### Proposed Statement on Standards for Attestation Engagements: Subject-Matter Specific Attestation Standards: Clarification and Recodification

**Date issued:** 28 January 2014 – comment period ended 27 May 2014

**Summary**
This proposed SSAE would supersede AT section 301, *Financial Forecasts and Projections*, AT section 401, *Reporting on Pro Forma Financial Information*, and AT section 601, *Compliance Attestation*. This proposed SSAE includes subject-matter specific chapters that build on the general chapters in the *Attestation Standards: Clarification and Recodification*.

The ASB intends to retain AT section 701, *Management’s Discussion and Analysis*, in its current form because practitioners rarely perform these engagements.

**Effective date**
The effective date for the proposed SSAE has not been determined. After the ASB finalizes and approves all of the general and subject-matter specific chapters, a single SSAE will be issued with a single effective date.

**Other resources**
- Comment letter (SCORE No. BB2779)

### Proposed Statement on Standards for Attestation Engagements, Attestation Standards: Clarification and Recodification

**Date issued:** 24 July 2013 – comment period ended 24 October 2013

**Summary**
This proposed SSAE would supersede AT section 20, *Defining Professional Requirements in Statements on Standards for Attestation Engagements*; AT section 50, *SSAE Hierarchy*; AT section 101, *Attest Engagements*; and AT section 201, *Agreed-Upon Procedures*
Engagements. Now that the SASs have been clarified, the ASB is clarifying the SSAEs beginning with those standards that provide a framework for performing and reporting on attestation engagements. The proposed SSAE is consistent with the ASB’s clarity drafting conventions.

The ASB has made additional changes to the content of the existing attestation standards. The most significant changes include:

- **Restructuring of attestation standards** – The proposed SSAE restructures the attestation standards so that the requirements and guidance applicable to any attestation engagement are in Chapter 1, “Concepts Common to All Attestation Engagements.” Separate chapters for examination, review and agreed-upon procedures engagements (i.e., Chapter 2, “Examination Engagements;” Chapter 3, “Review Engagements;” and Chapter 4, “Agreed-Upon Procedures Engagements,” respectively) build on the common concepts in Chapter 1 and include performance and reporting requirements and application guidance tailored to the specific type of engagement. The subject-matter-specific chapters are expected to be contained in chapters 5-10 of the clarified attestation standards. Those chapters have been exposed for comment subsequent to the issuance of this proposed SSAE and are not included in this proposed SSAE.

- **Required assertion in examinations and reviews** – For all examination and review engagements, the proposed SSAE would require the practitioner to obtain a written assertion from the responsible party about the measurement or evaluation of the subject matter against the applicable criteria. The guidance previously allowed for exceptions when the engaging party was not the responsible party, and the practitioner could perform the examination or review without obtaining the written assertion, but is required to restrict the use of the report. This alternative would no longer be permitted.

- **Required representation letters in examinations and reviews** – In the current SSAEs, certain subject-matter-specific AT sections require the practitioner to obtain a representation letter. The proposed SSAE requires a representation letter in all examination and review engagements. However, if a responsible party who is not the engaging party refuses to provide the practitioner with a representation letter, the practitioner would not necessarily be required to conclude that a scope limitation exists if the practitioner is able to obtain satisfactory oral responses from the responsible party to the matters ordinarily included in the representation letter. In these circumstances, the use of the examination or review report would be restricted to the engaging party.

- **Risk assessment for examination engagements** – The proposed SSAE requires practitioners to obtain a more in-depth understanding of the development of the subject matter than currently required in order to better identify the risks of material misstatement in an examination engagement.
• **Incorporation of detailed requirements** – The proposed SSAE incorporates a number of detailed requirements (such as the need for an engagement letter or equivalent and for written representations in examinations and reviews) that are similar to those contained in the SASs, the International Auditing and Assurance Standards Board (IAASB) guidance, International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits and Reviews of Historical Financial Information*, and ISAE 3410, *Assurance Engagements on Greenhouse Gas Emissions*.

• **Scope limitation imposed by the engaging party or the responsible party** – Under the proposed SSAE, a practitioner is no longer required to disclaim an opinion or withdraw from an engagement if the engaging party or responsible party imposes restrictions that significantly limit the scope of the engagement. Instead, the proposed SSAE states that based on the practitioner’s assessment of the effect of the scope limitation, the practitioner should express a qualified opinion, disclaim an opinion or withdraw from the engagement (when withdrawal is possible under applicable laws or regulations).

**Effective date**

The effective date for the proposed SSAE has not been determined. After the ASB finalizes and approves all of the general and subject-matter specific chapters, a single SSAE will be issued with a single effective date.

**Other resources**

› *Comment letter* (SCORE No. BB2669)
Other final standards

Statement on Standards for Accounting and Review Services No. 21, Statements on Standards for Accounting and Review Services: Clarification and Recodification

Date issued: 20 October 2014

Summary
Statement on Standards for Accounting and Review (SSARS) No. 21 represents the efforts of the AICPA’s Accounting and Review Services Committee (ARSC) to clarify and revise the existing standards for reviews, compilations, and engagements to prepare financial statements as a result of the ARSC Clarity Project.

