First Quarter 2015 Accounting, Reporting and Auditing Developments

April 9, 2015
# Accounting and Financial Reporting Matters

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# Appendix A – Effective Date Highlights

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First Quarter 2015 Accounting, Reporting and Auditing Developments
FIRST QUARTER 2015 ACCOUNTING AND ASSURANCE UPDATE

The developments included in this Accounting and Assurance (A&A) Update are intended to be a reminder of recently issued accounting and auditing standards and other guidance that may affect our clients in the current reporting period. Developments that have been discussed in previous quarterly A&A Updates that may be of interest can be found in Appendix B. This A&A Update is intended as general information and should not be relied upon as being definitive or all inclusive.
Accounting Standards Updates (ASU)

The following are recently issued ASUs by the Financial Accounting Standards Board (FASB). For a summary of their effective dates, refer to Appendix A.

ASU 2015-03: Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs

This ASU was issued as part of the FASB’s simplification initiative, which aims to reduce unnecessary cost and complexity within U.S. GAAP by issuing ASUs to simplify the guidance while retaining or improving the usefulness of information included in the financial statements. The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Currently, capitalized debt issuance costs are presented as an asset on the balance sheet. The FASB notes within the ASU, capitalized debt issuance costs do not meet the definition of an asset and are more akin to a debt discount, thereby reducing the carrying amount of the proceeds received.

This ASU is effective for financial statements issued for fiscal years beginning after December 15, 2015. Public business entities should apply the amendments to interim periods within those fiscal years, while all other entities should apply the amendments to interim periods within fiscal years beginning after December 15, 2016. Early adoption is permitted for financial statements that have not been issued. The amendments should be applied on a retrospective basis.

ASU 2015-02: Consolidation (Topic 810): Amendments to the Consolidation Analysis

This ASU modifies the consolidation model for reporting organizations under both the variable interest model and the voting interest model. The ASU is generally expected to reduce the number of situations where consolidation is required; however, in certain circumstances, the ASU may result in companies consolidating entities previously unconsolidated. Among the major impacts include:

- Elimination of both (1) the presumption that a general partner should consolidate a limited partnership and (2) the consolidation model specific to limited partnerships.
- More emphasis is placed on the risk of loss when determining which entity has a controlling financial interest.
- A reporting entity may no longer be required to consolidate an entity based solely on its fee arrangement, when certain criteria are met.
- Clarification as to when fees paid to a decision maker (such as an asset manager) should be considered in the Variable Interest Entity (VIE) analysis. There is greater emphasis on principal risk of loss when assessing whether to consolidate.
- Amendment to the guidance for assessing how relationships of related parties (such as affiliates) affect the consolidation analysis of VIEs.
- Removal of the indefinite deferral for certain investment funds; certain money market funds will no longer have to apply the VIE guidance.

This ASU will require all legal entities to reevaluate previous consolidation conclusions under the revised model and will be effective for periods beginning after December 15, 2015, for public business entities. For all other entities, the ASU will be effective for annual periods beginning after December 15, 2016. Early adoption is permitted.
A reporting entity may apply the ASU by using a modified retrospective approach (by recording a cumulative-effect adjustment to equity as of the beginning of the year of adoption) or a full retrospective approach (by restating all periods presented).

**ASU 2015-01: Income Statement—Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items**

This ASU was also issued as part of the FASB’s simplification initiative, Subtopic 225-20 requires an entity to separately classify, present, and disclose extraordinary events and transactions. In response to feedback received from users and preparers the FASB issued this ASU to eliminate the concept of extraordinary items.

The amendments in this ASU are effective for fiscal years (and interim periods within those fiscal years), beginning after December 15, 2015 and may be early adopted. Entities may apply this ASU either prospectively or retrospectively. As recognition and disclosure of extraordinary items have become rare, we do not anticipate a significant impact to financial reporting from implementation of this ASU.


This ASU provides private companies with an accounting alternative for certain customer-related intangible assets (CRIs) and noncompetition agreements (NCAs) acquired in a business combination. The alternative is intended to reduce the cost and complexity of accounting for these intangible assets while maintaining the most important decision useful information for users of the financial statements.

Current U.S. GAAP requires tangible and intangible assets acquired in a business combination be separately recognized at their acquisition-date fair value. The amendments in this ASU allow an entity to not separately recognize (in a business combination) NCAs and CRIs not capable of being sold or licensed independently from the other assets of a business. This alternative does not change the accounting for tangible or intangible assets other than NCAs and qualifying CRIs.

The effective date is tied to the occurrence of a business combination (or other in-scope transaction), and may be different for different entities. This ASU should be applied prospectively only and the decision to adopt this ASU must be made upon the occurrence of the first transaction within scope (e.g. business combination) in fiscal years beginning after December 15, 2015, with early adoption permitted for financial statements not yet made available for issuance.

If an entity elects this alternative, it must also adopt ASU 2014-02, Intangibles—Goodwill and Other (Topic 350), Accounting for Goodwill, requiring amortization of goodwill over a period of 10 years (or less). However, the reverse is not required – an entity that adopts ASU 2014-02 is not required to adopt ASU 2014-18.

See A&A Update [FASB Issues PCC Alternative for Identifiable Assets in a Business Combination](#), for additional information related to this ASU.

