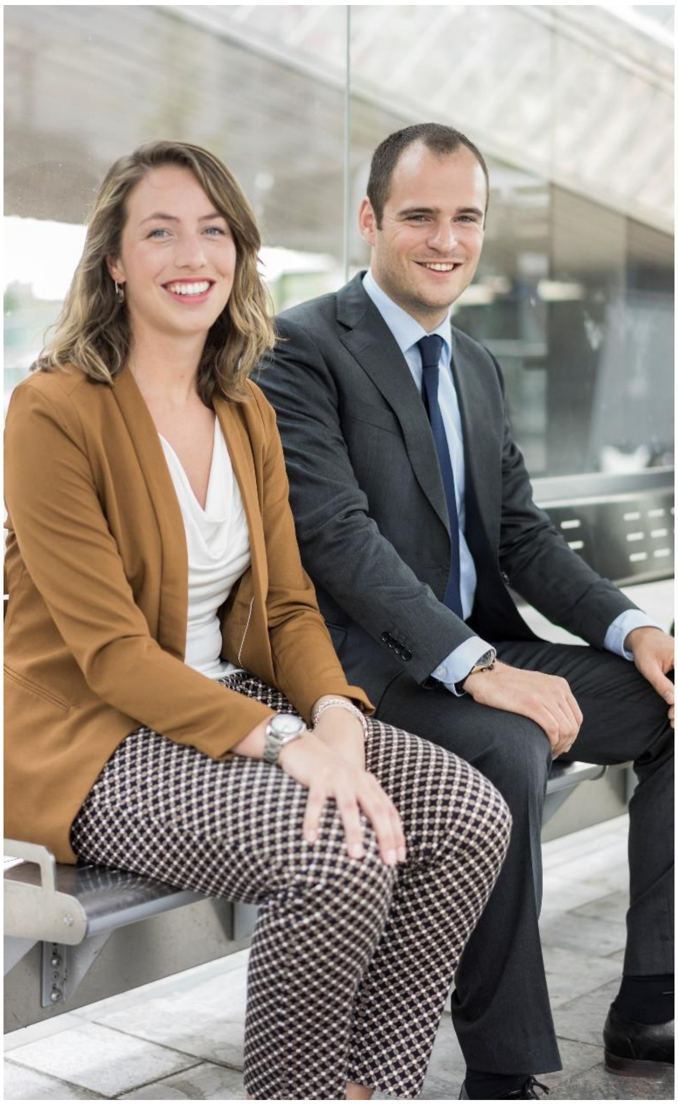
Views on, analysis of and news about US GAAP and SEC reporting
A Canadian perspective

US GAAP Today



Summer 2018

Issue 2018-3

pwc

PwC guides

PwC publishes several guides to help our professionals, clients, and others to understand US GAAP accounting for various types of transactions and events. Two guides were published during the most recently completed quarter:

- ***Income taxes*** (May 2018)
- ***Property, plant, equipment and other assets*** (March 2018)

PwC Guides and publications can be obtained through:

- ***Inform*** if you are an ***Inform*** subscriber.
- EBook format for downloading to your iPad by going to the ***CFOdirect*** link for publications at http://www.pwc.com/us/en/cfodirect/publications/accounting-guides.html.
- Printed copy by contacting your local PwC representative.

Contact us

PwC has a strong network of people in Canada and worldwide who can advise on the developments in US GAAP and SEC reporting. If you would like to discuss any of the issues or matters raised in this publication, please contact your engagement team or local office.

For other PwC publications please refer to http://www.pwc.com/ca/en/research-insights.html.

US GAAP Today

PwC Canada helps companies and individuals create the value they are looking for. We are a member firm of PricewaterhouseCoopers network of firms and have close to 6,000 people in 26 locations in Canada who are committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at www.pwc.com/ca.

Common abbreviations

ASC	Accounting Standards Codification
ASU	Accountings Standards Update
COSO	The Committee of Sponsoring Organizations of the Treadway Commission
ED	Exposure Draft or Proposed Accounting Standards Update
EITF	Emerging Issues Task Force of the Financial Accounting Standards Board
FAF	Financial Accounting Foundation
FASAC	Financial Accounting Standards Advisory Committee
FASB	The Financial Accounting Standards Board
FinREC	The Financial Reporting Executive Committee of the American Institute of Certified Public Accountants
IASB	The International Accounting Standards Board
IFRS	International Financial Reporting Standards
PCC	Private Company Council
SEC	Securities and Exchange Commission
SICAD	Sistema Complimentario de Administracion de Divisas
TRG	FASB/IASB Joint Transition Resource Group for Revenue Recognition

In this issue

News

News on ASUs issued

At the end of the standard setting process, the FASB issues an Accounting Standards Update that replaces or amends an existing standard in the Accounting Standards Codification. In addition to the technical text of the standard, a basis of conclusion explains the FASB process and input considered in developing the standard or the amendments. This section summarizes the Accounting Standards Updates issued during the most recently completed quarter.

Share-based payments aligned for employees and nonemployees

ASC Topic 718: *Compensation – stock compensation*

ASU 2018-07: *Improvements to nonemployee share-based payment accounting*

In May 2018, FASB issued ASU 2018-07: *Improvements to nonemployee share-based payment accounting* to simplify the accounting for options and similar stock awards to nonemployees, such as service providers, suppliers, and other external parties.

When applied?

All companies will apply the amendments when they issue share-based awards to acquire goods and services used or consumed in their operations. The amendments will not apply to awards granted to lenders or investors in a financing or customers when selling them goods and services. Awards to customers who supply distinct goods and services to be used or consumed by the company are subject to the ASU.

What has changed?

The ASU aligns the accounting for share-based payments made to nonemployees with the accounting for similar awards to employees. The guidance for nonemployees is integrated with guidance for employees and the subsection with special rules for nonemployee share-based payments will be eliminated on the effective date.

All awards issued to nonemployees will be measured at the fair value of the award, rather that the fair value of consideration received or the fair value of equity instruments issued. The fair value of the awards are measured as follows:

- If classified as equity, at fair value on the grant date, rather than at the date of a performance commitment with the counterparty or the date when the counterparty's performance is complete; and
- If classified as a liability, at fair value when the liability is incurred.

Nonemployee share-based payments with performance conditions will be measured considering the probability of satisfying the performance conditions.

Consistent with existing guidance, when estimating the fair value of the awards, entities may elect, on an award by award basis, to use the contractual term as the expected term.

The cost of the awards will be recognized when the goods or as the services are received. Forfeitures can either be estimated and revised to reflect expected vesting or can be reflected as they occur. If the awards are fully vested before the goods or services are received, the corresponding cost is either an immediate expense or a prepaid asset. The pattern of cost recognition for fully vested equity awards should be the same as if the goods or services were acquired for cash. These requirements are essentially similar to previous guidance.

The classification of awards will now be subject to the same guidance as for employee awards, rather than the guidance in other GAAP. Other GAAP will only apply if the awards are modified after the goods or services have been received, any conditions necessary to the right to benefit from the awards have been satisfied, and the nonemployee is no longer providing goods or services. This change eliminates the need to reassess the classification of awards on vesting.

When effective?

The amendments will be effective for public companies for fiscal years beginning after December 15, 2018 and for all other entities for fiscal years beginning after December 15, 2019 (and interims for years beginning after December 15, 2020). Earlier adoption is permitted, but not before the company adopts the new standard for revenue recognition.

On transition, companies will remeasure liability classified awards that have not been settled and equity classified awards for which a measurement date has not been established. These adjustments will be reflected as a cumulative effect adjustment to retained earnings at the adoption date.

What's next?

Companies are now able to apply one set of requirements to accounting for all share-based payments. These simplifications should reduce the burden of accounting for stock options and similar awards granted to nonemployees.

Removing outdated guidance

ASC Topic 942: *Financial services – depository and lending*

ASU 2018-06: *Codification improvements to Topic 942*

As a result of the rescission of guidance issued by the US Office of the Comptroller of the Currency, the FASB removed outdated guidance on the accounting for net deferred tax charges for depository and lending institutions. The removal of the guidance was through ASU 2018-06: *Codification improvements to Topic 942, Financial Services – Depository and Lending* and is effective immediately.

Argentina inflation concerns

Inflation rates have been increasing significantly in Argentina with the three-year cumulative inflation rate being projected to be greater than 100%. The International Practices Task Force of the Center for Audit Quality has categorized Argentina to be highly inflationary.

Based on the trend of inflation in Argentina, companies should be prepared to begin to account for operations in Argentina as highly inflationary no later than July 1, 2018.

News on FASB projects in progress

News on FASB projects in progress provides information on projects within the FASB's and EITF's agendas. The News covers developments including agenda decisions; initial deliberations and tentative decisions made by the FASB and EITF; exposure drafts of proposed ASUs; feedback from comment letters, hearings and roundtables; and redeliberations based on stakeholders' feedback. This section includes developments during the most recently completed quarter.

LOOK FOR THIS SYMBOL FOR TOPICS WITH SIGNIFICANT UPDATES DURING THE MOST RECENT QUARTER.

Recognition and measurement projects

Broad projects

Distinguishing liabilities from equity

ASC Topic 480: *Distinguishing liabilities from equity*

Objective:

- Improve the understandability and reduce the complexity for accounting for instruments with the characteristics of liabilities and equity (including convertible debt).

Status:

- Initial deliberations. Research being conducted on accounting for convertible instruments and instruments indexed to an entity's own stock.

This Q's developments

During the most recently completed quarter, the Board began its initial deliberations.

The staff was directed to research the accounting for convertible instruments with embedded conversion features (not meeting the definition of a derivative) as a single unit of account similar to traditional convertible debt. Improvements to disclosures and EPS information will also be considered.

For contracts indexed to an entity's own stock, staff will research the classification, disclosures, and EPS information.

Insurance—targeted improvements to accounting for long-duration contracts

ASC Topic 944: *Financial services – insurance*

Objective:

- Improve, simplify, and enhance the financial reporting requirements for long-duration contracts issued by insurance entities by providing more decision-useful information about the amount, timing, and uncertainty of cash flows related to such contracts.

Exposure draft:

- *Targeted improvements to the accounting for long-duration contracts* was issued on September 29, 2016.

Status:

- Exposure draft redeliberations completed and a final ASU is being drafted with final ASU expected in Q3, 2018.

This Q's developments

During the most recent quarter, the FASB modified the retrospective transition method to require (a) use of the existing discount rate for purposes of calculating the net premiums and interest accretion, (b) use of the current upper-medium grade fixed-income instrument yield for measuring the liability, and (c) with the difference reflected on opening AOCI at the transition date.

The effective date was set as follows:

- Public business entities for fiscal years and related interim periods beginning after December 15, 2020; and
- All other entities for fiscal years beginning after December 15, 2021 and interim periods in fiscal years beginning after December 15, 2022.

Key proposals

Our winter 2018 edition of *US GAAP Today* summarized the key proposals tentatively decided by the FASB.

Narrow projects

Codification improvements—general

Objective:

- Provide regular updates and improvements to the ASC based on feedback received from stakeholders. The project facilitates updates for technical corrections, clarifications, and other minor improvements.