SSARS No. 21 supersedes all existing AR sections in AICPA Professional Standards with the exception of AR section 120, Compilation of Pro Forma Financial Information. In 2015, AR section 120 is expected to be clarified and exposed for public comment along with new proposed requirements and guidance related to compilation of prospective financial information, for which existing requirements are contained in SSAEs.

SSARS No. 21 comprises four sections:

- Section 60, General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services, includes the general principles for engagements performed in accordance with SSARSs and is intended to replace AR section 60, Framework for Performing and Reporting on Compilation and Review Engagements.

- Section 70, Preparation of Financial Statements, contains the requirements and guidance related to engagements to prepare financial statements that apply when an accountant is engaged to prepare financial statements for an entity but not to perform a compilation, review or audit of those financial statements.

- Section 80, Compilation Engagements, contains the requirements and guidance related to compilation engagements that apply only when an accountant is engaged to perform a compilation of historical financial statements.

- Section 90, Review of Financial Statements, contains the requirements and guidance related to review engagements based on the review literature in SSARS No. 19, Compilation and Review Engagements, with few changes.

Effective date
The statement is effective for reviews, compilations and engagements to prepare financial statements for periods ending on or after 15 December 2015. Early implementation is permitted.
Auditing interpretations

The AICPA issued the following auditing interpretations to assist plan and employer auditors who are auditing entities upon implementation of the GASB’s new pension accounting standards (i.e., GASB Statement 67, Financial Reporting for Pension Plans, and GASB Statement 68, Accounting and Financial Reporting for Pensions):

- Interpretation No. 3, Auditor of Participating Employer in a Governmental Agent Multiple-Employer Pension Plan, of AU-C section 500, Audit Evidence (June 2014)
- Interpretation No. 2, Auditor of Governmental Agent Multiple-Employer Pension Plan, of AU-C section 805, Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement (June 2014)
- Interpretation No. 2, Auditor of Participating Employer in a Governmental Cost-Sharing Multiple-Employer Pension Plan, of AU-C section 500, Audit Evidence (April 2014)
- Interpretation No. 1, Auditor of Participating Employer in a Governmental Pension Plan, of AU-C section 600, Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors) (April 2014)
- Interpretation No. 1, Auditor of Governmental Cost-Sharing Multiple-Employer Pension Plan, of AU-C section 805, Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement (April 2014)
Concepts Statement No. 6, Measurement of Elements of Financial Statements

Date issued: 14 April 2014

Summary

The Concepts Statement establishes two approaches to measuring assets and liabilities: (1) initial amounts are determined at the time an asset is acquired or a liability is incurred, and (2) remeasured amounts are determined as of the date of each year’s financial statements.

The Concepts Statement establishes four measurement attributes (i.e., the characteristic of an asset or liability that is being measured) that may be considered for use by standard setters, depending on the circumstances: historical cost, fair value, replacement cost and settlement amount.

In addition, the Concepts Statement identifies circumstances in which one measurement attribute is more appropriate than the other. Initial amounts are more appropriate for assets that are used directly in providing services. Remeasured amounts are more appropriate for assets that will be converted to cash (e.g., financial assets). Remeasured amounts also are more appropriate for liabilities for which there is uncertainty about the timing and amount of payments (e.g., compensated absences, pollution remediation obligations).
GASB exposure drafts

**Issued this quarter**

Tax abatement disclosures

*Date issued: 31 October 2014 - comment period ends 30 January 2015*

*Summary*

The GASB proposed requiring state and local governments to disclose information about property and other tax abatement agreements. The proposed guidance addresses tax abatements resulting from agreements entered into by the reporting government and those initiated by other governments that reduce the reporting government’s tax revenues.

*Effective date*

The requirements of the proposal would be effective for financial statements for fiscal years beginning after 15 December 2015. Earlier application would be encouraged.

**Other proposals previously issued**

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

*Date issued: 16 June 2014 – comment period ended 29 August 2014*

*Summary*

The exposure draft (ED) proposes guidance for governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance the OPEB of other entities. Governments would be required to report a liability for OPEB on the face of the financial statements. For governments that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria, this liability would be the net OPEB liability, which is the difference between the total OPEB liability and the net position accumulated in the trust. The ED also proposes significant changes to how a government would calculate its OPEB liability and its annual expense. Governments in all types of OPEB plans also would be required to present more extensive disclosures and required supplementary information about their OPEB liabilities.

*Effective date*

The proposed requirements would be effective for fiscal years beginning after 15 December 2016.
Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans

Date issued: 16 June 2014 – comment period ended 29 August 2014

Summary
The ED proposes guidance for plans that administer OPEB. It proposes financial reporting requirements for defined benefit OPEB plans administered through trusts that meet certain criteria and disclosure requirements for defined contribution OPEB plans administered through trusts that meet certain criteria.

Effective date
The proposed requirements would be effective for financial statements for fiscal years beginning after 15 December 2015.