**Revenue Recognition**

On April 1, 2015 the FASB voted to issue an exposure draft to delay the effective date of ASU 2014-09, Revenue from Contracts with Customers (Topic 606) for one year. The proposal would delay the effective date for public companies to annual reporting periods beginning after December 15, 2017 including interim periods therein. Nonpublic entities would be required to adopt the amendments for annual reporting periods beginning after December 15, 2018 and interim periods within annual reporting periods beginning after December 15, 2019. Both public and non-public entities would be permitted to adopt the amendments as of the original effective date of annual reporting periods beginning after December 15, 2016.
Leases

With the recent February 2015 meeting, the FASB has substantially completed redeliberations of the lease standard which requires most leases to be recorded on the balance sheet. The FASB finalized decisions with respect to the following: modified retrospective adoption will be required (full retrospective is prohibited) for adoption, elimination of today’s guidance for build-to-suit transactions, transition guidance for build-to-suit and sale and leaseback transactions, and affirmation of the previous decision that a lessee should not reassess variable payments based on an index or rate unless the lease liability has to be remeasured for other reasons (e.g. change in lease term).

The staff are working on developing a final standard to issue later this year, and will be independent of the International Accounting Standard Board’s (IASB) lease standard. For a comparison of the IASB’s and FASB’s lease models, please refer to IFRS publication, Leases: Practical implications of the new Leases Standard. This publication describes the IASB’s lessee accounting model and compares it to the FASB’s model, highlighting the similarities and differences between the two models.

While the FASB’s standard is expected to be issued in the second half of 2015, it is unclear when the effective date will be.

Accounting for Financial Instruments

As part of the FASB’s financial instruments project, they have concluded redeliberations on classification and measurement and plan to issue a final standard in the first half of 2015. The impairment portion of the financial instruments project is close to completion as well with redeliberations substantially complete. The FASB plans to discuss transition guidance in an upcoming meeting and issue a final standard in the second half of 2015. While the financial instruments project began as a joint project with the IASB, as a result of feedback received in the U.S., the final standards will not be converged. The effective dates for both standards have not been determined.

2015 U.S. GAAP Financial Reporting Taxonomy

The 2015 U.S. GAAP Financial Reporting Taxonomy is now available and has been approved by the SEC. The Taxonomy contains updates for accounting standards and other improvements that have been implemented since the 2014 Taxonomy.

AICPA

TIS Section 5250.15, Application of Certain FASB Interpretation No. 48 (codified in FASB ASC 740-10) Disclosure Requirements to Nonpublic Entities That Do Not Have Uncertain Tax Positions

As a result of the FASB’s clarification that disclosures, including open tax years, are not required when there are no material uncertain tax positions, the AICPA deleted Technical Practice Aid (TPA or TIS) 5250.15.

TIS Section 3700.01, Pension Obligations

This technical question and answer relates to when employee benefit plans (EBPs) should incorporate revised mortality tables into their estimate of benefit liability for financial reporting purposes.
TIS Section 6140.26, Not-For-Profit Entities

This technical question and answer relates to whether not-for-profit entities are permitted to allow a for-profit subsidiary to apply ASU 2014-02, *Intangibles—Goodwill and Other (Topic 350): Accounting for Goodwill (a consensus of the Private Company Council)* in the consolidated financial statements of the not-for-profit entity.

SEC

Dodd-Frank Rulemaking Activity

Release 34-74244, Regulation SBSR-Reporting and Dissemination of Security-Based Swap Information and Release 34-74246, Security-Based Swap Data Repository Registration, Duties, and Core Principles

The SEC issued final rules regarding Regulation SBSR to establish reporting guidelines for security-based swap information on registered security-based swap data repositories. Policies and procedures have been provided for the repositories to ensure security-based swap dealers and major participants comply with the reporting requirements. These repositories will be required to register with the SEC as a securities information processor.

Effective Date: May 18, 2015 for both rules. The compliance date for Release 34-74246 is March 18, 2016. The compliance date for rules 900, 907, and 909 of Release 34-74244 is May 18, 2015. The compliance date for Rules 901, 902, 903, 904, 905, 906, and 908 of Regulation SBSR are proposed in release 34-74245.

Other

Release 33-9741, Amendments to Regulation A

This rule amends Regulation A for certain provisions within the Jumpstart Our Business Startup Act, exempting offerings of up to $50 million from the registration requirements of the Securities Act of 1933. The new rules adopted create a two-tiered system:

- Tier 1 includes the current Regulation A that allows companies to sell stock without having to comply with the SEC’s general registration requirements; however, it increases the limit of securities that may be offered within a 12 month period to $20 million from $5 million. Offerings under Tier 1 must be filed in each state securities are sold pursuant to state blue sky laws.

- Tier 2 creates new rules that increase the limit on the capital that can be raised to $50 million in a 12 month period without having to comply with the SEC’s general registration requirements. For Tier 2 offerings, issuers will have to provide audited financials with their offering circular, and will have to file annual and semi-annual financial reports with certain scaled disclosure. In addition, Tier 2 offerings will be required to provide certain current event reporting. The Tier 2 rules preempt state blue sky laws.

The rules adopted by the SEC provide additional provisions applicable to all offerings under both tiers of Regulation A, including required electronic filing of offering circulars, the ability to file draft offering circulars with the SEC for review before going public, and the ability to use certain “test the waters” communications.

Effective Date: 60 days after publication in the *Federal Register*.

Release IA-3984, Temporary Rule Regarding Principal Trades With Certain Advisory Clients

This amendment extends the sunset of rule 206(3)-3T (of the Investment Advisers Act of 1940) from December 31, 2014 to December 31, 2016. Rule 206(3)-3T provides broker-dealers acting in a principal
capacity for certain clients an alternative means of meeting the requirements of section 206(3) of the Investment Advisors Act.

Effective Date: December 31, 2014 and the expiration of date for 17 CFR 275.206(3)-3T is extended to December 31, 2016.