Project tenure:

- The project is a standing project.

Exposure draft:

- *Codification improvements* issued on October 3, 2017.

Status:

- Exposure draft redeliberations with final ASU expected in Q3, 2018.

This Q's developments

The FASB redeliberated the proposed amendments and eliminated certain issues from the proposed update. The key proposals have been updated to reflect the current proposals.

The FASB decided the amendments in the final ASU will be effective upon issuance, which for:

- Public business entities will be for annual and related interim periods for years beginning after December 15, 2018; and
- All other entities for annual periods beginning after December 15, 2019 and interim periods for annual periods beginning after December 15, 2020.

Key proposals

The key proposals involving simplifications, clarifications, and improvements are listed below.

1. Topic 260: *Earnings per share* – *simplifies* the wording in the ASC and *clarifies* certain references to and the example illustrating the two class methods for calculating EPS.
2. Topic 320: *Investments – debt and equity securities* – *simplifies and clarifies* the disclosures required about investments in debt and equity.
3. Topic 470: *Debt – modifications and extinguishments* – *clarifies* that when the fair value option is elected, the net carrying value of debt on extinguishment is the fair value at the

date of extinguishment and the cumulative gains or losses in AOCI must be included in the gain or loss in the income statement.

4. Topic 718: *Compensation – stock compensation* – *clarifies* that excess tax benefits or deficiencies related to stock based compensation should be recognized in the income statement in the period when the tax deduction is determined, which is typically when the award is exercised or vests, as applicable.

5. Topic 720: *Other expenses* – *clarifies* the wording in the guidance for accounting for advertising costs and insurance acquisition costs.

6. Topic 740: *Income taxes* – *clarifies* that transactions between a taxpayer and a government are limited to those when a government acts in its capacity as a taxing authority.

7. Topic 815: *Derivatives and hedging* – *clarifies* the guidance permitting offsetting of derivatives.

8. Topic 820: *Fair value measurement* – *clarifies* how the fair value of a liability or instrument classified in a reporting entity's equity should be measured using the perspective of the market participant that holds an identical item as an asset after the measurement date. The amendments make it clear that adjustments should not be made to the quoted price of the corresponding asset for transfer restrictions on the liabilities or equity instruments; however transfer restrictions on the asset should be considered.

   Improves derivatives accounting by permitting the portfolio exception to valuation to apply to a mixed portfolio of physically settled commodity contracts managed in a portfolio with offsetting cash-settled derivatives, provided the contracts are derivatives under ASC Topic 815.

   Clarifies the language for valuation techniques by replacing the terminology "build up approach" with "build up methodology", as build up approach commonly refers to the method of applying the discount rate adjustment technique.

9. Topic 942: *Financial services – depository and lending* – *clarifies* requirements for disclosing regulatory capital for depository institutions as a result of recent changes to the regulatory capital requirements.

10. Topic 944: *Financial services – insurance* – *clarifies* the election on transition to ASU 2010-26, which permitted entities not to capitalize acquisition costs not previously capitalized, is still effective for the ongoing accounting.

Improving the accounting for asset acquisitions and business combinations

ASC Topic: This project may affect multiple topics within the ASC.

Objective:

- Improve the accounting for asset acquisitions and business combinations by aligning the accounting for the recognition and derecognition of assets and businesses.

Status:

- Initial deliberations. Staff is conducting further research.

This Q's developments

The FASB discussed how certain aspects of the accounting for assets acquisitions and business combinations could be aligned. Topics being considered are contingent consideration, in-process research and development, and acquisition costs. No tentative decisions were made.

Implementation costs for cloud computing

ASC Topic 350: *Intangibles – goodwill and other*

Objective:

- Reduce diversity in practice for accounting for implementation costs incurred in a cloud computing arrangement that is a service contract.

Exposure draft:

- *Customer's accounting for implementation costs incurred in a cloud computing arrangement that is considered a service contract and disclosures for implementation costs incurred for internal-use software and cloud computing arrangements* was issued on March 1, 2018. Comments were due by April 30, 2018.

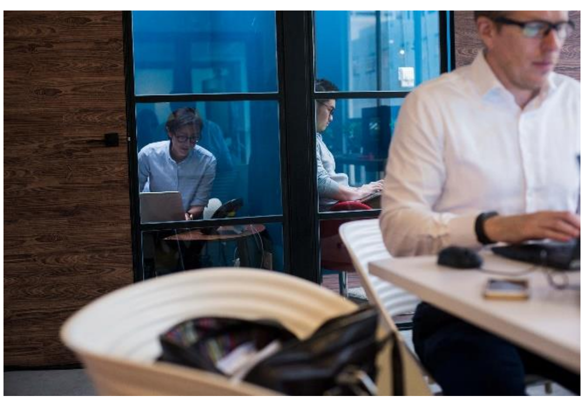
Status:

- The FASB ratified the EITF consensus and a final standard expected in Q3, 2018.

This Q's developments

The EITF reviewed comments received on the exposure draft. Most respondents supported the capitalization of implementation costs of a hosting arrangement that is a service contract, but there was a lack of support for the disclosures proposed.

The EITF completed it deliberations and reached a consensus for exposure. The FASB ratified the EITF's draft consensus for publication as a proposed ASU.



Key proposals

For hosting arrangements that are service contracts, a company would follow the guidance on internal-use software to determine which costs would be capitalized and which costs would be expensed. This would require a company to capitalize costs for implementation activities in the application development stage, if the costs are eligble for capitalization. Costs incurred during the preliminary project and post-implementation stages would be expensed. Any capitalized costs would be amortized over the term of the hosting arrangement and presented in the same line item as other fees for the hosting element. The proposed ASU also enhances disclosures about these types of arrangements.

The amendments would be applied either prospectively or retrospectively by public business entities for annual periods beginning after December 15, 2019 and by other entities for annual periods beginning after December 15, 2020 (with interims a year later).

Assumed liability in a revenue contract in a business combination

ASC Topic 805: *Business combinations*

Objective:

- Clarify the recognition of an assumed liability in a revenue contract acquired in a business combination after the effective date of Topic 606: *Revenue from contracts with customers.*

Status:

- Initial deliberations completed with proposed ASU being drafted. The FASB ratified the EITF consensus for exposure.

This Q's developments

The EITF discussed the issues during the quarter and reached tentative conclusions on the recognition and measurement of any assumed liability for revenue contracts.

Key proposals

A liability should be recognized in a business combination for a revenue contract using the performance obligation concept. The liability would be measured using the fair value of the assumed liability.

Collaborative arrangements—targeted improvements

ASC Topic 808: *Collaborative arrangements*

Objective:

- Clarify when transactions between participants in a collaborative arrangement are within the scope of the revenue guidance.

Exposure draft:

- *Targeted improvements* issued on April 26, 2018 and comments were due June 11, 2018.

Status:

- Exposure draft redeliberations have begun.

This Q's developments

There were no further developments during the second quarter of 2018.

Key proposals

The Board decided that certain transactions between collaborative participants that are unrelated to third party sales resulting from the collaboration could result in revenue from contracts with customers. If any units of accounting from the collaborative arrangements are deemed to be revenue, all of the principles of the revenue standard would apply to those units. The proposed ASU will not address the accounting for non-revenue transactions.

The Board decided not to add additional implementation guidance to the revenue standard to clarify the transfer of control and customers in the context of collaborative arrangements.

The proposals when adopted would be applied retrospectively.

Consolidation reorganization and targeted improvements

ASC Topic 810: *Consolidation*

Objective:

- Reorganize the guidance in ASC 810 to assist in its application.
- Provide clarifications on certain terms and concepts.

Exposure draft:

- *Reorganization* was issued on September 20, 2017 and comments were due December 4, 2017.

Status:

- Exposure draft redeliberations.

This Q's developments

The Board discussed the feedback on the exposure draft and decided to proceed with the project. Respondents to the exposure draft generally supported the objectives of the project, but there were different levels of support for the reorganization proposed. Some expressed a need to create a single comprehensive consolidation model, others commented that the complex nature of VIEs makes the guidance hard to apply. Comments also included other possible ways to improve the guidance.

FASB staff were also asked to develop educational materials on the more difficult aspects of the consolidation guidance.

Key proposals

The Board has decided to:

- Reorganize the current guidance into a new ASC Topic with separate subtopics for VIEs and voting interest entities.

- Add language on the application of "expected" in the VIE guidance, as well as nonauthoritative education materials.

Consolidation improvements to related party guidance for VIEs

ASC Topic 810: *Consolidation*

Objective:

- Make targeted improvements to the related parties under common control in applying the VIE guidance.

Exposure draft:

- *Targeted improvements to related party guidance for variable interest entities* was issued on June 22, 2017 with comments due September 5, 2017.

Status:

- Final ASU being drafted with expected finalization in Q3, 2018.

This Q's developments

The FASB completed its redeliberations, affirmed its tentative decisions and directed staff to draft a final ASU.

Key proposals

The FASB also decided to make targeted improvements to the VIE guidance for common control arrangements by:

- Providing an accounting alternative for private companies to exempt those companies from having to apply the VIE guidance to private companies under common control. Common control would be based on existing guidance. This would be an accounting election and be available only when the reporting entity, the common control parent and the legal entity being evaluated are not public business entities. Enhanced disclosures would be required if the alternative is applied. If the reporting entity becomes a public business enterprise, it would apply the VIE guidance on a prospective basis.

- Eliminating the current alternative exemption for private company leasing arrangements under common control.

- Amending the guidance on fees paid to decision makers to state that an indirect interest held by a decision maker in a VIE through a related party under common control should be considered on a proportional basis.

- Amending the related party tie-breaker test by requiring consolidation for a related party under common control when substantially all of the activities of a VIE involve or are conducted on behalf of that related party. The amendment would also provide criteria for a reporting entity to consider determining whether a related party in a common control arrangement has a controlling financial interest in a VIE.

The proposed effective date is for fiscal years beginning after December 15, 2020 for private companies and after December 15, 2019 for all other entities. Earlier adoption is permitted for private companies.

Adding a benchmark interest rate for hedging

ASC Topic 815: *Derivatives and hedging*

Objective:

- Update benchmark interest rates based on actions by the Federal Reserve Bank of New York.

Exposure draft:

- *Inclusion of the overnight index swap (OIS) rate based on the secured overnight financing rate (SOFR) as a benchmark interest rate for hedge accounting purposes* was issued on February 20, 2018 with comments due on March 30, 2018.

Status:

- Exposure draft redeliberations.

This Q's Developments

There were no developments during the most recently completed quarter.

Key proposals

The FASB decided to add the overnight index swap rate based on the secured overnight financing rate (SOFR OIS) as a benchmark interest rate for fair value hedges of fixed-rated financial instruments and cash flow hedges of forecasted purchases or issuances of fixed-rated financial instruments. The provisions would be applied on a prospective basis.

Hedging implementation issues

ASC Topic 815: *Derivatives and hedging*

Objective:

- Address certain aspects of the last-of-layer approach.
- Clarify the guidance on changes in the hedged risk of a cash flow hedge.