Accounting and Financial Reporting for Pensions and Financial Reporting for Pension Plans That Are Not Administered through Trusts That Meet Specified Criteria, and Amendments to Certain Provisions of GASB Statements 67 and 68

Date issued: 16 June 2014 – comment period ended 29 August 2014

Summary
The ED would establish requirements for pension plans, employers and governmental nonemployer contributing entities that provide pension benefits that are not administered through a trust meeting specified criteria and thus were not subject to the scope of GASB Statement 67 (for plans) and/or Statement 68 (for employers). It would also amend certain provisions of GASB Statement 67 for plans and GASB Statement 68 for employers that are within their respective scopes.

Effective date
The requirements for pension plans, employers and governmental nonemployer contributing entities that are not within the scope of GASB Statement 67 or GASB Statement 68 would be effective for financial statements for fiscal years beginning after 15 June 2016.

The requirements for pension plans, employers and governmental nonemployer contributing entities that are within the scope of GASB Statement 67 or GASB Statement 68 would be effective for fiscal years beginning after 15 June 2015.

Fair Value Measurement and Application

Date issued: 15 May 2014 – comment period ended 15 August 2014

Summary
The ED would clarify how fair value is defined and measured, which assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. The proposal also would add a requirement that governments disclose in the notes to their financial statements the inputs they use to measure fair value and the judgments they make to determine those inputs.

Effective date
The proposed requirements would be effective for reporting periods beginning after 15 June 2015.
The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

Date issued: 27 February 2014 – comment period ended 31 December 2014

Summary
The GASB Statement would reduce the number of categories in the GAAP hierarchy from four to two. The GAAP hierarchy lists the order of priority for pronouncements that state and local governments follow when preparing financial statements. The proposed categories are (1) GASB Statements of Governmental Accounting Standards and (2) GASB Technical Bulletins and Implementation Guides, which would include AICPA guidance cleared by the GASB.

Effective date
The proposed standard would be effective for periods beginning after 15 June 2015.

Implementation Guide No. 20xx-1

Date issued: 27 February 2014 – comment period ended 31 December 2014

Summary
The GASB proposed an implementation guide covering all implementation guidance issued to date. The GASB proposed the guide, which lists changes to its implementation guidance in Appendix C, because it would be required to seek comment on it under its proposal to elevate implementation guidance in the GAAP hierarchy (see above).

Effective date
The proposed implementation guide would be effective for periods beginning after 15 June 2015.
Preliminary Views, Financial Reporting for Fiduciary Responsibilities

*Date issued:* 20 November 2014 — *comment period ends 6 March 2015*

**Summary**

The Preliminary Views addresses the Board’s objective to enhance consistency and comparability in the reporting of activities in which a government has a fiduciary responsibility (i.e., the government is controlling assets belonging to others in a trustee or a custodial capacity) by:

- Defining when a government has a fiduciary responsibility and is required to present fiduciary fund financial statements
- Clarifying financial reporting requirements for fiduciary responsibilities, including a requirement for business type activities that serve in a fiduciary capacity
- Introducing the use of a financial statement that reports the inflows and outflows of resources for all fiduciary fund types

Preliminary Views, Leases

*Date issued:* 20 November 2014 — *comment period ends 6 March 2015*

**Summary**

The Board’s Preliminary Views document is based on the foundational principle that all leases are financings of the right to use an underlying asset. It would require lessee governments to report the following in their financial statements for all leases except short-term leases (12 months or less):

- An intangible asset that represents a the government’s right to use the leased asset
- A corresponding liability for lease payments
- Amortization expense related to the lease asset
- Interest expense related to the liability

Government lessors would report the following in their financial statements for all leases except short-term leases.

- A receivable for the right to receive payments
- A corresponding deferred inflows of resources to reflect resources related to future periods
- Lease revenue (and a corresponding reduction in the deferred inflow) systematically over the term of the lease
- Interest revenue related to the receivable

Date issued: 30 January 2014

Summary
The Guide is an authoritative resource designed to assist preparers and auditors of state and local government financial statements as they implement GASB Statement 68. Key questions and answers on implementing GASB Statement 68 are supplemented with several appendices, including a glossary of terms and non-authoritative illustration material.

The GASB issued in March 2014 an online toolkit designed to help preparers, auditors and users of state and local government financial statements understand and apply GASB Statement 68.

Effective date
Concurrent with the implementation of GASB Statement 68, which is effective for fiscal years beginning after 15 June 2014.
**Effective date matrices**