**Adoption of Updated EDGAR Filer Manual**

Several revisions were made to the EDGAR Filer Manual in December 2014, as follows:

- Made available a new exhibit type EX-1.01 and disallow Exhibit type EX-1.02 on EDGARLink Online for submission form types SD and SD/A (conflict minerals);
- Implemented the “Calendar Year Ending” value validation rule for form type 13H-A (large trader registration);
- Added requirement that transfer agents with certain specified file numbers select “Comptroller of the Currency” as the registrant’s appropriate regulatory agency on Form TA-2 and its amendment; and
- Updated the EDGAR Portal to include a new option, “Do you need more information?” that links to the Guidance for Filers and FAQs section on the SEC’s website.

The [Filer Manual](#) is available on the SEC’s website.

**Financial Reporting Manual**

Assurance Matters

PCAOB

Auditing Standard No. 18

On June 10, 2014, the PCAOB adopted (and the SEC subsequently approved) Auditing Standard No. 18, Related Parties (AS 18) and amendments to other auditing standards, to strengthen auditor performance requirements in three critical areas of the audit: (1) related party transactions, (2) significant unusual transactions, and (3) a company’s financial relationships and transactions with its executive officers. The expanded procedures include, among others:

- Certain basic required procedures to address risks of material misstatements for relationships and transactions with related parties;
- Specific additional procedures around the risk assessment process and understanding the entity;
- Specific additional procedures in testing completeness of related parties identified by the company (including transactions and relationships);
- Clarifying procedures around testing the accounting of transactions with related parties (in addition to disclosures of related parties); and
- Increased communications to the audit committee

The additional requirements outlined in AS 18 are not insignificant and will require additional preparation by companies as well as additional audit work. Companies should anticipate additional inquiries from their auditors regarding the controls they have in place to identify, account for, and disclose related party transactions, as well as additional substantive testing procedures to ensure compliance with the new auditing standard.

Reorganization of PCAOB Auditing Standards

On March 31, 2015 the PCAOB voted to reorganize their auditing standards based on a topical system to assist users in navigation of the standards. The amendments do not include new requirements or change current requirements and are subject to SEC approval. Once approved, they will be effective as of December 31, 2016. The standards will be organized in the following groups:

- General Auditing Standards
- Audit Procedures
- Auditor Reporting
- Matters Related to Filings Under Federal Securities Law
- Other Matters Associated with Audits

See the press release on the PCAOB’s website.

Standard Setting Agenda

The PCAOB released an updated standard-setting agenda on March 31, 2015, which include the following plans for the next six months:

- Issue a proposal on ‘Supervision of Other Auditors and Multi-location Audit Engagements’;
- Issue Staff Consultation Papers on Going Concern and the Use of Specialists;
- Issue a supplemental request for public comments on its ‘Improving Transparency Through Disclosure of Engagement Partner and Certain Other Participants in Audits’ project; and
• Re-propose the Auditor’s Reporting Model

Other areas on the agenda include confirmations, quality control standards and subsequent events.

AICPA

Interpretations of AT section 201, Agreed-Upon Procedures Engagements

In February 2015 the AICPA issued AT Section 9201, which is intended to provide guidance for compliance with SEC Release 34-72936, Nationally Recognized Statistical Rating Organizations. The SEC Release notes that certain common agreed-upon procedures (AUP) engagements relating to asset-backed securitizations would be considered third-party due-diligence services as defined in the Release. Release 34-72936 requires the practitioner to publicly disclose the procedures, findings or both, of its due-diligence services. AT Section 9201 provides guidance on compliance with SEC Release No 34-72936, including:

• That disclosure of procedures and findings required by Release 34-72936 under AT Section 201 when the due-diligence services are performed as part of an AUP engagement;
• The practitioner’s responsibilities relating to filing Form ABS Due Diligence-15E; and
• Guidance for how the practitioner can modify the language in the illustrative report wording to clarify the requirements and limitations of AUP engagements and reports relating to due-diligence services.

Interpretations of AU-C 570, The Auditor’s Consideration of an Entity’s Ability to Continue as a Going Concern

In January 2015 the AICPA issued AU-C Section 9570, which includes interpretations to address questions that have arisen regarding ASU 2014-15 Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern and AU-C 570, The Auditor’s Consideration of an Entity’s Ability to Continue as a Going Concern. Interpretations address the following areas: definitions of substantial doubt and a reasonable period of time, review engagements of interim financial information, and disclosures.

Statements on Standards for Accounting and Review Services

In October 2014, the AICPA’s Accounting and Review Service Committee issued Statement on Standards for Accounting and Review Services (SSARS) No. 21: Statement on Standards for Accounting and Review Services: Clarification and Recodification. SSARS 21 was part of the AICPA’s broader clarity project to provide consistency in drafting conventions across standards as well as writing standards that are easier to read, understand, and apply. SSARS 21 clarifies and recodifies the review and compilation standards as well as creates a preparation engagement. SSARS 21 is effective for engagements of periods ending on or after December 15, 2015, but early adoption is permitted.

