



# **44<sup>th</sup> Annual Meonske Accounting Conference at Kent State University**

## **Remarks by the Chief Accountant in the SEC's Office of the Chief Accountant**

**April 27, 2018**

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Office of the Chief Accountant  
U.S. Securities and Exchange Commission

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# Agenda

- Tax Reform
- New GAAP
- SEC Commissioners and PCAOB Board
- Auditor's Reporting Model (ARM)
- ICFR and Audit Committee Oversight
- Technology

# Tax Reform

# Tax Reform

- **Tax Cuts and Jobs Act**
  - Signed on December 22, 2017
  - Most significant overhaul to the U.S. federal tax code since 1986
- **Staff Accounting Bulletin No. 118 (SAB 118)**
  - Reasonable estimate is determinable
  - Reasonable estimate is not determinable
  - Disclosure considerations
  - C&DI 110.02
- **FASB's Proposed ASU and FASB Staff Q&As**

# New GAAP

# Big Changes: Effective Now or Soon

- Revenue recognition (2018)
- Leases (2019)
- Credit losses (2020)

# Implementation

- **Keep going / get going**
- **ICFR**
- **Transition disclosures**
- **Disclosures within the new GAAP standards**
- **Importance of reasonable judgments**
- **Role of the Audit Committee**



# Select Revenue Consultation Topics

- Principal vs. agent analysis\*\*
- Performance obligation determination\*\*
- Cost accounting
- Identifying the contract
- Measuring progress

**\*\* Higher volume of Topic 606 questions in these areas.**

# SAB 74 Disclosures

- **Calls for current disclosure in the notes to preview**
  - Impact of new accounting standards when later adopted
  - More detail as adoption gets closer
- **Expectations for disclosures**
  - Method to be used and impact
  - Qualitative information if quantitative information is not available
  - Status of implementation process (and matters yet to be addressed)

# SEC Commissioners and PCAOB Board

# SEC Commissioners

- **Chairman Jay Clayton**
- **Commissioner Kara Stein**
- **Commissioner Michael Piwowar**
- **Commissioner Robert Jackson**
- **Commissioner Hester Peirce**

# PCAOB Board Members

- **William Duhnke (Chairman)**
- **J. Robert Brown**
- **Kathleen Hamm**
- **James Kaiser**
- **Duane DesParte**

# Auditor's Reporting Model (ARM)

# PCAOB's New Auditor's Report Standard

- **Effective dates:**
  - All provisions other than CAMs – audits for years ended on/after 12/15/17
  - Provisions related to CAMs – 2019 and 2020 depending on issuer size
- **Retains pass/fail model**
- **Requires auditors to communicate any “critical audit matters” (“CAMs”)\***
- **Disclose auditor tenure**

*\* The requirement to communicate CAMs is not applicable to audits of brokers and dealers, emerging growth companies (“EGCs”), investment companies other than business development companies (“BDCs”) and benefit plans.*

# Critical Audit Matters (CAMs)

- **Any matter arising from the audit of the financial statements that was communicated or required to be communicated to the audit committee and that:**
  - **(1) Relate to accounts or disclosures that are material to the financial statements; and**
  - **(2) Involved especially challenging, subjective, or complex auditor judgment.**



# ICFR and Audit Committee Oversight

# Internal Control over Financial Reporting

- Readiness for new standards
- Area of continued attention
- Leading source of PCAOB inspection comments

# Audit Committee Oversight

- **Important role of Audit Committees**
  - Impact on financial reporting and disclosures
  - Pace of change
- **Training**
  - Areas of responsibility
  - Judgments regarding accounting policies
  - Judgments regarding internal controls
- **Committee reporting**
  - Tailored for the board and board committees
  - Quality of dialogue

# Technology

# Technology

- **Understanding the nature of innovations**
- **Considering the possible effects of innovations**
- **Current topics**
  - **Initial coin (token) offerings**
  - **Distributed ledger technology**

**Questions?**