**Effective date matrix – final FASB pronouncements**

**Note:** Early adoption generally is permitted unless otherwise noted.

| ASU 2014-17 | Business Combinations (Topic 805), Pushdown Accounting | Effective immediately (18 November 2014). After the effective date, an acquired entity may elect to apply the guidance to future change-in-control events or to its most recent change-in-control event. |
| ASU 2014-06 | Technical Corrections and Improvements Related to Glossary Terms | Effective upon issuance (14 March 2014). |
| ASU 2013-12 | Definition of a Public Business Entity – An Addition to the Master Glossary | The term “public business entity” is being used to consider the scope of new guidance beginning in 2014. |
| ASU 2013-11 | Income Taxes (Topic 740), Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists | Effective for fiscal years, and interim periods within those years, beginning after 15 December 2013. |
| ASU 2013-08 | Financial Services – Investment Companies (Topic 946), Amendments to the Scope, Measurement, and Disclosure Requirements | Effective for an entity’s interim and annual reporting periods in fiscal years that begin after 15 December 2013. Earlier application is prohibited. |
| ASU 2013-07 | Presentation of Financial Statements (Topic 205), Liquidation Basis of Accounting | Effective for an entity that determines liquidation is imminent during annual reporting periods beginning after 15 December 2013, and interim reporting periods therein. |
| ASU 2013-05 | Foreign Currency Matters (Topic 830), Parent’s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity | Effective for fiscal years, and interim periods within those years, beginning after 15 December 2013. |
| ASU 2013-04 | Liabilities (Topic 405), Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date | Effective for fiscal years, and interim periods within those years, beginning after 15 December 2013. |
| ASU 2011-06 | Other Expenses (Topic 720), Fees Paid to the Federal Government by Health Insurers | Effective for calendar years beginning after 31 December 2013. |

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2 Refer to each ASU to determine which types of entities (e.g., public business entities, not-for-profits, employee benefit plans) are subject to these effective dates.

3 The JOBS Act allows emerging growth companies to follow private company effective dates for new or revised accounting standards issued after 5 April 2012. However, an emerging growth company must follow public company effective dates for all such standards if it has disclosed an election to do so.
<table>
<thead>
<tr>
<th>ASU Number</th>
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<tr>
<td>2014-16</td>
<td>Derivatives and Hedging (Topic 815), Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity</td>
<td>Effective for fiscal years, and interim periods within those fiscal years, beginning after 15 December 2015.</td>
</tr>
<tr>
<td>2014-15</td>
<td>Presentation of Financial Statements – Going Concern (Subtopic 205-40), Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern</td>
<td>Effective for annual periods ending after 15 December 2016, and interim periods within annual periods beginning after 15 December 2016.</td>
</tr>
<tr>
<td>2014-12</td>
<td>Compensation – Stock Compensation (Topic 718), Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period</td>
<td>Effective for annual periods and interim periods within those annual periods, beginning after 15 December 2015.</td>
</tr>
<tr>
<td>2014-11</td>
<td>Transfers and Servicing (Topic 860), Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures</td>
<td>Effective for the first interim or annual period beginning after 15 December 2014. Earlier application is prohibited. Disclosures for transactions accounted for as secured borrowings: Effective for annual periods beginning after 15 December 2014, and for interim periods beginning after 15 March 2015.</td>
</tr>
<tr>
<td>2014-09</td>
<td>Revenue from Contracts with Customers (Topic 606)</td>
<td>Effective for annual reporting periods beginning after 15 December 2016, including interim reporting periods within that reporting period. Earlier application is prohibited.</td>
</tr>
<tr>
<td>2014-08</td>
<td>Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360), Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity</td>
<td>Effective for all disposals (or classifications as held for sale) of components of an entity, and all businesses or nonprofit activities that, on acquisition, are classified as held for sale, that occur within annual periods beginning on or after 15 December 2014, and interim periods within those years.</td>
</tr>
<tr>
<td>2014-05</td>
<td>Service Concession Arrangements (Topic 853)</td>
<td>Effective for annual periods, and interim periods within those annual periods, beginning after 15 December 2014.</td>
</tr>
<tr>
<td>2014-04</td>
<td>Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40), Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure</td>
<td>Effective for annual periods, and interim periods within those annual periods, beginning after 15 December 2014.</td>
</tr>
<tr>
<td>2014-01</td>
<td>Investments – Equity Method and Joint Ventures (Topic 323), Accounting for Investments in Qualified Affordable Housing Projects</td>
<td>Effective for annual periods, and interim reporting periods within those annual periods, beginning after 15 December 2014.</td>
</tr>
<tr>
<td>2013-06</td>
<td>Not-for-Profit Entities (Topic 958), Services Received from Personnel of an Affiliate</td>
<td>Effective for fiscal years beginning after 15 June 2014, and interim and annual periods thereafter.</td>
</tr>
</tbody>
</table>
### Effective prior to 2014 for public\(^{(2)}\) calendar year-end entities\(^{(3)}\)

