



November 2013

# A&A Update

## The Technical Standards Update of Crowe Horwath International

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### From the Standards Setters

#### **IASB Amendments to IAS 19 Pension Benefits - Update**

In March 2013, the IASB published for comment the Exposure Draft (ED/2013/4) *Defined Benefit Plans: Employee Contributions (Proposed amendments to IAS 19)*. The comment period ended on 25 July 2013.

At its September 2013 meeting, the IFRS Interpretations Committee (the 'Interpretations Committee') decided to propose to the IASB that it should proceed with the proposed amendments, subject to some changes to the proposed wording. The IASB agreed. In addition, the IASB decided that re-exposure is not necessary and the effective date should be 1 July 2014, with earlier application permitted.

The staff will prepare the final amendments based on these decisions and begin the balloting process. The IASB expects to issue the amendments to IAS 19 in November 2013.

#### **FASB Private Company Proposals on Goodwill, Derivatives Approved**

The FASB Private Company Council (PCC) on October 1 approved two proposals to ease the accounting for some common private company transactions.

Proposed ASU No. PCC-13-03, *Derivatives and Hedging (Topic 815): Accounting for Certain Receive-Variable, Pay-Fixed Interest Rate Swaps*, a proposal of the PCC, offers a break for private companies that have to purchase interest rate swaps from a third party to secure fixed-rate loans. The swaps are hedges, but small companies purchase them simply to ensure their ability to borrow money. In the view of the PCC, the business purpose of the arrangements is enough to justify letting private companies follow a "simplified" hedge accounting method that counts the swap and the loan as separate financial instruments. Private companies for which the swaps are their only derivatives would also be exempt from certain fair value disclosures. Privately-held banks wouldn't be eligible for the simplified hedge accounting.

Proposed ASU No. PCC-13-01B, *Intangibles—Goodwill and Other (Topic 350): Accounting for Goodwill*, a proposal of the PCC, gives private companies buying other private companies the option to amortize the acquired goodwill over 10 years.

### **IASB Issues Exposure Draft of a Proposed Amendment to IFRS for SME**

The proposal makes numerous amendments to IFRS for SME. The majority of the changes are clarifying in nature, but the proposed revisions to the accounting for income taxes would align IFRS for SME with the current provisions of IAS 12, a substantive changes.

The ED can be viewed [here](#).

### **PCAOB Approves New Broker-Dealer Audit and Attest Standards**

The auditing standard adopted by the PCAOB in October is applicable when auditors are engaged to perform audit procedures and report on supplemental information that broker-dealers and others file with the SEC. In addition, the PCAOB adopted related amendments to other PCAOB standards. The Dodd-Frank Act of 2010 included provisions enabling the PCAOB to inspect audits of certain types of broker-dealers that hold customer funds in the wake of the Madoff scandal.

The new standard can be viewed [here](#).

### **ARSC Proposes Amendments to Compilation and Review Guidance**

The ARSC issued for comment three proposed clarified standards for its compilation and review guidance. The proposal revises the requirements of the compilation standard, moves the association requirements and guidance out of the AICPA's audit standards, and introduces a new standard on preparation of financial statements.

The ED is available [here](#).

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## **From the Regulators**

### **PCAOB Auditing Standard No. 17**

The PCAOB has approved Auditing Standard No. 17, which applies when the auditor of an entity's financial statements is also engaged to perform audit procedures concerning supplemental information accompanying the financial statements. SEC approval is pending, but is expected.

The approved standard is available [here](#).

### **New Opportunities for CPAs in Proposed Crowdfunding Rules**

Rules on crowdfunding proposed by the SEC would create opportunities for startups and small, private businesses to raise cash through internet-aided sales of securities—and would create opportunities for work by CPAs. The SEC commissioners voted 5–0 to propose the rules that are designed to comply with a provision of the Jumpstart Our Business Startups (JOBS) Act of 2012, P.L. 112-106, whose purpose is to create easier access to capital for small businesses. The proposed rules are not final until approved.