Status:

- Initial deliberations.

This Q's Developments

There were no Board discussions or decisions made during the second quarter of 2018.

Lease implementation issues on transition

ASC Topic 842: *Leases*

Objective:

- Address implementation issues raised by stakeholders on the new leases standard.

Exposure draft:

- *Targeted improvements* was issued on January 5, 2018 and comments were due February 5, 2018.

Status:

- Exposure draft redeliberations.

This Q's Developments

There were no further developments during the second quarter of 2018.

Key proposals

An additional transitional method will be added to the standard, which will allow entities to apply the transitional requirements at the effective date with a cumulative effect adjustment to retained earnings in the adoption years. This method would result in the prior periods not being comparative and would require additional disclosures.

Lessors will be allowed to apply a practical expedient, by class of underlying asset, to not separate non-lease components from the related lease components if (a) the timing and pattern of transfer for the lease and non-lease components are the same; and (b) the lease component is classified as an operating lease. Under this expedient, the components would be accounted for as a single lease component. Certain disclosures would be required.

These amendments would be effective when the new leases standard is effective for an entity.

Sales taxes, property taxes and insurance payments for leased assets

ASC Topic 842: *Leases*

Objective:

- Clarify the accounting for (1) sales taxes collected from the lessee; and (2) property taxes and insurance either paid directly by the lessee or paid by the lessor and reimbursed by the lessee.

Status:

- Initial deliberations.

This Q's Developments

There were no further developments during the most recently completed quarter.

Key proposals

The FASB tentatively decided that lessors could make an accounting policy election to present sales taxes collected from lessees on a net basis.

For property taxes and insurance, the FASB decided that lessors could exclude the amounts from the transaction price when the uncertainty in the transaction price is not expected to ultimately be resolved. This would occur when the lessor does not know the amount of the property taxes and insurance paid to the tax authority and insurer, respectively.

Codification improvements for leases

ASC Topic 842: *Leases*

Objective:

- Improvements to clarify ASU 2016-02 or correct unintended application of the guidance.

Exposure draft:

- *Technical corrections and improvements to ASU 2016-02* issued on September 27, 2017 and comments were due November 13, 2017.

Status:

- Exposure draft redeliberations and final ASU being drafted.

This Q's Developments

There were no further developments during the second quarter of 2018.

Key proposals

The following clarifications or improvements have been proposed to clarify

1. The rate implicit in a lease cannot be less than zero.

2. When a lessee reassesses a lease's classification, the lessee should consider the facts and circumstances at the date of reassessment.

3. The exercise of an option by the lessee to extend or terminate a lease or to purchase the underlying asset should be accounted for as a lease modification by the lessor, unless the exercise of the option is consistent with the lessor's assumptions on the commencement of the lease.

4. A change to a reference index or rate on which some or all of the variable lease payments are based does not represent a resolution of a contingency requiring remeasurement of lease payments by a lessee.

5. Investment tax credits retained by the lessor should reduce the fair value of the underlying asset for purpose of lease classification.

6. The lease term includes the period covered by a lessor-controlled option to terminate a lease.

7. Certain transitional guidance for amounts previously recognized in a business combination, and changes in classification of leases by lessees and lessors on transition, modifications to leases previously classified as direct financing or sales type leases by lessors, and sale leaseback transactions.

8. For an impairment of a net investment in a lease, the assessment would include the collateral, which represents the cash flows expected from the lease receivable and the unguaranteed residual asset during and following the remaining lease term.

9. The lessor should stop accreting the unguaranteed residual asset to its estimated value over the remaining lease term when the lessor sells substantially all of the lease receivable for direct financing or sales type lease.

10. When initial direct costs are included in determining the rate implicit in a lease.

11. When a sale leaseback transaction does not qualify as a sale, the interest rate should be adjusted so the interest on the financial liability does not exceed the total payments on the financial liability.

Cost capitalization for episodic television series

ASC Topic 926: *Entertainment – films*

Objective:

- Address changes in the business environment in the media industry to consider alternative cost capitalization models.

Status:

- Initial deliberations by EITF.

This Q's Developments

The EITF discussed the issues and reached certain tentative conclusions on capitalization and amortization. The FASB staff were asked to conduct additional research on impairment and disclosures.

Key proposals

The capitalization guidance for episodic content would be aligned with the guidance for films and the guidance on amortization would be retained.

Presentation and disclosure projects

Classification of debt

ASC Topic 210: *Balance sheet*

Objective:

- Provide guidance to reduce the cost and complexity of determining current versus noncurrent balance sheet classification of debt.

Exposure draft

- *Simplifying the classification of debt in a classified balance sheet (Current versus noncurrent)* was issued on January 10, 2017.

Status:

- Final standard being drafted with expected release in Q2, 2018.

This Q's developments

During the quarter, there were no further developments.

Key proposals

The project establishes a principle for determining the classification of a debt or other instrument as current or noncurrent at the balance sheet date.

The scope of the ASU will include lease liabilities.

An instrument will be classified as noncurrent if either:

- The liability is contractually due to be settled more than one year (or the operating cycle, if longer) after the balance sheet; or

- The entity has a contractual right to defer settlement of the liability for at least one year (or the operating cycle, if longer) after the balance sheet date.

In applying the principle, subjective acceleration clauses will affect the classification only when triggered.

Subsequent refinancing of a debt, either by another debt or equity, would not be considered in determining the classification.

The issuance of equity instruments will not be a settlement when considering the classification of the liability.

Further, debt will continue to be classified as noncurrent if a waiver of debt covenant violations is received after the reporting date, but before the date the financial statements are issued. This exception to the principle will apply to all waivers except those that result in a debt modification or extinguishment. An entity will have to assess whether the violations of any other covenants not covered by the waiver is probable within the 12 months following the reporting date. If such violations are probable, the debt would be classified as current. Any debt classified as noncurrent because of a waiver would be presented separately in the balance sheet.

Disclosures will be required about debt covenant violations as well as significant acceleration clauses and debt covenants when they are triggered.

These provisions would be applied prospectively to all debt that exists at the effective date.

The changes would be effective for public companies for years after December 15, 2019 and other entities after December 15, 2020. Early adoption will be permitted.

Financial performance reporting—disaggregation of performance information

ASC Topic 225: *Income statement*

Objective:

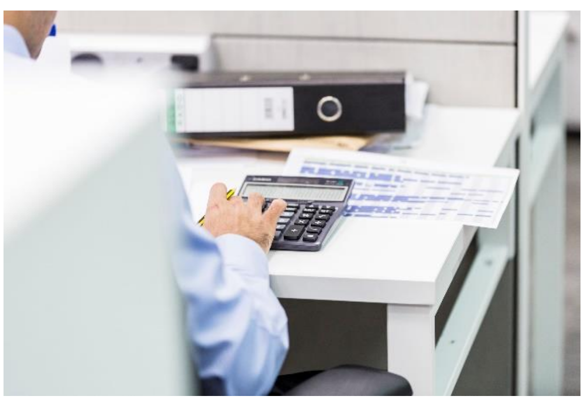
- To focus on disaggregation of performance information, with functional lines disaggregated into natural components.

Status:

- Initial deliberations.

This Q's developments

There were no further developments during the most recently completed quarter and no tentative decisions have been made.



Interim reporting disclosures

ASC Topic 270: *Interim reporting*

Objective:

- Evaluate and improve existing disclosure requirements for interim reporting through the consideration of the concepts in the Board's decision process.
- Promote the use of discretion by the entity.

Status:

- Initial deliberations.

This Q's developments

No developments have occurred since January 2015.

Key proposals

The FASB has decided that interim reports should update disclosures about matters required in annual financial statements if there is a substantial likelihood that the updated information would be viewed by a reasonable investor as significantly altering the "total mix" of information available to the investor.

Segment reporting

ASC Topic 280: *Segment reporting*

Objective:

- Improve the segment aggregation criteria and disclosure requirements.

Status:

- Initial deliberations.

This Q's developments

During the most recently completed quarter, the FASB approved the staff outreach plans to consider whether (a) the process for determining segments should be reorganized with the quantitative thresholds considered earlier in the process; or (b) the aggregation criteria should be removed with each operating segment being reportable subject to practical limits.

Inventory disclosures

ASC Topic 330: *Inventory*

Objective:

- Evaluate and improve existing disclosure requirements for inventory through the consideration of the concepts in the Board's decision process.
- Promote the use of discretion by the entity.

Exposure draft:

- *Changes to disclosure requirements for inventory* was issued on January 10, 2017 and comments were due March 13, 2017.

Status:

- Exposure draft redeliberations.

This Q's developments

During Q2, 2018, the FASB did not have any further discussions on this project.

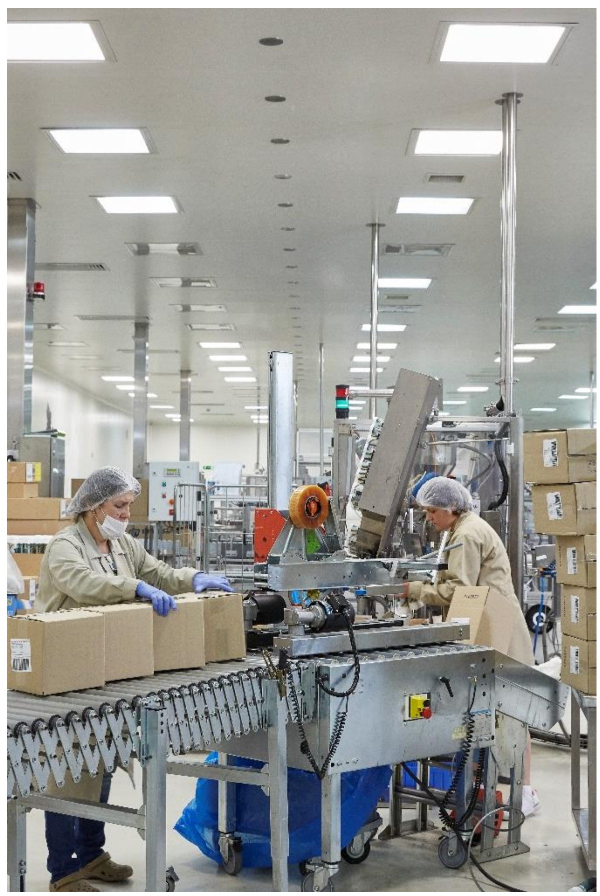
Key proposals

The proposals include an objective for the disclosures and a statement that individual disclosures need not be provided if immaterial. Any changes would be applied prospectively.

The FASB has tentatively decided on the following disclosure changes:

Disclosures added
Inventory disaggregated by component (raw materials, work-in-process, finished goods, and supplies).
Inventory disaggregated by measurement basis.
Changes to inventory balances that are not specifically related to the purchase, manufacture, or sale of inventory in the ordinary course of business (for example, atypical losses, reclassifications, business combinations, divestitures, and unrealized gains and losses on inventories recorded above cost or at selling prices).
A qualitative description of costs capitalized into inventory.
The effect of LIFO liquidations on income.
The replacement cost of LIFO inventory.
Critical assumptions, qualitative and quantitative, used in the calculation of the cost of inventory under the retail method.
Facts and circumstances leading to impairment losses.
Public business entities only: Inventory by reportable segment or by component for each reportable segment if the information is regularly provided to the chief operating decision maker. This information would be required in both annual and interim periods.