<table>
<thead>
<tr>
<th>ASU 2013-10</th>
<th>Derivatives and Hedging (Topic 815), Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes</th>
<th>Effective for qualifying new or redesignated hedging relationships entered into on or after 17 July 2013.</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASU 2013-02</td>
<td>Comprehensive Income (Topic 220), Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income</td>
<td>Effective for fiscal years, and interim periods within those years, beginning after 15 December 2012.</td>
</tr>
<tr>
<td>ASU 2013-01</td>
<td>Balance Sheet (Topic 210), Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities</td>
<td>Effective for fiscal years beginning on or after 1 January 2013, and interim periods within those annual periods (i.e., at the same time as ASU 2011-11).</td>
</tr>
<tr>
<td>ASU 2012-06</td>
<td>Business Combinations (Topic 805), Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution</td>
<td>Effective for fiscal years, and interim periods within those years, beginning on or after 15 December 2012.</td>
</tr>
<tr>
<td>ASU 2012-04</td>
<td>Technical Corrections and Improvements</td>
<td>Effective upon issuance (1 October 2012) for amendments that do not have transition guidance. Amendments that are subject to transition guidance: effective for fiscal periods beginning after 15 December 2012.</td>
</tr>
<tr>
<td>ASU 2012-02</td>
<td>Intangibles – Goodwill and Other (Topic 350), Testing Indefinite-Lived Intangible Assets for Impairment</td>
<td>Effective for annual and interim impairment tests performed for fiscal years beginning after 15 September 2012.</td>
</tr>
<tr>
<td>ASU 2012-01</td>
<td>Health Care Entities (Topic 954), Continuing Care Retirement Communities – Refundable Advance Fees</td>
<td>Effective for fiscal periods beginning after 15 December 2012.</td>
</tr>
<tr>
<td>ASU 2011-11</td>
<td>Balance Sheet (Topic 210), Disclosures about Offsetting Assets and Liabilities</td>
<td>Effective for fiscal years beginning on or after 1 January 2013, and interim periods within those annual periods.</td>
</tr>
<tr>
<td>ASU 2011-10</td>
<td>Property, Plant, and Equipment (Topic 360), Derecognition of in Substance Real Estate – a Scope Clarification</td>
<td>Effective for fiscal years, and interim periods within those years, beginning on or after 15 June 2012.</td>
</tr>
</tbody>
</table>

### Effective in 2014 for nonpublic\(^{(4)}\) calendar year-end entities

<table>
<thead>
<tr>
<th>ASU 2014-17</th>
<th>Business Combinations (Topic 805), Pushdown Accounting</th>
<th>Effective immediately (18 November 2014). After the effective date, an acquired entity may elect to apply the guidance to future change-in-control events or to its most recent change-in-control event.</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASU 2014-06</td>
<td>Technical Corrections and Improvements Related to Glossary Terms</td>
<td>Effective upon issuance (14 March 2014).</td>
</tr>
<tr>
<td>ASU 2013-12</td>
<td>Definition of a Public Business Entity – An Addition to the Master Glossary</td>
<td>The term “public business entity” is being used to consider the scope of new guidance beginning in 2014.</td>
</tr>
<tr>
<td>ASU 2013-08</td>
<td>Financial Services – Investment Companies (Topic 946), Amendments to the Scope, Measurement, and Disclosure Requirements</td>
<td>Effective for an entity’s interim and annual reporting periods in fiscal years that begin after 15 December 2013. Earlier application is prohibited.</td>
</tr>
<tr>
<td>ASU 2013-07</td>
<td>Presentation of Financial Statements (Topic 205), Liquidation Basis of Accounting</td>
<td>Effective for an entity that determines liquidation is imminent during annual reporting periods beginning after 15 December 2013, and interim reporting periods therein.</td>
</tr>
</tbody>
</table>

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\(^{(2)}\) Refer to each ASU to determine which types of entities (e.g., private companies, not-for-profits, employee benefit plans) are subject to these effective dates.
### Effective in 2014 for nonpublic[4] calendar year-end entities

<table>
<thead>
<tr>
<th>ASU 2013-04</th>
<th>Liabilities (Topic 405), Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date</th>
<th>Effective for fiscal years ending after 15 December 2014, and interim and annual periods thereafter.</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASU 2013-02</td>
<td>Comprehensive Income (Topic 220), Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income</td>
<td>Effective for fiscal years beginning after 15 December 2013, and interim and annual periods thereafter.</td>
</tr>
<tr>
<td>ASU 2012-04</td>
<td>Technical Corrections and Improvements</td>
<td>Effective upon issuance (1 October 2012) for amendments that do not have transition guidance. Amendments that are subject to transition guidance: effective for fiscal periods beginning after 15 December 2013.</td>
</tr>
<tr>
<td>ASU 2012-01</td>
<td>Health Care Entities (Topic 954), Continuing Care Retirement Communities – Refundable Advance Fees</td>
<td>Effective for fiscal periods beginning after 15 December 2013.</td>
</tr>
<tr>
<td>ASU 2011-06</td>
<td>Other Expenses (Topic 720), Fees Paid to the Federal Government by Health Insurers</td>
<td>Effective for calendar years beginning after 31 December 2013.</td>
</tr>
</tbody>
</table>