Center for Audit Quality

On March 10, 2015 the CAQ released a report with the Institute of Internal Auditors titled, Intersecting Roles: Fostering Effective Working Relationships Among External Audit, Internal Audit, and the Audit Committee. The report identifies best practices for: (1) making the external audit process more productive and efficient, (2) improving working relationships between internal and external audits, and (3) launching ERM. Examples of strong communication and cooperation among the external auditors, internal auditors, and the audit committee are provided based on roundtable discussions held in 2014 amongst various stakeholder groups in the audit process.
## Appendix A – Effective Date Highlights

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<td>ASU 2015-03: Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs</td>
<td>Fiscal years beginning after December 15, 2015, and interim periods within those years</td>
<td>✓</td>
<td>Retrospective</td>
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<tr>
<td>ASU 2015-02: Consolidation (Topic 810): Amendments to the Consolidation Analysis</td>
<td>Periods beginning after December 15, 2015</td>
<td>✓</td>
<td>Full or Modified Retrospective</td>
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<td>ASU 2014-18: Business Combinations (Topic 805): Accounting for Identifiable Intangible Assets in a Business Combination (a consensus of the Private Company Council)</td>
<td>N/A</td>
<td>✓</td>
<td>Prospective (1)</td>
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<td>ASU 2014-16: 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)</td>
<td>Fiscal years beginning after December 15, 2015, and interim periods within those years</td>
<td>✓</td>
<td>Full or Modified Retrospective</td>
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<tr>
<td>ASU 2014-15: 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>Annual period ending after December 15, 2016, and interim and annual periods thereafter</td>
<td>✓</td>
<td>N/A</td>
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<td>ASU 2014-14: Receivables—Troubled Debt Restructurings by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure</td>
<td>Annual periods beginning after December 15, 2014, and interim periods within those years</td>
<td>✓ (2)</td>
<td>Prospective or Modified Retrospective</td>
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<td>ASU 2014-12: 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>Annual periods and interim periods within those annual periods beginning after December 15, 2015</td>
<td>✓</td>
<td>Prospective or Modified Retrospective</td>
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<tr>
<td>Accounting Standards Update</td>
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<td><strong>ASU 2014-11: Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures</strong></td>
<td>Interim or annual periods beginning after December 15, 2014&lt;sup&gt;(3)&lt;/sup&gt;</td>
<td>✗(4)</td>
<td>Modified Retrospective</td>
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<td><strong>ASU 2014-10: Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation</strong></td>
<td>Annual periods beginning after December 15, 2014, and interim periods within those years&lt;sup&gt;(5)&lt;/sup&gt;</td>
<td>✓</td>
<td>Retrospective&lt;sup&gt;(6)&lt;/sup&gt;</td>
</tr>
<tr>
<td><strong>ASU 2014-09: Revenue from Contracts with Customers (Topic 606)</strong></td>
<td>Annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period&lt;sup&gt;(6)&lt;/sup&gt;</td>
<td>✗(7)</td>
<td>Full or Modified Retrospective</td>
</tr>
<tr>
<td><strong>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</strong></td>
<td>Annual periods beginning on or after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015</td>
<td>✓</td>
<td>Prospective</td>
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<td><strong>ASU 2014-07: Consolidation (Topic 810): Applying Variable Interest Entities Guidance to Common Control Leasing Arrangements (a consensus of the Private Company Council)</strong></td>
<td>Only applicable to nonpublic entities</td>
<td>✓</td>
<td>Retrospective</td>
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<td><strong>ASU 2014-05: Service Concession Arrangements (Topic 853) (a consensus of the FASB Emerging Issues Task Force)</strong></td>
<td>Annual periods, and interim periods within those annual periods, beginning after December 15, 2014</td>
<td>✓</td>
<td>Modified Retrospective</td>
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<td><strong>ASU 2014-04: 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)</strong></td>
<td>Annual periods, and interim periods within those annual periods, beginning after December 15, 2014</td>
<td>✓</td>
<td>Modified Retrospective or Prospective</td>
</tr>
<tr>
<td><strong>ASU 2014-03: 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)</strong></td>
<td>Only applicable to nonpublic entities</td>
<td>✓</td>
<td>Modified or Full Retrospective</td>
</tr>
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</table>
Accounting Standards Update | Effective Date | Early Adopt? | Transition
---|---|---|---
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 | Public Entities: Fiscal years, and interim periods within those years, beginning after December 15, 2013; Nonpublic Entities: Fiscal years, and interim periods within those years, beginning after December 15, 2014 | ✓ | Prospective or Retrospective
ASU 2013-06: Not-for-Profit Entities (Topic 958): Services Received from Personnel of an Affiliate | Public Entities: Fiscal years beginning after June 15, 2014, and interim and annual periods thereafter. | ✓ | Prospective
ASU 2013-05, 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 | Public Entities: Fiscal years, and interim periods within those years, beginning after December 15, 2013; Nonpublic Entities: The first annual period beginning after December 15, 2014, and interim and annual periods thereafter | ✓ | Prospective
ASU 2013-04, Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date | Public Entities: Fiscal years, and interim periods within those years, beginning after December 15, 2013; Nonpublic Entities: Fiscal years ending after December 15, 2014, and interim and annual periods thereafter | ✓ | Retrospective

(1) If an entity elects this alternative, it must also adopt ASU 2014-02, Intangibles—Goodwill and Other (Topic 350): Accounting for Goodwill, requiring amortization of goodwill over a period of 10 years (or less). However, the reverse is not required – an entity that adopts ASU 2014-02 is not required to adopt ASU 2014-18.

(2) To early adopt ASU 2014-04 must be adopted.

(3) Disclosures have various effective dates as detailed in the Update.

(4) Entities other than public business entities may early adopt for interim periods beginning after December 15, 2014.

(5) The requirements of Topic 915 should be applied retrospectively, while the clarification of Topic 275 should be applied prospectively. Entities should retrospectively apply the amendment eliminating the sufficiency-of-equity-at-risk criterion.

(6) Public entities include not-for-profit entities that have issued, or are conduit bond obligors for, securities that are traded, listed or quoted on an exchange or over-the-counter market. ASU 2014-09 includes employee benefit plans that file or furnish financial statements to the SEC as public entities.