Disclosures eliminated
Measurement basis of inventories when inventories are stated above cost or at sale prices.
Relationship between costs under a recognized measurement method and standard costs.



Defined benefit plan disclosures

ASC Topic 715: *Compensation – retirement benefits*

Objective:

- Evaluate and improve existing disclosure requirements for defined benefit plans through the consideration of the concepts in the Board's decision process.
- Promote the use of discretion by the entity.

Exposure draft:

- *Changes to disclosure requirements for defined benefit plans* was issued in January 2016 with comments due April 25, 2016.

Status:

- Final standard update is being drafted with final ASU expected in Q3, 2018.

This Q's developments

There were no further developments during the most recently completed quarter.

Key proposals

The proposals include an objective for the disclosures and a statement that individual disclosures need not be provided if immaterial. Any changes would be applied for public business entities for years ending after December 15, 2020 and other entities for years ending after December 15, 2021. Earlier adoption will be permitted.

The FASB is proposing to add new requirements and delete certain existing requirements as outlined in the following table.

The disclosure changes will be applied on a retrospective basis, except for the quantitative disclosures about assets measured at net asset value.

Disclosures added
Weighted average interest crediting rate for cash balance plans.
The reasons for significant gains and losses affecting benefit obligations and plan assets, in narrative form.
Disclosures removed
Disclosure of one-percentage-point increase or decrease in assumed health care costs trend rates.
The amount and timing of plan assets expected to be returned to the entity.
Information related to the June 2001 *Japan Welfare Insurance Law*.
Amount of future annual benefits and annuity contracts placed with related parties.
Significant transactions between the employer or related parties and the plan.
The amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year.
Private companies only: Reconciliation of the opening balances to closing balances of plan assets measured on a recurring basis in Level 3 of the fair value hierarchy.

Income taxes disclosures

ASC Topic 740: *Income taxes*

Objective:

- Evaluate and improve existing disclosure requirements for income taxes through the consideration of the concepts in the Board's decision process.
- Promote the use of discretion by the entity.

Exposure draft:

- Disclosure framework – Changes to the disclosure requirements for income taxes was issued in July 2016 and comments were due September 30, 2016.

Status:

- Exposure draft redeliberations.

This Q's developments

There have been no further developments since January 2017.

Key proposals

The proposals include an objective for the disclosures and a statement that individual disclosures need not be provided if immaterial. Any changes would be applied prospectively.

The proposals add several new disclosures, modify some disclosures, and eliminate a couple of disclosures as noted in the following table.

Disclosures added
Balance sheet related disclosures
Amount of federal, state, and foreign carry forwards (not tax affected). *Public business entities:* By time period of expiration for each of the first five years and total for remaining years. *Non-public business entities:* Disclose expiration dates only.
Public business entities only: Amount of deferred tax assets for federal, state, and foreign carry forwards (tax affected) before the valuation allowance, in total and disaggregated by time period of expiration for first five years and total for remaining years.
Public business entities only: Total amount of unrecognized tax benefits that offset the deferred tax assets attributable to carry forwards.
Public business entities only: The amount and expiration of the valuation allowance recognized or released during the period.
Public business entities only: Line items and related amounts in which unrecognized tax benefits are presented, with separate disclosure of amounts not presented in balance sheet.
Income statement related disclosures
Income or loss from continuing operations before income tax expense or benefit disaggregated between domestic and foreign.
Income tax expense or benefit from continuing operations disaggregated between domestic and foreign.
Cash flow related disclosures
Income taxes paid disaggregated by domestic and foreign, including the amount paid to any country that is significant to total income taxes paid.
Other disclosures
Description of an enacted change in tax law that will have an effect on future periods.
Description of a legally enforceable agreement with a government that reduces or may reduce income taxes, including duration of agreement, and governmental commitments.
Aggregate cash, cash equivalents, and marketable securities held by foreign subsidiaries.
Explanation of circumstances that changed the assertion about the indefinite reinvestment of undistributed foreign earnings, including the amounts.

Disclosures modified
Income statement related disclosures
Public business entities only: Tax rate reconciliation between the amounts computed at the applicable federal statutory rate and the total amount of income tax expense or benefit from continuing operations with individual reconciling items equal to or greater than five percent of the computed amount being reported. When the rate used is other than the US federal corporate income tax rate, the rate used, and the basis of the rate. An explanation of year-to-year changes in reconciling items.
Public business entities only: Settlements of unrecognized tax benefits to be disclosed separately between the use of existing deferred tax asset and those to be settled in cash.

Disclosures eliminated
Balance sheet related disclosures
The amounts and expiration dates of operating loss and tax credit carry forwards for tax purposes.
Income statement related disclosures
Disclosure of government grants included in income tax expense or benefit.
Reasonably possible increase or decrease in unrecognized tax benefits within 12 months of the reporting date, including nature of uncertainty, the nature of the event that would cause the change and the estimate of the reasonable possible change.

Fair value measurement disclosures

ASC Topic 820: *Fair value measurement*

Objective:

- Evaluate and improve existing disclosure requirements about fair value measurements through the consideration of the concepts in the Board's decision process.
- Promote the use of discretion by the entity.

Exposure draft:

- *Disclosure framework – Changes to the disclosure requirements for fair value measurement* was issued in December 2015 and comments were due February 29, 2016.

Status:

- Final standard being drafted with a final ASU expected in Q3, 2018.

This Q's developments

There were no further developments in the most recently completed quarter.

Key proposals

The proposals include an objective for the disclosures and a statement that individual disclosures need not be provided if immaterial. Any changes would be applied prospectively. FASB has proposed to add new requirements, delete certain existing requirements and modify some other current requirements as set out below.

Disclosures added

Public business entities only: Changes in unrealized gains and losses for the period included in other comprehensive income and earnings, or changes in net assets for recurring Level 3 fair value measurements.

Public business entities only: The range and weighted average used to develop any significant unobservable inputs that are based on historical data.

Disclosures removed

Non-public business entities only: The change in unrealized gains and losses for the period included in earnings or change in net assets related to recurring Level 3 fair value measurements held at the end of the reporting period.

The valuation policies and procedures for Level 3 fair value measurements.

The amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy.

The policy for timing of transfers between levels.

Disclosures modified

Non-public business entities only: Reconciliation of opening to closing balances of Level 3 fair value measurements changed to disclosure of transfers into and out of Level 3 and purchase of Level 3 assets.

For investments in certain entities that calculate net asset value, disclosures of the estimated timing of liquidation of an investee's assets and the date when restrictions from redemption might lapse required only if this information has been communicated to the reporting entity.

Public business entities only: Quantitative information about significant unobservable inputs used in fair value measurements should include both the range of unobservable inputs used and the weighted average of the unobservable inputs used.

Disclosures by business entities about government assistance

ASC Topic 832: *Government assistance*

Objective:

- Develop disclosure requirements about government assistance that improves the content, quality, and comparability of financial information and financial statements and is responsive to the emerging issues in the changing financial and economic environment in which reporting entities operate.

Exposure draft:

- *Disclosures by business entities about government assistance* was issued on November 12, 2015 with comments due February 10, 2016.

Status:

- Exposure draft redeliberations.

This Q's developments

This project was discussed during the most recent quarter with the FASB staff directed to perform additional research. No decisions were made by the FASB.

Key proposals

The objectives of the disclosures about government assistance would be to enable a user to assess the nature of the assistance, the accounting policies of accounting for government assistance, the effect of government assistance on the entity's financial statements, and significant terms and conditions of legally enforceable agreements. Various disclosures have been proposed to meet these objectives.

The Board has decided benefits that are available in determining taxable income or that are determined or limited on the basis of income tax liability would be outside the scope of the project.

Conceptual framework projects

Elements

Objective:

- Develop concepts related to the elements of financial statements, which include assets, liabilities, equity, revenues, expenses, gains, losses, investments by owners, distributions to owners, and comprehensive income.

Status:

- Initial deliberations.

This Q's developments

The FASB discussed issues associated with the definition of a liability and made some tentative decisions.

Key proposals

The Board has reviewed the definitions of revenue and expenses and made some minor tweaks to the definitions.

A working definition of a liability was presented as follows: "A liability is a present obligation of an entity to transfer an economic benefit." The Board agreed the term "present obligation" adequately distinguishes business risks and liabilities; the present description of constructive obligations is adequate; and there are present obligations with uncertain outcomes.

Measurement

Objective:

- Develop concepts related to measurement, including the meanings of key terms; appropriate types of measurements; and which measurements to use in specific circumstances.

Status:

- Initial deliberations.

This Q's developments

There were no further developments on this project during the most recent quarter.

Key proposals

The Board has made the following tentative decisions on initial measurement:

- There are three categories of initial measurement: (1) entry price, (2) exit price, and (3) estimated future cash flows.

- Exit price is appropriate as an initial carrying amount of an asset when the subsequent measurement of the asset will be at exit price. When the consideration for a transaction is other than cash, the exit price for the asset transferred may be used as the initial measure of an asset.

- Costs to be included in the initial carrying amount of an asset at entry price should capture the costs incurred to bring the asset to the condition necessary for it to be capable of operations. These types of costs that should be included are government-imposed charges, costs of services related to the acquisition of the asset and readying the asset for use, and costs to participate in the market for the asset. Gains and losses on cash flow hedges are neither part of the entry price of assets nor a cost to be included in the initial carrying amount of assets.

Presentation

Objective:

- Develop concepts on how information should be grouped into reasonably homogeneous groups and the association between changes in assets, liabilities, and equity instruments.

Exposure draft:

- *Concepts Statement No. 8: Conceptual Framework for Financial Reporting – Chapter 7: Presentation* was issued in August 2016 with comments due November 9, 2016.

Status:

- Exposure draft redeliberations.

This Q's developments

There were no discussions on this topic during Q2, 2018.

Key proposals

Chapter 7 will address the presentation of information in the primary financial statements, as a means of communicating financial information with users of financial statements.

The FASB describes presentation as "the display of line items, totals, and subtotals in the financial statements," excluding notes to the financial statements. Subtotals represent broad classes of often-heterogeneous items, while line items reflect more homogeneous classes of items. A critical aspect of creating line items is to include classes that are as nearly homogeneous as possible. Classification of items in lines would consider:

- The cause of, the activity associated with, and the frequency of the item to be recognized – a transaction, a change in circumstances or conditions, an accounting adjustment, or an accounting change;
- The time expected to pass before realization or settlement of an asset or liability;
- The expected form of realization or settlement of an asset, liability or equity instrument – cash, financial instruments or equity instruments;
- The response to changes in economic conditions and other factors affecting an existing asset or liability, or future revenues, expenses and gains or losses; and
- The measurement method used for the item.