### Effective after 2014 for nonpublic[4] calendar year-end entities

<table>
<thead>
<tr>
<th>ASU 2014-18</th>
<th>Business Combinations (Topic 805), Accounting for Identifiable Intangible Assets in a Business Combination</th>
<th>If the first qualifying transaction occurs in the first fiscal year beginning after 15 December 2015, effective for that fiscal year’s annual financial reporting and for interim and annual periods thereafter. If the first qualifying transaction occurs in a fiscal year beginning after 15 December 2016, effective for the interim period that includes the date of the transaction and for interim and annual periods thereafter.</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASU 2014-16</td>
<td>Derivatives and Hedging (Topic 815), Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity</td>
<td>Effective for fiscal years beginning after 15 December 2015, and interim periods within fiscal years beginning after 15 December 2016.</td>
</tr>
<tr>
<td>ASU 2014-15</td>
<td>Presentation of Financial Statements – Going Concern (Subtopic 205-40), Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern</td>
<td>Effective for annual periods ending after 15 December 2016, and interim periods within annual periods beginning after 15 December 2016.</td>
</tr>
<tr>
<td>ASU 2014-12</td>
<td>Compensation – Stock Compensation (Topic 718), Effective for annual periods and interim periods within those annual Accounting for Share-Based Payments When the periods, beginning after 15 December 2015, Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period</td>
<td>Effective for annual periods ending after 15 December 2015, and interim periods beginning after 15 December 2015. Application prior to the effective date for public business entities is prohibited.</td>
</tr>
<tr>
<td>ASU 2014-11</td>
<td>Transfers and Servicing (Topic 860), Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures</td>
<td>Effective for annual periods beginning after 15 December 2014, and interim periods beginning after 15 December 2015. Application prior to the effective date for public business entities is prohibited.</td>
</tr>
</tbody>
</table>

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[4]: Note: ASUs marked with an asterisk (*) indicate amendments to GAAP that are effective for nonpublic entities in 2014. Other amendments are effective for both public and nonpublic entities. For more information on the effective dates for all amendments, please refer to the FASB’s official documents and resources.
| ASU 2014-09 | Revenue from Contracts with Customers (Topic 606) | Effective for annual reporting periods beginning after 15 December 2017, and interim reporting periods within annual reporting periods beginning after 15 December 2018. Application prior to the effective date for public entities is prohibited. |
| ASU 2014-08 | Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360), Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity | Effective for all disposals (or classifications as held for sale) of components of an entity and all businesses or nonprofit activities that, on acquisition, are classified as held for sale that occur within annual periods beginning on or after 15 December 2014, and interim periods within annual periods beginning on or after 15 December 2015. |
| ASU 2014-03 | Derivatives and Hedging (Topic 815), Accounting for Certain Receive-Variable, Pay-Fixed Interest Rate Swaps — Simplified Hedge Accounting Approach | Effective for annual periods beginning after 15 December 2014, and interim periods within annual periods beginning after 15 December 2015. |
| ASU 2014-02 | Intangibles — Goodwill and Other (Topic 350), Accounting for Goodwill | Effective for goodwill existing as of the beginning of the period of adoption and new goodwill recognized in annual periods beginning after 15 December 2014, and interim periods within annual periods beginning after 15 December 2015. |
| ASU 2014-01 | Investments — Equity Method and Joint Ventures (Topic 323), Accounting for Investments in Qualified Affordable Housing Projects | Effective for annual periods beginning after 15 December 2014, and interim periods within annual periods beginning after 15 December 2015. |
| ASU 2013-11 | Income Taxes (Topic 740), Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists | Effective for fiscal years, and interim periods within those years, beginning after 15 December 2014. |
| ASU 2013-06 | Not-for-Profit Entities (Topic 958), Services Received from Personnel of an Affiliate | Effective for fiscal years beginning after 15 June 2014, and interim and annual periods thereafter. |
| ASU 2013-05 | Foreign Currency Matters (Topic 830), Parent’s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity | Effective for fiscal years beginning after 15 December 2014, and interim and annual periods thereafter. |
### Effective prior to 2014 for nonpublic calendar year-end entities

<table>
<thead>
<tr>
<th>ASU Number</th>
<th>Title</th>
<th>Effective Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASU 2013-10</td>
<td>Derivatives and Hedging (Topic 815), Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes</td>
<td>Effective for qualifying new or redesignated hedging relationships entered into on or after 17 July 2013.</td>
</tr>
<tr>
<td>ASU 2013-09</td>
<td>Fair Value Measurement (Topic 820), Deferral of the Effective Date of Certain Disclosures for Nonpublic Employee Benefit Plans in Update No. 2011-04</td>
<td>Effective upon issuance (8 July 2013).</td>
</tr>
<tr>
<td>ASU 2013-03</td>
<td>Financial Instruments (Topic 825), Clarifying the Scope and Applicability of a Particular Disclosure to Nonpublic Entities</td>
<td>Effective immediately and applies to 2012 financial statements.</td>
</tr>
<tr>
<td>ASU 2013-01</td>
<td>Balance Sheet (Topic 210), Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities</td>
<td>Effective for fiscal years beginning on or after 1 January 2013, and interim periods within those annual periods (i.e., at the same time as ASU 2011-11).</td>
</tr>
<tr>
<td>ASU 2012-07</td>
<td>Entertainment—Films (Topic 926), Accounting for Fair Value Information That Arises after the Measurement Date and Its Inclusion in the Impairment Analysis of Unamortized Film Costs</td>
<td>Effective for impairment assessments performed on or after 15 December 2013.</td>
</tr>
<tr>
<td>ASU 2012-06</td>
<td>Business Combinations (Topic 805), Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution</td>
<td>Effective for fiscal years, and interim periods within those years, beginning on or after 15 December 2012.</td>
</tr>
<tr>
<td>ASU 2012-02</td>
<td>Intangibles—Goodwill and Other (Topic 350), Testing Indefinite-Lived Intangible Assets for Impairment</td>
<td>Effective for annual and interim impairment tests performed for fiscal years beginning after 15 September 2012.</td>
</tr>
<tr>
<td>ASU 2011-11</td>
<td>Balance Sheet (Topic 210), Disclosures about Offsetting Assets and Liabilities</td>
<td>Effective for fiscal years beginning on or after 1 January 2013, and interim periods within those annual periods.</td>
</tr>
<tr>
<td>ASU 2011-10</td>
<td>Property, Plant, and Equipment (Topic 360), Derecognition of in Substance Real Estate—a Scope Clarification</td>
<td>Effective for fiscal years ending after 15 December 2013, and interim and annual periods thereafter.</td>
</tr>
</tbody>
</table>
## Effective date matrix – final SEC pronouncements and interpretive releases