(7) Nonpublic entities may adopt this guidance as of the effective date of public entities.

(8) Prospective application should be applied to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted.

(9) A recipient not-for-profit may apply the amendments using a modified retrospective approach under which all prior periods presented upon the date of the adoption should be adjusted, but no adjustment should be made to the beginning balance of net assets of the earliest period presented.

(10) If an entity elects to early adopt the amendments, it should apply them as of the beginning of the entity's fiscal year of adoption.

(11) The amendments in this Update should be applied retrospectively to all prior periods presented for those obligations resulting from joint and several liability arrangements within the Update's scope that exist at the beginning of an entity's fiscal year of adoption. An entity may elect to use hindsight for the comparative periods (if it changed its accounting as a result of adopting the amendments in this Update) and should disclose that fact. Early adoption is permitted.
Appendix B – Matters Discussed in Previous Quarterly Updates

FASB - Accounting Standards Updates

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

This Update provides guidance to resolve diversity in practice related to accounting for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date. This Update requires an entity to measure the liability as the sum of:

a) The amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors, and
b) Any additional amount the reporting entity expects to pay on behalf of its co-obligors.

The Update also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations.

Where specific guidance on accounting for obligations is already included in U.S. GAAP, this guidance does not overrule the established standards; rather, it provides guidance where U.S. GAAP does not currently include specific guidance.

The amendments in this Update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. For nonpublic entities, the amendments are effective for fiscal years ending after December 15, 2014, and interim periods and annual periods thereafter. This Update should be applied retrospectively to all prior periods presented for those obligations resulting from joint and several liability arrangements within the Update’s scope that exist at the beginning of an entity’s fiscal year of adoption. An entity may elect to use hindsight for the comparative periods (if it changed its accounting as a result of adopting the amendments in this Update) and should disclose that fact. Early adoption is permitted.

ASU 2013-06: Not-for-Profit Entities (Topic 958): Services Received from Personnel of an Affiliate

The objective of this Update is to address the diversity in practice about which guidance not-for-profit entities should apply for recognizing and measuring personnel services received from an affiliate, which is, a party that directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the recipient not-for-profit entity.

The Update requires not-for-profit entities to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Health Care Not-for-Profit entities (within the scope of Topic 954) that provide a performance indicator will report the benefit from services provided for which the affiliate does not charge as an equity transfer. Guidance for the presentation of the increase in net assets associated with the services received is not provided for other not-for-profit entities other than to prohibit reporting as a contra-expense or contra-asset. The use of such services should be reported similar to how other expenses or assets are reported. The value of the services should be measured at the affiliate’s cost, unless it would significantly overstate or understate the value of the service, in which case the recipient would then elect to recognize the service based on either the cost or fair value of that service.

This Update is effective prospectively for fiscal years beginning after June 15, 2014, and interim and annual periods thereafter. In addition to prospective adoption, the FASB has provided an option for a modified retrospective application in which all prior periods presented should be adjusted, though no adjustment is
required to the adjust beginning balance of net assets of the earliest period presented. Early adoption is permitted.

**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 (a consensus of the FASB Emerging Issues Task Force)**

The objective of this Update is to reduce the diversity in practice by providing guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss (NOL) carryforward, a similar tax loss, or a tax credit carryforward exists. The main provision of the Update provides that unrecognized tax benefits (or the portion of the benefit) should be presented as a reduction to a deferred tax asset for a NOL carryforward, a similar tax loss, or a tax credit carryforward; unless one of the following criteria are met:

- The NOL carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to be used to settle additional income taxes that would result from the disallowance of a tax position, or
- The tax law of the applicable jurisdiction does not require the entity to use and the entity does not intend to use the deferred tax asset for such purpose.

If one of the previous conditions is met the unrecognized tax benefit, or portion thereof that meets the criteria, should be presented as a liability, rather than netted against the deferred tax asset. The assessment should be performed based on the unrecognized tax benefit and deferred tax asset existing as of the reporting date.

The amendments in this Update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. For nonpublic entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. Early adoption is permitted.

The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted.

**ASU 2014-01: 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)**

This Update revises the criteria required to elect the measurement and presentation alternative under ASC 323-740 and simplifies the method of amortization of the investment for entities investing in flow-through limited liability entities that manage or invest in affordable housing projects qualifying for the low-income housing tax credit. As a result of the Update, it is expected more entities will meet the required criteria to qualify to present the investment performance net of income tax expense to better represent the economics of the investment (rather than traditional investment accounting under the equity or cost method). If the entity qualifies for the measurement and presentation alternative, they may amortize the initial cost of the investment in proportion to the related tax credits received (the proportional allocation method).

The decision to apply the proportional allocation method is an accounting policy election made for all qualifying investments. The initial determination of qualification should be re-evaluated only when there is a change in the nature of the investment or a change in the relationship with the limited liability entity that could result in the required criteria no longer being met.

The amendments must be retrospectively applied for all periods presented. For public business entities this Update is effective for annual periods and interim reporting periods within those annual periods, beginning after December 15, 2014. For all other entities the Update is effective for annual periods beginning after December 15, 2014, and interim periods within annual reporting periods beginning after December 15, 2015. Early adoption is permitted.
ASU 2014-02: Intangibles—Goodwill and Other (Topic 350): Accounting for Goodwill (a consensus of the Private Company Council)

This is the first of three updates for private companies issued by the Financial Accounting Standards Board (FASB) during the first quarter of 2014. This Update provides an alternative accounting method for goodwill. If elected, private companies amortize goodwill over ten years (or less if a shorter useful life is more appropriate). An accounting policy election is made to evaluate impairment at either the entity level or the reporting unit level. This Update should be applied prospectively to the beginning of the period of adoption and is effective for the first annual period beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015. Early adoption is permitted. See the Dixon Hughes Goodman A&A Update The FASB Issues Two Private Company Accounting Alternatives.