Although the proposal addresses how the Board would consider financial statement presentation when setting future standards, authoritative guidance on financial statement presentation would come from a standards level project. The FASB has a project on financial performance reporting on its research agenda. The topic is also included in the Board's recently released Invitation to Comment on the Board's future agenda.

Disclosure framework—Board's decision process

Objective:

- Improve the effectiveness of disclosures in notes to financial statements by clearly communicating the information that is most important to users of each entity's financial statements.
- Aid the FASB in identifying disclosures to be considered when developing disclosure requirements for accounting standards and in evaluating existing requirements.

Exposure draft:

- *Chapter 8: Notes to financial statements* was issued in March 2014 with comments due July 14, 2014.

Status:

- Exposure draft redeliberations.

This Q's developments

The FASB discussed the draft of the Chapter and indicated their support for the draft.

Key proposals

The proposals describe the primary purpose of notes to financial statements as a supplement or further explanation of information on the face of the financial statements. Notes should contain information about financial statement line items, the reporting entity, and past events and conditions and circumstances that have not met the criteria for recognition that can affect the entity's cash flows.

Generally information about uncertain future events that are not reflected in the financial statements will not be required. Future oriented information is acceptable for disclosure when it relates to estimates and assumptions used, but not when it is about the effect of specified future changes in existing conditions.

Similarly, information about matters not specific to the entity and that are common knowledge or readily and cost effectively available from other sources will not be required. Information about existing plans and strategies should be limited to those that affect recognition and measurement.

Disclosure framework—entity's decision process

ASC Topic 235: *Notes to financial statements*

Objective:

- Improve the effectiveness of disclosures in the notes to the financial statements by clearly communicating the information that is important to users of each entity's financial statements.
- Promote the use of discretion by reporting entities when evaluating ASC Topics' disclosure requirements.

Exposure draft:

- *Notes to financial statements–Assessing whether disclosures are material* was issued on September 24, 2015 with comments due December 8, 2015.

Status:

- Exposure draft redeliberations completed and final amendments to Conceptual Framework being drafted.

This Q's developments

There were no further developments during the most recent quarter.

Key proposals

The changes are designed to focus companies on applying materiality when they prepare notes to the financial statements. The amendments would provide additional guidance on applying materiality to note disclosures by indicating:

- Materiality is applied to disclosures individually and in aggregate (so, some, all, or none of the disclosure requirements in a Section may be material);
- A disclosure is material if it meets the US Supreme Court's description of materiality (based on court cases and interpretations);
- Qualitative and quantitative disclosures generally should be evaluated as material based on whether there is a substantial likelihood that the omitted disclosure would have been viewed by a reasonable user as having significantly altered the total mix of information made available in making a decision; and
- If a GAAP disclosure is not made because management concluded the information is not material, the omission should not be considered an accounting error.

Research projects

Research projects consider current issues and provide the background to the FASB for a decision as to whether the project should be developed further as a standard development project. The following research projects are on the FASB agenda:

- ***Accounting for certain intangible assets in a business combination and subsequent accounting for goodwill for public entities*** – considering whether:
    - certain customer related intangibles and all non-compete agreements should be subsumed into goodwill;
    - goodwill impairment should be tested upon a triggering event;
    - goodwill impairment testing should be completed at reporting unit level or entity level; and
    - goodwill should be amortized.
- ***Income taxes – backwards tracing*** – considering whether the prohibition should be eliminated or whether there are other alternatives for dealing with the consequence of tax rate and legislation changes.
- ***Inventory and cost of sales*** – considering the objectives of inventory costing, the costing methods, the impairment models, and gaps in the guidance.
- ***Simplifications for income taxes*** – eliminating unnecessary complexities in the existing standard.
- ***Targeted improvements to the statement of cash flows*** – reducing the existing diversity in how cash flows are presented in the cash flow statement.
- ***Disclosure reviews of information*** – required for intangibles, share-based payment and foreign currency.
- ***Financial performance reporting*** – considering whether a measure of operations should be included and how it should be defined.
- ***Variable interest entity related party guidance*** – determining the frequency for which the VIE related guidance part in the consolidation standard is applied to arrangements where related parties are under common control.

Implementation notes

Implementation notes provide information to support the implementation of the new major accounting standards, including news on recent FASB developments, matters discussed at the various standard setting bodies and regulators, aids developed by accounting organizations, and PwC publications. Time to effective date is based on time from most recently completed calendar quarter end to the effective date for public companies.

Revenue from contracts with customers

Effective NOW

Effective dates for years beginning after:

Public entities – December 15, 2017

Other entities – December 15, 2018

ASC Topic 606

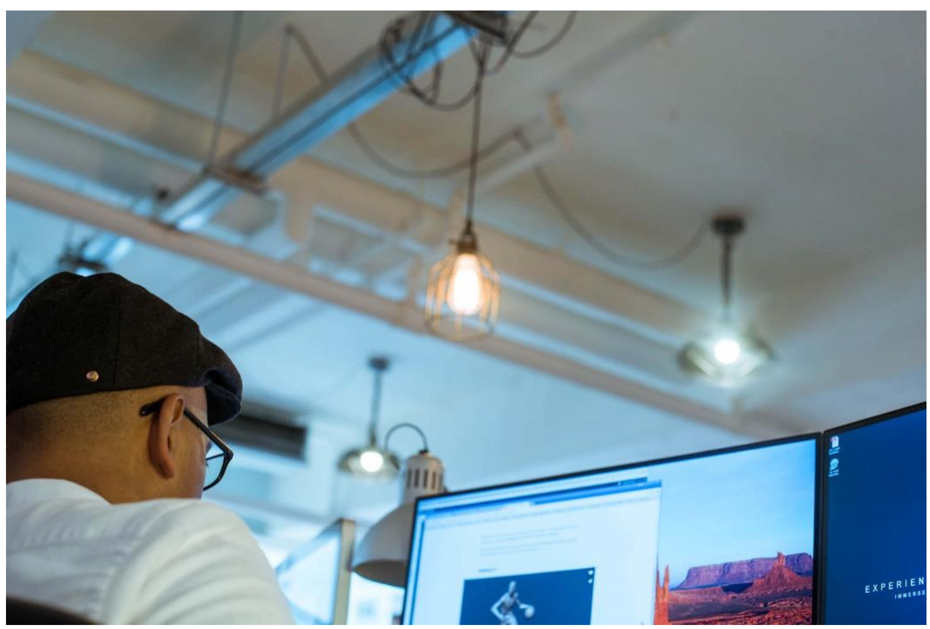
Primary ASU: 2014-09

Related ASUs:

- **2016-08:** ***Principal versus agent considerations (reporting revenue gross versus net)***
- **2016-10:** ***Identifying performance obligations and licensing***
- **2016-12:** ***Narrow-scope improvements and practical expedients***
- **2017-05:** ***Clarifying the scope of asset derecognition guidance and accounting for partial sales of nonfinancial assets***
- **2017-13:** ***Amendments to SEC paragraphs pursuant to the Staff announcement at the July 20, 2017 EITF meeting and rescission of prior SEC staff announcements and observer comments***

Transition Resource Group

The FASB has formed a Transition Resource Group for Revenue Recognition (TRG) to solicit, analyse and discuss issues arising from the implementation of the new standard; to inform the FASB about issues that may need to be addressed by the FASB; and provide a forum for stakeholders to learn about the new guidance. The TRG has not met to discuss any items since November 2016. There are no further expected meetings of this TRG.



FASB educational resources

The FASB has provided certain educational resources on the revenue recognition standard beyond the ASUs and their *FASB in Focus* publication.

The FASB has issued an *Introduction to the Revenue Recognition Standard* through a three part series of videos featuring the FASB staff discussing different aspects of the new standard.

Webcasts and podcasts have also been provided for the following:

- Software/SaaS (Webcast – June 2017);
- Airlines (Podcast – October 2017);
- Health Care Services (Podcast – October 2017);
- Aerospace and Defense (Webcast – November 2017); and
- Software (Podcast – November 2017).

The FASB has also provided a ***Taxonomy Implementation Guide*** for the revenue standard (March 2017).

These resources are available through the FASB website at www.fasb.org.

AICPA implementation guidance

The AICPA has established a section on Revenue Recognition within its Financial Reporting Center (see www.aicpa.org).

The section provides information on the new revenue standard and includes links to resources from the AICPA and the various industry task forces that are considering implementation issues. Some of these resources are free, while others are available for a fee.

Revenue Guide

The AICPA published its ***Accounting and Auditing Guide: Revenue Recognition*** in October 2017, which was last updated on January 19, 2018. The *Guide* focuses on revenue recognition for the sale of goods and services in the ordinary course of business.

The Financial Reporting Executive Committee (FinREC) of the AICPA is responsible for the accounting and financial reporting material in the *Guide*. The *Guide* identifies the key requirements of ASC 606, an understanding of industry practice on certain issues, and FinREC's views on preferred practices.

The *Guide* includes a chapter on general accounting considerations providing an overview of ASC Topic 606 and guidance on several more complex topics.

Sixteen industries have considered the accounting implications of the new revenue standard. Each industry chapter in the *Guide* will cover the application of the five-step model for revenue recognition, the revenue streams for the industry, and specific topics for each industry.

The publication is available through the AICPA (www.aicpa.org/InterestAreas/FRC/AccountingFinancialReporting/RevenueRecognition).

Exposure drafts for issues for inclusion in revenue guide

The AICPA has issued for exposure several industry issues that are expected to be included in the *Revenue Guide*. The outstanding exposure drafts cover the following issues listed by industry:

- Aerospace and defense
    - Accounting for performance obligations under non-US government contracts over time rather and at a point in time.
- Brokers and dealers
    - Effect of new standard on selling and distribution fees for funds.
    - Accounting for investment banking advisory fees and soft dollar revenue.
- Gaming
    - Accounting and presentation for pari-mutuel racetrack wagers received from gaming customers and various fees directly or indirectly received.
    - Accounting for loyalty co-branding arrangements between a third-party credit card issuer and a gaming entity.

  - Recognition of revenue for managing a gaming property owned by a third party and how to recognize costs of obtaining such a contract.
  - Disclosures for gaming entities.
- Health care
  - Assessing performance obligations under life care resident agreements by retirement communities and estimating of the transaction price.
  - Contract costs for acquiring and fulfilling contracts.
  - Identification of promised goods and services in a contract with a patient and determination of which represent separate performance obligations.
  - Discussion of the interplay between health care organizations and healthcare providers that receive fee for service payments from the Centers for Medicare and Medicaid Services.
- Insurance
  - Accounting for third party extended service warranty contracts.
- Telecommunications
  - Accounting for contract modifications.
  - Considerations for determining the contract duration of month-to-month service contracts when customers also purchase equipment under an equipment instalment plan.
  - Considerations for indirect sales channels, including principal versus agent.
  - Assessment of the satisfaction of the performance obligation of transferring goods and services to the customer.

Other AICPA resources

Other resources available from the AICPA to help understand and implement the new standard include:

- *Financial reporting brief – Tax effects of ASU 2014-09;*
- *Financial reporting brief – Roadmap to understanding the new revenue recognition standards;*
- *New revenue recognition accounting standard – learning and implementation plan;*
- *Brief – Revenue recognition primer for audit committees*; and
- *AICPA Alert – Understanding revenue recognition: Changes to US GAAP.*

The AICPA website also provides access to some webcasts and courses on the new standard.