<table>
<thead>
<tr>
<th>Title</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Risk Retention</td>
<td>The new rules are effective 24 December 2015 for residential mortgage-backed</td>
</tr>
<tr>
<td></td>
<td>securitizations and 24 December 2016 for all other securitizations.</td>
</tr>
<tr>
<td>Asset-Backed Securities Disclosure and Registration</td>
<td>24 November 2014.</td>
</tr>
<tr>
<td>Nationally Recognized Statistical Rating Organizations</td>
<td>Certain amendments related to NRSRO were effective as early as 14 November</td>
</tr>
<tr>
<td></td>
<td>2014, and others are effective 15 June 2015. The reporting requirements</td>
</tr>
<tr>
<td></td>
<td>related to ABS third-party due diligence reports are effective 15 June 2015.</td>
</tr>
<tr>
<td></td>
<td>The first annual report on internal controls from NRSROs will be due no later</td>
</tr>
<tr>
<td></td>
<td>than 90 days after their fiscal year ending on or after 1 January 2015.</td>
</tr>
<tr>
<td>Money Market Fund Reform; Amendments to Form PF</td>
<td>The amendments related to fees, gates and the floating NAV are effective</td>
</tr>
<tr>
<td></td>
<td>14 October 2016. Disclosures of significant events on a fund’s website and on</td>
</tr>
<tr>
<td></td>
<td>new Form N-CR are effective 14 July 2015. The diversification, stress testing</td>
</tr>
<tr>
<td></td>
<td>and disclosure requirements are effective 14 April 2016.</td>
</tr>
<tr>
<td>Treatment of Certain Collateralized Debt Obligations</td>
<td>1 April 2014.</td>
</tr>
<tr>
<td>Backed Primarily by Trust Preferred Securities with</td>
<td></td>
</tr>
<tr>
<td>Regard to Prohibitions and Restrictions on Certain Interests in,</td>
<td></td>
</tr>
<tr>
<td>and Relationships with, Hedge Funds and Private Equity Funds</td>
<td></td>
</tr>
<tr>
<td>Removal of Certain References to Credit Ratings Under the</td>
<td>7 July 2014.</td>
</tr>
<tr>
<td>Securities Exchange Act of 1934</td>
<td></td>
</tr>
<tr>
<td>Removal of Certain References to Credit Ratings Under the</td>
<td>7 February 2014; compliance with the new rules was required by 7 July 2014.</td>
</tr>
<tr>
<td>the Investment Company Act</td>
<td></td>
</tr>
<tr>
<td>Prohibitions and Restrictions on Proprietary Trading and</td>
<td>21 July 2015, but the Federal Reserve Board gave banking entities a one-year</td>
</tr>
<tr>
<td>Certain Interests in, and Relationships with, Hedge Funds and</td>
<td>extension (i.e., to 21 July 2016) to conform their ownership interests in and</td>
</tr>
<tr>
<td>Private Equity Funds</td>
<td>sponsorship of certain covered funds including collateralized loan obligations.</td>
</tr>
<tr>
<td></td>
<td>The Federal Reserve Board also announced its intention to grant banking entities</td>
</tr>
<tr>
<td></td>
<td>an additional one-year extension (i.e., to 21 July 2017) for the same covered</td>
</tr>
<tr>
<td></td>
<td>funds next year.</td>
</tr>
<tr>
<td></td>
<td>In the meantime, banks with significant trading operations will have to report</td>
</tr>
<tr>
<td></td>
<td>certain quantitative information in phases, based on the size of the entity,</td>
</tr>
<tr>
<td></td>
<td>with the largest banks reporting by 30 June 2014 and others reporting by 30</td>
</tr>
<tr>
<td></td>
<td>April 2016 or 31 December 2016, depending on the size of the bank’s consolidated</td>
</tr>
<tr>
<td></td>
<td>trading assets and liabilities.</td>
</tr>
<tr>
<td>Broker-dealer reports</td>
<td>The Form Custody reporting requirements for broker-dealers were effective for</td>
</tr>
<tr>
<td></td>
<td>the quarter ended 31 December 2013. The requirement for broker-dealers to</td>
</tr>
<tr>
<td></td>
<td>file either a compliance report or an exemption report was effective 1 June</td>
</tr>
<tr>
<td></td>
<td>2014.</td>
</tr>
<tr>
<td>Eliminating the prohibition against general solicitation and</td>
<td>23 September 2013.</td>
</tr>
<tr>
<td>general advertising in Rule 506 and Rule 144A offerings</td>
<td></td>
</tr>
<tr>
<td>Disqualification of felons and other “bad actors” from Rule 506</td>
<td>23 September 2013; however, disqualification applies only to events that occur</td>
</tr>
<tr>
<td>offerings</td>
<td>after the effective date.</td>
</tr>
<tr>
<td>Conflict minerals</td>
<td>Issuers are required to file Form SD for each calendar year; the initial report</td>
</tr>
<tr>
<td></td>
<td>for 2013 was due 2 June 2014.</td>
</tr>
<tr>
<td>Iran Threat Reduction and Syria Human Rights Act of 2012</td>
<td>The Act was effective 10 August 2012. Disclosure is required in periodic reports</td>
</tr>
<tr>
<td></td>
<td>with filing due dates after 6 February 2013.</td>
</tr>
</tbody>
</table>
### Listing standards for compensation committees