ASU 2014-03: 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)

This is the second accounting alternative for private companies (excludes financial institutions) issued by the FASB and provides an alternative accounting method for certain qualifying interest rate swaps. If elected, the alternative provides a practical expedient for interest-rate swaps meeting certain criteria to assume no ineffectiveness in the hedge in order to qualify for cash flow hedge accounting under Topic 815, Derivatives and Hedging. When adopting the alternative a full retrospective or modified retrospective approach is permitted. This Update is effective for the first annual period beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015. Early adoption is permitted. See the Dixon Hughes Goodman A&A Update The FASB Issues Two Private Company Accounting Alternatives.

ASU 2014-04: 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)

This Update provides guidance on when an in-substance repossession or foreclosure occurs, which requires the mortgage loan to be derecognized and the related real estate be recognized. The amendments clarify that an in-substance repossession or foreclosure occurs upon either (a) a creditor obtaining legal title to the residential real estate or (b) the borrower conveying all interest in the residential real estate through a deed in lieu of foreclosure (or a similar legal agreement). Creditors must disclose the amount of foreclosed residential real estate held as well as the amount of collateralized loans for which foreclosure is in process.

The amendments are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. For entities other than public business entities, the amendments in this Update are effective for annual periods beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015. The amendments can be adopted on either a modified retrospective or a prospective method. Early adoption is permitted.

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

The amendments in this Update clarify that an operating entity should not account for a service concession arrangement within the scope of the Update as a lease in accordance with Topic 840, Leases. The amendments also specify that the infrastructure used in a service concession arrangement should not be recognized as property, plant and equipment of the operating entity. A service concession arrangement is an arrangement between a public-sector entity grantor and an operating entity under which the operating entity operates the grantor’s infrastructure. Service concession arrangements are in the scope of the Update if they meet both of the following conditions:
1. The public-sector entity (a governmental body or another entity for which the public service has been delegated to) grantor “controls or has the ability to modify or approve the services the operating entity must provide with the infrastructure, to whom it must provide them, and at what price.”

2. The public-sector entity grantor controls any residual interest in the infrastructure at the end of the arrangement. This control can be through ownership, beneficial entitlement, or by other means.

The amendments should be applied to service concession arrangements that exist at the beginning of an entity’s fiscal year of adoption on a modified retrospective basis. This Update is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. For other than public business entities, the Update is effective for annual periods beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015. Early adoption is permitted.

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

This is the third accounting alternative for private companies issued by the FASB and permits the reporting entity to elect an alternative not to apply variable interest entity (VIE) guidance to common control leasing arrangements meeting certain criteria. Entities must apply the alternative retrospectively to the earliest period presented. This Update is effective for the first annual period beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015. Early adoption is permitted. See the Dixon Hughes Goodman A&A Update *The FASB Issues Private Company VIE Accounting Alternative.*

**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**

Under existing guidance numerous disposals often qualify for discontinued operations presentation (including certain routine transactions). Based on feedback received by the Financial Accounting Standards Board (FASB), the quantity and frequency of discontinued operations under current guidance create significant costs for preparers and less decision useful information for users. As a result, along with a desire to more closely align U.S. GAAP to IFRS, the FASB made amendments which will further restrict the use of discontinued operations presentation.

The amendments in this Update increase the threshold to qualify for discontinued operations presentation and modify disclosures required. The revised criteria require discontinued operations presentation when a disposal of a component or a group of components, of an entity represents a “strategic shift that has (or will have) a major effect on the entity’s operations and financial results.” A strategic shift can be a disposal of a major geographical area, major line of business, major equity method investment or other major parts of an entity. In a significant change from current guidance, an entity that retains significant continued involvement, if certain criteria are met, may use the discontinued operations presentation.

The assets and liabilities of the disposal group will be shown separately for each period presented in the statement of financial position. Additional disclosures about discontinued operations, continuing involvement in discontinued operations, and disposals that did not qualify for discontinued operations are required.

The amendments in this Update are effective prospectively for public business entities and not-for-profit entities that have issued, or are conduit bond obligors for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market for disposals (or classifications as held for sale) in annual periods beginning on or after December 15, 2014, and interim periods within those years. All other entities should apply the amendments in this Update for annual periods beginning on or after December 15, 2014, and interim periods within annual periods beginning on or after December 15, 2015.
Entities may early adopt for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance.

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

On May 28, 2014, the FASB and the International Accounting Standards Board (the IASB) (collectively “the boards”) issued their sweeping revenue recognition standard, *Revenue from Contracts with Customers*. This multiyear joint project with the IASB received more than 1,500 comment letters throughout the process.

The core principle of the new standard is that “an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.”

The standard provides a five-step process for recognizing revenue:

1. Identify the contract with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The boards have established a Joint Transition Resource Group for Revenue Recognition to bring issues and questions from practice to the boards’ attention for consideration.

In U.S. GAAP, the standard is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period for public entities. Early adoption is not permitted. For all other entities (nonpublic entities), the standard is effective for annual reporting periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted for nonpublic entities; however, not earlier than the public entity effective dates. Entities may adopt using either a full retrospective or a modified retrospective approach.


This Update removes the incremental reporting requirements for development stage entities. Due to the complexity of the incremental reporting requirements for development stage entities preparers experienced additional costs, which users noted provided information that was not relevant or decision useful.