PwC resources to help you

PwC has prepared several resources to assist you with your implementation of the new revenue standard. These resources include printed publications and webcasts.

PwC's webpage: *Revenue recognition – Effectively managing accounting change* provides developing insights into the new revenue standard (www.pwc.com/us/en/cfodirect/issues/revenue-recognition.html).

General resources

The following table lists general resources currently available, which have been released after December 31, 2016. New resources issued during the quarter are highlighted by shading. You can access these materials through the link at the bottom of the table.

Title	Description	Format
Revenue from contracts with customers – Global accounting and financial reporting guide (3rd edition – September 2017)	Comprehensive guide describing the accounting for revenue under US GAAP ASC Topic 606 and IFRS 15. The *Guide* summarizes the 5-step revenue recognition model, discusses key aspects of the model and provides examples to illustrate the application of the standard.	PDF
New revenue guidance: first quarter recap (June 2018)	PwC benchmarking of disclosures in Q1 public filings.	PDF
The new revenue standard – SEC staff comments to early adopters (Episode 37 – June 2018)	Podcast identifies trends and provides insights into implementing the new standard based on SEC comment letters on 2017 filings of early adopters.	Podcast
Revenue recognition "next-stage" implementation insights (February 2018)	Lessons learned and suggestions from a panel of preparers and a PwC partner.	Webcast
Significant financing components under the new revenue standard (January 2018)	Covers key considerations for assessing revenue contracts for a significant financing component.	Webcast
Variable consideration under the new revenue standard (November 2017)	Discussion about estimating variable considerations, including considering any constraints on the consideration.	Webcast
Capitalizing costs under the new revenue standard (November 2017)	Discussion of when to capitalize costs to obtain and fulfill a contract and whether the practical expedient can be applied.	Webcast
Disclosures under the new revenue standard (October 2017)	Review of the five important revenue disclosure requirements.	Webcast
Warranties under the new revenue standard (September 2017)	Perspectives on the new model for assessing warranties, including the assessment of service elements, the impact of cash payments, and more.	Webcast
Bill and hold transactions under the new revenue standard (September 2017)	Description of bill and hold transactions and what criteria must be met under the new standard.	Webcast
The new revenue recognition standard – Frequently asked questions about SEC reporting matters, disclosures, and transition under US GAAP (August 2017)	Provides views on frequently asked questions, with a focus on SEC reporting matters, disclosure, and transition implications, as well as implications for equity method investees and business acquisitions.	PDF
Tax considerations when adopting the new revenue standard (August 2017)	Review of tax accounting considerations when implementing the new revenue standard, including US tax and international tax considerations.	PDF
The ASC 606 clock is ticking – It may be time for brute force (Summer 2017)	Reviews the timeline for a systems based approach and the alternative of using a manual approach as a stopgap if you are slow in developing your implementation plan.	PDF
Revenue recognition change: Lessons learned from Alphabet, Ford & Lockheed Martin (June 2017)	Implementation stories from Alphabet (Google's parent company) and Ford Motor Company, both of whom adopted ASC 606 early, and Lockheed Martin Corporation, who is working toward adoption in 2018. The panel, including representatives from the companies, share first hand experiences, lessons learned, and their advice for working through the revenue recognition transition.	Webcast

Title	Description	Format
Revenue automation solutions and data challenges (2017)	A series of discussions on solutions that automate the revenue recognition process and the challenges of these solutions.	Webcast
CFODirect Podcast Series: Revenue disclosures (Episode 25 – May 2017)	How the revenue standard will affect disclosures.	Podcast
Revenue: Implementation in the technology sector (April 2017)	Reflect implementation developments and highlights certain challenges specific to the technology industry.	PDF
In depth: Revenue Transition Resource Group issues impacting the banking industry (March 2017)	Recap of TRG issues specific to the banking industry.	PDF
Revenue: Licenses of intellectual property (March 2017)	Discussion of what to do when a license is bundled with other promised goods and services in a contract, how to determine when the license is distinct, and how to determine if the intellectual property is functional or symbolic.	Webcast
Governance considerations (February 2017)	Some pointers on what those in oversight roles should be asking managements about the implementation of the new standard.	PDF

Link to resources: http://www.pwc.com/us/en/cfodirect/issues/revenue-recognition.html

Industry resources

To supplement PwC's general guidance on revenue recognition, various industry groups have produced supplemental guidance to provide insights into industry issues and circumstances. The supplemental guidance is provided in publications and webcasts, which can be found at the link listed at the end of the table.

Industry	Publication date	Webcast date
Aerospace & defense	September 2017	July 2014
Asset management	September 2014	
Automotive	June 2014	
Broker-dealers	October 2017	
Consumer markets	September 2017	
Communications	July 2017	June 2014
Engineering & construction	September 2017	June 2014
Entertainment & media	August 2017	June 2014
Health services	May 2015	
Industrial products & manufacturing	August 2017	June 2016
Insurance entities	May 2016	
Insurance intermediaries	July 2015	
Mining	July 2015	
Oil & gas	September 2017	
Pharmaceutical & life sciences	September 2017	June 2014
Power and utilities	May 2015	June 2016

Industry	Publication date	Webcast date
Private equity	March 2016	
Real estate	September 2014	
Retail & consumer	September 2014 / January 2016	July 2014
Software	July 2017	
Technology	April 2017	June 2014
Transportation & logistics	August 2017	
Link to resources: http://www.pwc.com/us/en/cfodirect/issues/revenue-recognition.html		

Leases

Effective in 6 months

Effective dates for years beginning after:

Public entities – December 15, 2018

Other entities – December 15, 2019

ASC Topic 842

Primary ASU: 2016-02

Related ASUs:

- **2017-13: *Amendments to SEC paragraphs pursuant to the Staff announcement at the July 20, 2017 EITF meeting and rescission of prior SEC staff announcements and observer comments***
- **2018-01: *Land easement practical expedient for transition to Topic 842***

Transition Resource Group

The FASB did not establish a Transition Resource Group for leases because the Board believes that the concepts in the new standard are similar to those in the current standard.

FASB implementation developments

The FASB is addressing some issues that have been raised as companies begin the implementation of the new leases standard.

Land easements

The FASB has issued an ASU to deal with the cost and complexity of dealing with land easements. See the article *Land easements under transition* in the section *Accounting standards updates* in the previous edition of *US GAAP Today*.

Exposure drafts on other issues

Other matters being addressed include:

- A simplified transition approach (in addition to the existing approach) permitting retrospective application without restatement of prior periods; and
- A practical expedient allowing lessors to continue to classify existing leases at transition as under prior GAAP.
- Narrow scope improvements to:
  - Correct cross references to other standards and clarify certain language.
  - Remove inconsistencies in terminology or language.
  - Clarify that the rate implicit in the lease cannot be less than zero.

More information about these developments can be found under the section *FASB projects in progress* in this edition of *US GAAP Today*.

FASB educational resources

The FASB has provided certain educational resources on the leases standard beyond the ASUs and their *FASB in Focus* publication.

The FASB has issued the following videos on leases:

- *Why a new leases standard?*
- *Putting leases on the balance sheet*
- *Leases: A quick example of the display approach*
- *Accounting for leases primer*

The FASB has also provided a ***Taxonomy Implementation Guide*** for the leases standard (March 2017).

These resources are available through the FASB website at www.fasb.org.

AICPA implementation guidance

The AICPA has established a section on Accounting for Leases within its Financial Reporting Center (see www.aicpa.org).

The section provides information on the new leases standard including AICPA TV discussing the implications of the new standard, links to news and views from various AICPA magazines and publications, access to AICPA resources, and links to AICPA webcasts and courses. Some of these resources are free, while others are available for a fee.

Some resources available from the AICPA include:

- *New Leases Accounting Standard – Learning and Implementation Plan* – a practice aid providing a roadmap to understanding the new standard, its transition requirements, training resources, and education tools for stakeholders.
- *Financial reporting brief: Leases* – covers the key aspects of the new standard, and points out some differences with the IASB standard on leases.
- *New leases standard alert* by the Center for Plain English Accounting which provides reminders, observations, and practice notes on various aspects of the standard.

The AICPA also provides access to online self-study programs about the new FASB requirements and the IFRS requirements.

PwC resources to help you

PwC has prepared several resources to assist you with your implementation of the new leases standard. These resources include printed publications and webcasts.

For current insights into the US GAAP lease accounting standard, you can visit the PwC webpage for leases (www.pwc.com/us/en/cfodirect/issues/lease-accounting.html).

Available resources

The following table lists general resources currently available. You can access these materials through the link at the bottom of the table.

PwC general resources

Title	*Description*	*Format*
Leases – 2016 edition (2016 – with updates in March 2017)	PwC guide on lease accounting covering the scope of the leases standard, classification and accounting for leases, accounting for modifications, unique leasing transactions, presentation of leases in the financial statements, and transitional guidance.	PDF iBook
Leases: What you need to know as you prepare to adopt the new guidance (June 2018)	PwC lease specialists highlight important decisions lessees and lessors need to make before the effective date and discuss how those decisions may affect the transition plan and financial statements.	Webcast
Leasing – Accounting for variable lease payments (June 2018)	Covers which variable payments are included when measuring and classifying a lease and how to account for changes in variable payments.	Webcast
Leasing – Discount rate for the lease liability (June 2018)	Covers key factors when determining the discount rate, including the definition of incremental borrowing rate (IBR), what can be used as collateral in determining the IBR, and the term used to the IBR.	Webcast
Leasing – Identifying embedded leases under the new standard (May 2018)	Covers how to identify an embedded lease and what to do when you do.	Webcast
Leasing – Determining the lease term (May 2018)	Covers factors in identifying the lease term.	Webcast
Leasing – Practical expedients (April 2018)	Covers transitional options available and how companies might benefit.	Webcast
Assessing land easements under the new leases standard (April 2018)	Explanation of how lease accounting may affect the accounting for land easements.	PDF
Lease accounting implementations insights from Bridgestone and Verizon (April 2018)	Hear lessons learned and suggestions for the way forward from finance executives who have advanced their implementation and insights from PwC specialists.	Webcast
Next up: The new leasing standard (April 2018)	Summary of the recent and proposed amendments to the leasing standard.	PDF
Leasing – Transition (April 2018)	Discussion of the modified retrospective transition approach and the practical expedients designed to make it easier.	Webcast
CFOdirect podcast series: Leasing – recent proposals, impairment and subleases (Episode 33 – February 2018)	Covers the new FASB proposals related to transition as well as accounting for impairments and subleases.	Podcast
CFOdirect podcast series: Leasing – remeasurement, modifications and terminations (Episode 31 – November 2017)	A look at some complex questions related to remeasuring a lease, accounting for lease modifications, and accounting for lease terminations.	Podcast
PwC's rapid readiness approach (November 2017)	Reviews PwC's approach to help clients select lease management software to provide an integrated solution for transition.	PDF
PwC's lease automation services: Innovative tax leasing solutions delivered in real time (October 2017)	Information on PwC services to automate the identification and categorization of lease management system transactions for tax information.	PDF