## Headlines from Around the World

### **Mandatory Audit Firm Rotation Likely to Hit EU Companies**

The European Council's Committee of Permanent Representatives (COREPER I) has decided to put forward a proposal for 20-year mandatory audit firm rotation for European companies and 15-year mandatory rotation for statutory audit of credit institutions and insurance undertakings in case of public tendering. The Council's point of view appears to be in line with the one of the EU Parliament, which put forward a proposal for 14-year mandatory rotation earlier this year.

The Council also put forward a fee cap for advisory services being offered to an audit client. When the statutory auditor or audit firm provides to the audited entity for a period of three or more consecutive financial years, services other than included in the "black list," the fees for such services shall be limited to no more than 70% of the average of the fees paid in the last three consecutive financial years by the audited entity for the statutory audit. The Council says that services on the "black list" are services which could affect the opening and closing balances of the audited financial statements, the management or decision-making process and the processes of financial information generation.

Stay tuned for more details as the proposal makes its way through the regulatory approval process.

### **Mandatory Retendering Every 10 years Hits UK FTSE350**

UK FTSE 350 will have to put their audit out to tender at least every 10 years, according to the final decision by the UK Competition Commission (CC) investigating competition levels in the statutory audit market. The CC initially suggested mandatory retendering every five years; however several letters of criticism were received by the CC calling for guidelines, which are more in line with the UK Financial Reporting Council's (FRC) Corporate Governance Code prescribing retendering on a 'comply or explain' basis every 10 years.

Nevertheless, the CC final decision mandates retendering after 10 years with no 'comply or explain' option. The CC said "no company will be able to delay beyond ten years, and the CC believes that many companies would benefit from going out to tender more frequently at every five years."

### **Canadian Securities Regulators to Ramp Up Oversight of Auditors**

Canadian securities regulators are proposing new "triggers" that would bring them into the loop when significant "quality" issues are found at auditing firms. Among the proposals unveiled by the Canadian Securities Administrators (CSA) is a requirement for public accounting firms to notify the regulator if industry regulator Canadian Public Accountability Board (CPAB) "imposes certain types of remedial actions," whether they are sanctions or restrictions.

The proposals would also reduce the time period for a company to disclose the termination, resignation, or appointment of an auditor to 14 from 30 days. Either the departing or incoming audit firm would have to notify the regulator if the company did not do it "on a timely basis."

The new rules would also require a public accounting firm to notify regulated clients if it is not in compliance with certain requirements.

The CSA is seeking comments on the proposed changes. The comment period is open until 15 January. More details about the proposed amendments can be found [here](#).

## Useful Links

- International Accounting Standards Board (IASB) [www.iasb.org](http://www.iasb.org)
- [IASB Exposure Drafts open for comment](#)
- International Auditing and Assurance Standards Board (IAASB) [www.ifac.org/iaasb](http://www.ifac.org/iaasb)
- International Federation of Accountants (IFAC) [www.ifac.org](http://www.ifac.org)
- [IFRS Interpretations Committee \(IFRIC\)](#)
- Financial Accounting Standards Board (FASB) [www.fasb.org](http://www.fasb.org)
- Public Company Accounting Oversight Board (PCAOB) [www.pcaob.org](http://www.pcaob.org)
- [American Institute of CPAs Auditing Standards Board \(AICPA ASB\)](#)
- United States Securities and Exchange Commission (SEC) [www.sec.gov](http://www.sec.gov)
- [European Commission \(EC\)](#)
- [Forum of Firms \(FoF\)](#)
- [Transnational Auditors Committee \(TAC\)](#)
- [TAC Guidance Statement No. 1, Definition of Transnational Audit](#)
- [UK Financial Reporting Council \[www.frc.org.uk\]\(http://www.frc.org.uk\)](#)
- [AICPA Center for Audit Quality document explaining PCAOB inspections](#)
- [Sustainability Accounting Standards Board \(SASB\)](#)

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