The amendments to remove incremental reporting should be applied retrospectively. The Update also clarified that Topic 275, Risks and Uncertainties, is applicable for entities which have not started planned principal operations; this clarification should be applied prospectively. For public business entities, the amendments are effective for annual reporting periods beginning after December 15, 2014, and interim periods therein. For other entities, the amendments are effective for annual reporting periods beginning after December 15, 2014, and interim reporting periods beginning after December 15, 2015.

The Update also includes a provision to eliminate the exception to the sufficiency-of-equity-at-risk criterion retrospectively for annual reporting periods beginning after December 15, 2015, and interim periods therein for public business entities. For all other entities this provision is effective for annual reporting periods beginning after December 15, 2016, and interim reporting periods beginning after December 15, 2017.

Early application is permitted for financial statements that have not yet been issued (or made available for issuance).
ASU 2014-11: Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures

This Update revises the accounting for repurchase-to-maturity transactions to align the accounting with secured borrowing accounting. Separate accounting is required for repurchase financing arrangements in which a financial asset is transferred when a repurchase agreement with the same counterparty is executed concurrently. Additional disclosures will be required for certain transactions.

The amendments in this Update are effective for public business entities for the first interim or annual period beginning after December 15, 2014. For all other entities, the amendments are effective for annual periods beginning after December 15, 2014, and interim periods beginning after December 15, 2014. A modified retrospective approach is required, in which an entity presents the changes as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. Earlier application for a public business entity is prohibited; however, all other entities may elect to apply the requirements for interim periods beginning after December 15, 2014. Disclosure effective dates vary as described in the Update.

ASU 2014-12: 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)

Current GAAP does not include specific guidance on accounting for share-based payments with performance targets that could be attained after the requisite service period. To resolve the diversity in practice that has developed, this Update requires performance targets that affect vesting and that could be achieved after the requisite service period to be treated as performance conditions. As a result, such performance targets should not be included in the grant-date fair value calculation of the award, rather compensation cost should be recorded when it is probable the performance target will be reached and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. If the requisite service period is not over, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period.

This Update is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015 for all entities. Earlier adoption is permitted. Entities may apply the amendments in this Update either

a) Prospectively to awards granted (or modified) after the effective date, or
b) Retrospectively to awards with outstanding performance targets as of the beginning of the earliest annual period presented.

A cumulative effect adjustment of applying this Update should be recognized to the opening retained earnings balance at that date. Hindsight may be used to measure and recognize the compensation cost.


Currently, when an entity consolidates a collateralized financing entity under variable interest entity guidance the assets and liabilities of the consolidated entity are often measured at fair value. At times the fair value of the financial liabilities differs from the fair value of the financial assets in the entity being consolidated, even when the financial liabilities only have recourse to the financial assets of the collateralized financing entity. This measurement difference is not consistently accounted for, either at initial consolidation or subsequent measurement. This Update provides a measurement alternative for reporting entities to measure the financial assets and liabilities of the collateralized financing entity using the “more observable of the fair value of the financial assets and the fair value of the financial liabilities.”
The amendments are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. For other entities the Update is effective for annual periods ending after December 15, 2016, and interim and annual periods thereafter. The amendments can be adopted using a modified or full retrospective approach, early adoption is permitted as of the beginning of an annual period.


This Update addresses the diversity in practice regarding the classification and measurement of foreclosed loans which were part of a government-sponsored loan guarantee program (e.g. FHA, HUD, VA). If the following criteria are met, the loan (residential or commercial) should be derecognized and a separate other receivable should be recorded upon foreclosure at the amount of the loan balance (principal and interest) expected to be recovered from the guarantor:

a) The government guarantee is not separable from the loan before foreclosure.

b) At foreclosure, the creditor has the intent to convey the real estate to the guarantor and make a claim on the guarantee, and the creditor has the ability to recover under that claim.

c) At foreclosure, any amount of the claim based on the fair value of the real estate is fixed.

This Update is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. For all other entities this Update is effective for annual periods ending after December 15, 2015, and interim periods thereafter. The Update should be adopted either prospectively or on a modified retrospective basis. Early adoption is permitted, provided the entity has adopted ASU 2014-04.

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

The continuation of an entity as a going concern is presumed when preparing financial statements (unless liquidation becomes imminent); however, currently there is no guidance in U.S. GAAP about management’s responsibility to evaluate going concern uncertainties. As a result, this Update clarifies management’s responsibility to evaluate and provide related disclosures if there are any conditions or events, as a whole, that raise substantial doubt about the entity’s ability to continue as a going concern for one year after the date the financial statements are issued (or, if applicable, available to be issued). The FASB believes this will reduce diversity in the timing and content of going concern disclosures.

This Update is effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter. Early adoption is permitted.

Current PCAOB and AICPA auditing standards continue to apply to the auditor’s responsibilities for evaluating an entity’s ability to continue as a going concern.

**ASU 2014-16: 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)**

Entities frequently raise capital through issuances of shares, which will occasionally include additional features (e.g. conversion rights, dividend payment preferences). When shares are issued with features that qualify as derivatives under GAAP those shares are referred to as hybrid financial instruments. The features within hybrid financial instruments must be evaluated as to whether they are clearly and closely related to the host contract, and if certain criteria are met the derivate would be separated from the underlying share and accounted for under Topic 815-10, *Derivatives and Hedging*. The evaluation of whether or not the features are clearly and closely related begins with determining if the host contract is more akin to debt or equity. Currently there is diversity in practice on how this determination is made. This Update clarifies the
determination should be made by considering “all stated and implied substantive terms and features of a hybrid financial instrument” (in contrast to evaluating the instrument without consideration of the embedded derivative).