Title	*Description*	*Format*
FASB proposes to simplify the new leases guidance (November 2017)	Brief outline of the proposed amendments to the new leases standard to address transition.	PDF
Lease accounting implementation issues – How to think about some frequently asked questions in the new leases standard (August 2017 and revised in September 2017)	Highlights some frequently raised questions to assist entities with transition to the new standard.	PDF
Lease accounting series: Updates and insights – on demand (July 2017)	Two part webcast on implementation issues, potential impacts on an organization, and how to prepare for transitioning to the new leases standard.	Webcast
How organizations are adopting the new lease accounting standard leveraging their SAP investment (June 2017)	Discussion of transition roadmaps, project lessons learned, and technology capabilities for first movers and early adopters.	Webcast
2017 lease accounting survey summary (May 2017)	Results from an online survey of over 600 finance and real estate professionals on the current state of adoption of new leasing standard.	PDF
Lessor accounting: The interaction of leasing and revenue (May 2017)	Discussion of the interaction between adopting both the lease accounting and the revenue standards.	Webcast
Data sieve (2017)	A suite of transition tools to mobilize your leasing transition, using advanced technologies, and deep accounting and industry knowledge to digitize lease agreements.	Tool
In depth: The leasing standard – A comprehensive look at the new model and its impact (March 2017)	Comprehensive review of the key provisions accounting for leases under US GAAP, including observations about key differences with existing US GAAP.	PDF
Equipped for success: The right equipment lease management solution can provide benefits beyond compliance (December 2016)	Covers the world of equipment leasing, the challenges of managing equipment leases, and the benefits of an equipment lease management program.	PDF
New lease standard: Implementation issues and responses (December 2016)	Discussion of the most difficult implementation issues companies are encountering when they consider the leases standard and how you can respond.	Webcast
Impacts of the new leasing standard – beyond accounting (November 2016)	Covers challenges of implementing the new standard.	PDF
Supply arrangement as leases (November 2016)	Discussion of how to identify arrangements that may be considered leases, and how these arrangements may affect your financial statements.	Webcast
Potential tax considerations associated with the new leasing standard (November 2016)	The implementation of the new leases standard may affect several areas within a company's tax function, including US tax accounting methods, deferred tax accounting, state taxes, transfer pricing, and tax processes and systems. This insight summarizes several potential tax considerations.	PDF

Title	*Description*	*Format*
10 minutes on the new US lease standard (August 2016)	Overview of the impact of the new standard on your business, key financial metrics, timing of implementation, and key considerations for implementation.	PDF

Link to resources: http://www.pwc.com/us/en/cfodirect/issues/lease-accounting.html

Industry resources

Supplementing the *In depth* publication, a number of industry specific supplements have been published, which include examples and further insights into ways entities within the industry are likely to be affected by the new leases standard. Additional supplements will be added.

Industry	Publication date	Webcast date
Automotive	December 2016	
Banking and capital markets	November 2017	
Chemicals	November 2017	
Energy	December 2016	
Entertainment & media	September 2016	
Higher education	January 2017	
Industrial products	September 2017	
Insurance	August 2016	
Pharmaceutical & life sciences	August 2016	
Retail & consumer	May 2016	
Technology	August 2016	
Telecommunications	March 2017	
Transportation & logistics	November 2016	

Link to resources: http://www.pwc.com/us/en/cfodirect/issues/lease-accounting.html

Hedge accounting

Effective in 6 months

Effective dates for years beginning after:
SEC public entities – December 15, 2018
Other entities – December 15, 2019

ASC Topic 815: *Derivatives and hedging*

Primary ASU: 2017-12

Related ASUs: None

Transition Resource Group

The FASB did not establish a Transition Resource Group for hedge accounting because the changes made are considered to be targeted improvements to the existing standard.

FASB implementation developments

The FASB staff has been handling technical enquiries on the changes to the hedging standard. Two issues were brought to the Board's attention during the first quarter of 2018:

- Prepayable financial instruments – the ASU made several changes which eased the hedging requirements for these instruments. Questions have been received on the scope of the prepayable financial instruments. The FASB accepted the staff's conclusions that prepayable instruments include:
    - Instruments that are currently exercisable and prepayable at any time;
    - Instruments with certain contingent prepayment features based on the passage of time, the occurrence of a specified event other than the passage of time, and the movement in a specified interest rate;
    - Instruments with conversion features; and
    - Instruments for which the contractual maturity can be accelerated due to a credit event would not meet the definition.

    The FASB is considering whether this should be included in a codification improvement.

- Net investment hedges under the spot method – questions have been received about the use of cross-currency interest swaps to hedge a net investment. The staff concluded that the entire "clean" fair value of the swap could be deferred in the currency translation adjustment account. The excluded components of the cross-currency interest swap should be amortized such that at the end of the hedging relationship only amounts of the swap related to spot changes on the notional amount remain in the currency translation adjustment. The FASB agreed with this conclusion.

Tabular disclosure requirements for basis adjustments in fair value were clarified. Only the basis adjustments that do not affect future cash flows need to be included in the disclosure. For available for sale securities, the carrying value disclosure in the table should be the amortized cost basis, not the fair value.

FASB educational resources

The FASB has provided certain educational resources on the hedging standard update beyond the ASUs and their *FASB in Focus* publication.

The FASB has issued the following videos on hedging:

- *Hedging: A new standard*
- *FASB Investor Podcast: Hedging*

These resources are available through the FASB website at www.fasb.org.

PwC resources to help you

PwC has prepared several resources to assist you with your implementation of the new revenue standard. These resources include printed publications and webcasts.

For current insights into the US GAAP hedging accounting standard, you can visit the PwC webpage for leases (www.pwc.com/us/en/cfodirect/issues/financial-instruments.html).

PwC's ***Derivatives and Hedging Guide*** addresses the accounting for hedges of financial, nonfinancial, and foreign currency risks, and how to assess effectiveness. The *Guide* also covers presentation, disclosure, and transitional requirements. The *Guide* was updated in January 2018.

The following list outlines general resources currently available. You can access these materials through the link noted earlier.

- ***Hedging – are you early adopting the FASB's new guidance*** discusses certain considerations for early adopters.
  (Video – February 2018)
- ***In brief: FASB clarifies certain provisions within recently issued hedging guidance*** summarizes the FASB review of implementation issues.
  (PDF – February 2018)
- ***Hedge accounting: What you need to know about the FASB's new guidance*** discusses the new guidance and other considerations.
  (Webcast – September 2017)
- ***FASB hedging guidance simpler and better aligned with risk management*** summarizes the key changes by type of hedge, address transitional requirements and elections, addresses SEC reporting considerations, and highlights internal control considerations.
  (PDF – October 2017)

Credit losses

Effective in
1 year + 6 months

Effective dates for years beginning after:
SEC public entities – December 15, 2019
Other public entities – December 15, 2020
Other entities – December 15, 2020

ASC Topic 326

Primary ASU: 2016-13

Related ASUs: None

Transition Resource Group

The FASB has formed a Transition Resource Group for Credit Losses (TRG) to solicit, analyse and discuss issues arising from the implementation of the new standard; to inform the FASB about issues that may need to be addressed by the FASB; and provide a forum for stakeholders to learn about the new guidance.

The TRG met in June 2018 to consider 5 different issues as follows:

1. Discount rate when using a DCF method to estimated credit losses – no standard setting action recommended.

2. Accounting for beneficial interests with low credit quality – no standard setting action recommended.

3. Whether the transitional guidance for treating pools of purchased credit impaired assets as a single unit of account can extend beyond transition – no standard setting action recommended.

4. How troubled debt restructuring should be considered in the estimate of credit losses, including the benefit of a troubled debt restructuring and any concessions if and when granted – no conclusions or consensus reached and further discussion was recommended.

5. How future credit card activity should be considered when determining how future payments are applied to the outstanding balance – no conclusions or consensus reached and further discussion was recommended.

At its June 2018 meeting, the TRG considered five additional issues:

1. How interest capitalized as part of the amortized cost basis of a financial asset is considered when the method to calculate credit losses is not the DCF method – no conclusions or consensus reached and further discussion was recommended.

2. The definition of amortized cost includes accrued interest, which is inconsistent with regulatory requirements, which usually require the reversal of accrued interest when applying nonaccrual methods – improvements are planned to deal with concerns raised.

3. How the credit loss guidance should be applied when loans classified as held for sale are transferred to held for investment or credit impaired debt securities classified as available for sale are transferred to held-to-maturity debt securities – no standard setting action recommended.

4. When should recoveries of financial assets written off be reflected – when expected to be collected or when collected – FASB staff proposed an amendment to the guidance to clarify the recoveries should be reflected when expected to be collected.

5. How prepayment should be defined in the CECL model – no standard setting action recommended.

More details on the June 2018 TRG meeting can be found in the PwC publication: *Transition Resource Group for Credit Losses: June 2018* (see *PwC resources to help you* on the next page).

Two submissions received by the TRG that were not addressed at the meeting relate to requests to (a) use the fair value option on transition to avoid using two models for impairment accounting; and (b) have a later effective date for non-public business entities. These issues were not addressed as they are requests for additional transitional guidance which will be brought to the FASB.

FASB educational resources

The FASB has provided certain educational resources on the measurement of credit losses on financial instruments beyond the ASUs and their *FASB in Focus* publication.

The FASB has issued the following videos on credit losses:

- *Why a new credit losses standard?*
- *FASB Investor Podcast: Credit losses*

These resources are available through the FASB website at www.fasb.org.

AICPA implementation guidance

The AICPA has established a section on Accounting for Credit Losses within its Financial Reporting Center (see www.aicpa.org).

The section provides information on the new credit losses standard, including issues identified by the AICAP Experts Panels, interpretative issues, links to news and views published in AICPA magazines, and

AICPA webcasts and courses. Some of these resources are free, while others are available for a fee.

The Experts Panel for Depository and Lending Institutions has identified 22 issues related to the Current Expected Credit Loss model. As of March 31, 2018, none of these issues have been addressed.

The AICPA has prepared a PowerPoint presentation on the CECL model as introduction to the standard for Bank CEOs and their Board. Also available from the AICPA website are presentations on CECL model made at the AICPA National Credit Union Conference and the AICPA National Depository Institutions Conference.

The AICPA also provides access to online self-study programs about the new FASB requirements and the IFRS requirements.

PwC resources to help you

PwC has prepared several resources to assist you with your implementation of the new revenue standard. These resources include printed publications and webcasts.

To keep on top of emerging developments, you can visit the PwC webpage on financial instruments (www.pwc.com/us/en/cfodirect/issues/financial-instruments.html).

PwC's ***Loans and Investment Guide*** discusses the accounting for debt and equity investments. Chapter 4, *Accounting for loans,* covers credit losses and was last updated in May 2017.

The following list provides general resources currently available.