The proxy disclosure requirements were effective for shareholder meetings after 1 January 2013 at which directors are elected. The NYSE and NASDAQ rule changes have tiered effective dates between 1 July 2013 and 31 October 2014.

### Shareholder approval of executive compensation and golden parachute compensation

4 April 2011; however, the rule requires both the initial “say-on-pay” vote and the initial frequency vote at the first annual meeting on or after 21 January 2011. Smaller reporting companies are required to comply with the “say-on-pay” and frequency votes for shareholder votes after 21 January 2013. Issuers must hold shareholder votes on golden parachutes and make the related disclosures in proxies for mergers or similar transactions filed on or after 25 April 2011.
Effective date matrix – final PCAOB pronouncements and rules

<table>
<thead>
<tr>
<th>Title</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditing Standard No. 18, Related Parties and Amendments to Certain PCAOB Auditing Standards Regarding Significant Unusual Transactions and Other Amendments to PCAOB Auditing Standards</td>
<td>Effective for audits of financial statements for fiscal years beginning on or after 15 December 2014, including reviews of interim financial information within these fiscal years.</td>
</tr>
<tr>
<td>Amendments to Conform the Board’s Rules and Forms to the Dodd-Frank Act and Make Certain Updates and Clarifications</td>
<td>The amendments to Forms 1, 1-WD, 3 and 4 will take effect on 1 July 2014. The amendments to Form 2 will take effect 1 April 2015.</td>
</tr>
<tr>
<td>Auditing Standard No. 17, Auditing Supplemental Information Accompanying Audited Financial Statements</td>
<td>Effective for reports on supplemental information that accompanies financial statements for fiscal years ending on or after 1 June 2014.</td>
</tr>
<tr>
<td>Attestation Standard No. 1, Examination Engagements Regarding Compliance Reports of Brokers and Dealers</td>
<td>Effective for examination engagements of fiscal years ending on or after 1 June 2014.</td>
</tr>
<tr>
<td>Attestation Standard No. 2, Review Engagements Regarding Exemption Reports of Brokers and Dealers</td>
<td>Effective for review engagements of fiscal years ending on or after 1 June 2014.</td>
</tr>
<tr>
<td>Auditing Standard No. 16, Communications with Audit Committees</td>
<td>Effective for audits of financial statements for fiscal years beginning on or after 15 December 2012.</td>
</tr>
</tbody>
</table>
## Effective date matrix – final ASB standards

<table>
<thead>
<tr>
<th>Title</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAS No. 129, Amendment to Statement on Auditing Standards No. 122 Section 920, Letters for Underwriters and Certain Other Requesting Parties, as Amended</td>
<td>Effective for comfort letters issued on or after 15 December 2014.</td>
</tr>
<tr>
<td>SAS No. 128, Using the Work of Internal Auditors</td>
<td>Effective for audits of financial statements for periods ending on or after 15 December 2014.</td>
</tr>
<tr>
<td>SSARS No. 21, Statements on Standards for Accounting and Review Services: Clarification and Recodification</td>
<td>Effective for reviews, compilations and engagements to prepare financial statements for periods ending on or after 15 December 2015.</td>
</tr>
</tbody>
</table>
Effective date matrix – final GASB pronouncements

<table>
<thead>
<tr>
<th>Title</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68</td>
<td>Effective simultaneously with the provisions of Statement 68, for fiscal years beginning after 15 June 2014. Earlier application is encouraged.</td>
</tr>
<tr>
<td>Statement No. 69, Government Combinations and Disposals of Government Operations</td>
<td>Effective for financial statements for periods beginning after 15 December 2013 with application on a prospective basis. Earlier application is encouraged.</td>
</tr>
<tr>
<td>Statement No. 65, Items Previously Reported as Assets and Liabilities</td>
<td>Effective for financial statements for periods beginning after 15 December 2012. Earlier application is encouraged.</td>
</tr>
</tbody>
</table>
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