The amendments are effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. For other entities the Update is effective for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. The amendments can be adopted using a modified or full retrospective approach. Early adoption is permitted with any adjustments reflected as of the beginning of the fiscal year.

**SEC – Final Rules**

**Release 34-73639, Regulation Systems Compliance and Integrity**

This rule requires certain key U.S. securities markets participants to strengthen their technology infrastructure in order to both reduce the occurrence of systems disruptions, intrusions or other systems issues and limit the impact of issues when encountered. This is in response to the recent numerous technology issues highlighting the loss exposure companies have when technological issues arise.

Effective Date: February 3, 2015; compliance dates generally nine to fifteen months following the effective date.

**Release 34-72936, Nationally Recognized Statistical Rating Organizations**

The SEC issued this final rule in accordance with Dodd-Frank to improve regulation of nationally recognized statistical rating organizations (NRSROs). The rule includes changes to existing rules as well as adds new rules for NRSROs and third-party providers of due diligence services for asset-backed securities. Additionally, underwriters of asset-backed securities now must make available for the public the findings and conclusions of “any third-party due diligence report obtained by the issuer or underwriter.”

Effective Date: November 14, 2014 with certain provisions effective at a later date, see the effective dates section of the final rule for more information.

**Release 33-9638, Asset-Backed Securities Disclosure and Registration**

This final rule significantly revises rules governing the asset-backed securities’ (ABS) offering process by increasing the disclosure requirements. Asset-level information (for ABS backed by assets related to certain types of assets such as real estate, auto, or debt securities) regarding each of the assets in a pool is required under these revisions in XML format. Additional time to review the offering document is provided to investors in the revised rule. Revised forms designed specifically for ABS will be provided as well. Finally, new shelf eligibility criteria have been established while removing credit rating references in the existing criteria.

Effective Date: November 24, 2014.

Compliance dates:

- Offerings on Forms SF-1 and SF-3: Registrants must comply with new rules, forms, and disclosures no later than November 23, 2015.
- Asset level Disclosures: Offerings of asset-backed securities backed by residential mortgages, commercial mortgages, auto loans, auto leases, and debt securities (including resecuritizations) must comply with asset-level disclosure requirements no later than November 23, 2016.
- Forms 10-D and 10-K: Any Form 10-D or Form 10-K that is filed after November 23, 2015 must comply with new rules and disclosures, except asset-level disclosures.
SEC – Other

The Volcker Rule

On January 17, 2014 the SEC issued an interim final rule to “permit banking entities to retain interests in certain collateralized debt obligations backed primarily by trust preferred securities (TruPS CDOs) from the investment prohibitions” of the Volcker Rule. This rule was effective on April 1, 2014.

In connection with the Final Rule, the Federal Reserve granted a blanket one-year extension of the Volcker Rule conformance period for all banking organizations, allowing banks until July 21, 2015 to comply fully with most requirements of the Final Rule. Banking organizations with significant trading activities will be required to report quantitative metrics on their trading activities beginning in July 2014. The extension also requires banking organizations to use good faith efforts during the conformance period to conform to the Final Rule and promptly cease any “stand-alone” proprietary trading.

On April 7, 2014, the Federal Reserve released a statement announcing its intention to grant two additional one-year extensions of the conformance period for collateralized loan obligations (CLOs), which, when enacted, would extend the conformance period for CLOs to July 21, 2017, the maximum extension provided for in the Dodd-Frank Act. CLOs in place as of December 31, 2013 that do not qualify for exclusion in the Final Rule will be covered by the extension.

Staff Accounting Bulletin (SAB) No. 115


COSO

For entities still using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 1992 framework, plans should be in process to transition to the 2013 framework. The updates broaden the application of internal control in addressing operations and reporting objectives as well as clarify requirements for determining effective internal control. COSO issued a document with illustrations to assist users in assessing whether a system of internal control meets the requirements set forth in the updated framework. Furthermore, the September 25, 2013 meeting minutes of the SEC Regulations Committee state that the SEC Staff “indicated that the longer issuers continue to use the 1992 framework, the more likely they are to receive questions from the staff about whether the issuer’s use of the 1992 framework satisfies the SEC’s requirement to use a suitable, recognized framework (particularly after December 15, 2014 when COSO will consider the 1992 framework to have been superseded by the 2013 framework).” See the Dixon Hughes Goodman A&A Update, COSO’s Updated Integrated Framework, for more information.

Center for Audit Quality

SEC/PCAOB Independence Rules for Non-Issuer Audit and Attestation Engagements

On November 19, 2014 the CAQ and AICPA issued a joint alert providing an overview of the independence rules of the SEC and PCAOB applicable to financial statement audit and attestation engagements for the following non-issuers:

1. Non-issuer broker-dealers that are registered with the SEC as a broker or dealer; and
2. Where the engagement(s) is subject to the requirements of SEC Rule 206(4)-2 (17 CFR 275.206(4)-2) (“Custody Rule”), SEC-registered and state-registered investment advisers, related party custodians, or private funds (e.g., pooled investment vehicles).
3. Other engagements subject to SEC or PCAOB Independence Rules.
Professional Judgment Resource

In August 2014 the CAQ released a Professional Judgment Resource to assist auditors with the process of making important decisions in which judgment is required within accounting and auditing considerations. With the increased complexity of accounting standards and business transactions, additional scrutiny of audits by the public and inspectors, and a shift to principles based auditing and accounting standards, judgment in an audit is becoming more central and complex. Thus, the CAQ hopes to provide a resource to practitioners to help address the inherent challenges involved with judgment and the audit process. For more information see the CAQ's website.