- ***Transition Resource Group for credit losses: June 2018*** covers the topics discussed at the June 2018 meeting (PDF – June 2018)

- ***How the credit impairment standard impacts non-financial services companies*** summarizes how the new impairment standard affects trade receivables, loans, debt securities, lease receivables and financial guarantees held by non-financial services companies. (PDF – June 2018)

- ***In depth: Recent development in financial instruments*** highlights developments in the accounting for financial instruments. (PDF – October 2017)

- ***In depth: Contrasting the new US GAAP and IFRS credit impairment models*** covers the differences in the two models. (PDF – September 2017)

- ***Current expected credit losses – is your data ready*** provides insights into assessing your data sources and technology to gather data to support the new standard. (PDF – September 2017)

- ***In depth: Transition Resource Group for credit losses discusses implementation issues*** covers the discussions at the first TRG meeting. (PDF – June 2017)

- ***Financial asset impairment: the latest implementation issues*** provides an update on questions arising on implementation. (Webcast – June 2017)

- ***In the loop: Preparing for the new credit loss model*** considers the evidence, documentation, corporate governance, and internal control required to make credit loss estimates. (PDF – May 2017)

- ***Available for sale debt securities and the new credit loss model*** shares perspectives on the application of the standard to available for sale debt securities.
(Video – February 2017)

- ***Credit losses on financial instruments – are you an early adopter?*** Provides key considerations for early adopters.
(PDF – August 2016)

- ***In depth: The FASB's new financial instruments impairment model*** reviews the new standard and provides PwC's observations on the application of the new standard.
(PDF – July 2016)

- ***Financial asset impairment: Overview of FASB's new guidance*** provides an information discussion on various aspects of the standard, including the CECL model.
(Webcast – July 2016)

- ***In brief: Allowance for loan and lease losses – FASB issues final impairment standard*** provides a high level overview of the new standard.
(PDF – June 2016)

News on SEC developments

SEC developments provides news and analysis of accounting requirements of the SEC, including final rules, findings of SEC reviews, and SEC comments on accounting issues.

SEC amends rules to simplify reporting requirements

On June 28, 2018, the SEC adopted certain amendments to its rules to reduce the reporting burden on some companies and to enhance XBRL reporting.

More companies qualify for smaller company scaled disclosures

In June 2018, the SEC adopted amendments to the "smaller reporting company" (SRC) definition which will allow more companies to qualify for certain scaled disclosure accommodations. It is estimated this change will reduce the burden of about 1,000 companies.

Smaller reporting companies now include:

- Companies with a public float of equity securities of less than US$250 million (compared to previous threshold of US$75 million); and

- Companies with (a) no public float (no public equity securities outstanding or no market price for their public equity) or a public float less than US$700 million, and (b) revenues less than US$100 million. After qualifying for the smaller reporting company status, the company retains such status provided it has (a) no public float or the public float is less than US$560 million, and (b) revenues are less than US$80 million.

The amendments however do not change the current thresholds for accelerated filers and large accelerated filers. This means SRCs with a public float of US$75 million or more will still be subject to the accelerated filing dates and the requirements to provide auditor attestation of management's assessment of internal control over financial reporting.

The SEC is currently working on a project to potentially revise these thresholds and reduce the number of companies meeting the accelerated filer status.

Business acquisition reporting thresholds relaxed

The rules requiring financial statements of acquired businesses have been relaxed to require only two years of financial statements of an acquired business if the net revenues of the acquired business are less than US$100 million compared to the current threshold of US$50 million.

Inline XBRL filing will soon be required

Inline XBRL embeds the XBRL data directly into the filing so the disclosure document is both human- and machine-readable. In June 2018, the SEC modified the XBRL requirement to phase in Inline XBRL. Companies will be required to comply with these new requirements as follows:

- Large accelerated filers using US GAAP for fiscal years ending on or after June 15, 2019;

- Accelerated filers using US GAAP for fiscal years ending on or after June 15, 2020; and

- All other filers for fiscal years ending on or after June 15, 2021.

Companies will no longer be required to post their XBRL data on their company websites when these amendments are effective.

Incentive program for whistleblowers to be updated

The SEC's whistleblower program was implemented in 2010 to incentivize individuals to report wrongdoing and protect investors and the markets. Through this program, the SEC has ordered over US$1.4 billion in financial remedies, including over US$740 million in disgorged gains and interest, the majority of which has been returned to harmed investors. Since the program's inception, 50 awards aggregating over US$266 million have been made to 55 whistleblowers, whose information and cooperation resulted in successful enforcement actions.

The SEC has decided to update the rules for the whistleblower program. The following proposals are open for comment:

- Allowing awards to whistleblowers based on money collected on deferred prosecution agreements, non-prosecutions agreements, and settlement agreements entered into by the SEC without a judicial or administrative proceeding.

- Providing the SEC with discretion to increase the award percentage upward in certain circumstances to a maximum of US$2 million taking into consideration whether such increases achieve the program's objectives and sufficiently incentivize future whistleblowers.

- Providing the SEC with discretion to adjust the award percentage so it would yield a payout that does not exceed an amount reasonably necessary to reward the whistleblower. The percentage would not be lower than 10% or less than $30 million. This provision reflects the fact that three awards made by the SEC were over $100 million each.

- Eliminating the potential for multiple awards for the same information from different whistleblower programs.

Due to a recent decision by the US Supreme Court, rules are also being amended to require an individual whistleblower to report information about possible securities law violations to the SEC in writing. The SEC is also proposing to bar individuals from submitting whistleblower award claims where they have been found to submit false information or made repeated frivolous award claims.

Certain clarifications will be made to definitions and forms to enhance procedures for implementing the program.

These proposals are intended to help strengthen the program by making more appropriate awards and making awards more expeditiously. The proposals will be out for public comment for a period of 60 days.

News on auditing developments

Auditing developments provides news and analysis about auditing requirements directly affecting SEC registrants, including final PCAOB rules, PCAOB inspection, and PCAOB tools and aids for audit committees.

AICPA Tools for audit committees

In the second quarter of 2018, the AICPA's Center for Audit Quality issued two publications to assist audit committees and boards of directors with their oversight of cybersecurity risks and the implementation of the new leases accounting standard.

Cybersecurity Risk Management Oversight: A tool for Board members provides board members with key questions that can be used to discuss cybersecurity risks and disclosures with management and the auditors. The tool focuses on four areas:

- The auditor's consideration of cybersecurity risk;
- The role and responsibility of management and the auditor related to cybersecurity disclosures;
- Management's approach to cybersecurity risk management; and
- Resources from CPA firms to assist the Board in their oversight role.

Preparing for the new leases accounting standard focuses on the efforts companies will have to make to understand and implement the new leases standard. This tool provides an overview of the new standard and questions the audit committee members might consider in the following areas:

- The accounting for leases;
- The impact of the new standard on the company;
- The company's implementation plan for the new standard; and
- Other considerations such as transition options and disclosures.

The new leases standard may require companies to reassess their accounting policies, make new estimates and judgments, and consider its disclosures.

These two publications may be beneficial to audit committees in assessing these issues and can be obtained from the AICPA Center for Audit Quality or your PwC engagement team.

Enterprise Risk Management in action

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) announced two developments with respect to its Enterprise Risk Management (ERM) initiatives – illustrative examples to assist in applying the ERM Framework and a certification program for ERM specialists.

Examples to apply ERM Framework

The Compendium of Examples, authored by PwC under the direction of the COSO Board, supplements to COSO's framework in *Enterprise Risk Management – Integrating with Strategy and Performance*. The supplement provides detailed examples for applying the principles from the updated ERM Framework to day-to-day practices and is based on industry practices identified through extensive research, including interviews and case studies.

Each example focuses on a specific industry, but the insights for these examples can be applied to other industries. Case studies illustrate how the entities tailored the ERM principles to consider their mission, vision, core values, strategic goals and directions, and action steps. Each example provides extensive details to understand the processes and analysis completed by the company in considering ERM.

The guidance can be obtained from the COSO website at www.coso.org.

ERM certification

COSO has also launched an educational program that will grant professionals on successful completion the COSO Enterprise Risk Management Certificate. The Certificate is designed for professionals involved in risk management activities directly, as consultants, or in an oversight capacity. The program includes self-study, a hands-on workshop, and an online exam. Upon successful completion, participants will receive the COSO ERM Framework Certificate and Digital Badge.

This course will be available through the American Accounting Association, the American Institute of Certified Public Accountants, the Financial Executives International, the Institute of Management Accountants, and The Institute of Internal Auditors. For additional information, check the details at www.coso.org.

Our US GAAP reporting team

Our people are ready to help you understand US GAAP. If you have questions or want to discuss the developments in this publication or other developments, our people in the US GAAP Reporting Group will be happy to answer your questions and have a discussion with you.

National

Leader US GAAP Reporting Group

Ryan Lundeen
Calgary
403 441 6303
ryan.w.lundeen@pwc.com

National Accounting Consulting Services

Michael Walke
Leader
416 815 5011
michael.walke@pwc.com

Carolyn Anthony
Toronto
416 815 5266
carolyn.anthony@pwc.com

Scott Bandura
Calgary
403 509 6659
scott.bandura@pwc.com

Sean Cable
Toronto
416 814 5831
sean.c.cable@pwc.com

Michel Charbonneau
Montreal
514 205 5127
michel.a.charbonneau@pwc.com

Robert Marsh
Vancouver
604 806 7765
robert.marsh@pwc.com

Capital Markets & Accounting Advisory Services

Geoff Leverton
Leader
Toronto
416 815 5053
geoff.m.leverton@pwc.com

Paul Feetham
Toronto
416 365 8161
paul.feetham@pwc.com

Calgary

Robert Hawley
403 509 7546
robert.j.hawley@pwc.com

Shannon Ryhorchuk
403 509 7506
shannon.g.ryhorchuk@pwc.com

John Williamson
403 509 7507
john.m.williamson@pwc.com

Greater Toronto Area

Adam Boutros
416 687 8123
adam.boutros@pwc.com

Dean Braunsteiner
416 869 8713
dean.braunsteiner@pwc.com

Paul Fitzsimon
416 869 2322
paul.fitzsimon@pwc.com

Lorna Fraser
416 815 5020
lorna.fraser@pwc.com

Derek Hatoum
416 869 8755
derek.hatoum@pwc.com

Ryan Leopold
416 869 2594
ryan.e.leopold@pwc.com

James Lusby
416 365 8181
james.m.lusby@pwc.com

Neil Manji
416 687 8130
neil.manji@pwc.com

Swati Patel
416 947 8292
swati.patel@pwc.com

John Simcoe
416 815 5231
john.b.simcoe@pwc.com

Montreal

Michel Larouche
514 205 5239
michel.larouche@pwc.com

Marc-Stephane Pennee
514 205 5006
marc-stephane.pennee@pwc.com

Michael Trudeau
514 205 5320
michael.trudeau@pwc.com

Vancouver

John DeLucchi
604 806 7575
john.delucchi@pwc.com

Craig McMillan
604 806 7724
craig.mcmillan@pwc.com

Mark Platt
604 806 7093
mark.r.platt@pwc.com