



New Developments Summary

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Highlights of the 2020 AICPA Conference on Current SEC and PCAOB Developments

Adapting in a period of uncertainty

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The AICPA virtually held the 2020 Conference on Current SEC and PCAOB Developments on December 7-9, featuring representatives from the SEC, PCAOB, FASB, IASB, AICPA, and Center for Audit Quality (CAQ), along with others from the accounting profession. Key themes shared by speakers and panelists included an emphasis on

- High-quality financial reporting in a year marked by disruptions caused by COVID-19
- Accelerated change in the financial reporting environment affecting audit professionals, regulators, and the capital markets

This publication provides a summary of these themes and other important topics highlighted at the conference. Links to speakers' publicly available speeches and statements are included in Appendix A, while Grant Thornton publications related to topics discussed are featured in Appendix B.

A. Conference overview

In a year marked by uncertainty and unprecedented change, the AICPA held the 2020 Conference on Current SEC and PCAOB Developments virtually on December 7-9, featuring representatives from regulatory and standard-setting bodies, as well as industry professionals, financial statement preparers, legal practitioners, decision-makers, and analysts. Speakers and panelists shared their views on current accounting, financial reporting, auditing, and other important topics, which focused on the following two themes:

- High-quality financial reporting amid disruptions triggered by COVID-19
- Accelerated change in the financial reporting environment, which is expected to continue in 2021

High-quality financial reporting amid disruptions triggered by COVID-19

A conversation between SEC Chief Accountant Sagar Teotia and CAQ Executive Director Julie Bell Lindsay began with a discussion of efforts initiated by the SEC's Office of the Chief Accountant (OCA) in addressing the most pervasive topic of 2020—COVID-19. Mr. Teotia shared his appreciation for all stakeholders who are engaged in the financial reporting ecosystem and their collective efforts in rapidly responding to the unparalleled changes necessitated by COVID-19. He reminded stakeholders that a continued focus on providing high-quality information to investors is necessary during this time of uncertainty, adding that investors thirst for high-quality information. Mr. Teotia further noted that OCA has released publications addressing complex accounting and auditing issues related to the disruptions caused by COVID-19, which are summarized on the SEC's COVID-19 Response [webpage](#) along with other Commission and staff publications.

In her welcome address, AICPA Chair Tracey Golden observed that certain things have actually stayed the same during these extraordinary times of change, including the profession's shared dedication to quality and a commitment to protecting the public interest.

Ms. Lindsay also discussed the impact of COVID-19 on the profession, as well as the transformation experienced by auditing professionals and the capital markets during this unprecedented year. In particular, she mentioned new and complex accounting challenges and referred to the CAQ's [COVID-19 resources](#) to assist both financial statement preparers and auditors in dealing with the disruptions caused by COVID-19. Ms. Lindsay also noted that the profession rapidly adapted to the challenges posed by COVID-19 by working remotely while remaining focused on audit quality. She further reminded the audience that "the proper functioning of our capital markets depends on a regular supply of high-quality financial information," quoting a line from a [speech](#) delivered by Mr. Teotia back in April.

Mr. Teotia reported that internal control over financial reporting (ICFR) remains key to high-quality, reliable financial information even more so this year due to the remote work environment. He discussed the need for transparent disclosures when there is a change in ICFR due to changes in working arrangements or other operational adjustments, and noted that many registrants made changes to their financial reporting processes due to the remote work environment.

Other conference speakers indicated that such changes to ICFR, along with other pressures and opportunities brought on by COVID-19, increase the risk of fraud. Ms. Lindsay reminded the audience that fighting fraud is a shared responsibility and that stakeholders, including audit committees, should remain vigilant in this environment. She also mentioned the activities of the CAQ's [Anti-Fraud Collaboration](#) as well as CAQ [resources](#) currently available that promote the deterrence and detection of fraud in financial reporting.



COVID-19 Anti-fraud resources

Learn more about the [fraud risk landscape of COVID-19](#) through insights shared by Grant Thornton's CEO Bradley Preber in an interview with Ms. Lindsay. Also, refer to Grant Thornton's [Pandemic Risk Assessment tool](#), which can help quantify your organization's risk through data-driven analysis across multiple impact zones and risk factors, as well as provide relevant recommendations.

For further information on the tool or assistance in the area of fraud risks, contact [Paul Melville](#), National Managing Principal in Grant Thornton's Corporate Finance group.

In his keynote address, PCAOB Chairman William D. Duhnke III noted the expanded scope of the 2020 inspection efforts, which included audits of issuers with fiscal years ending on June 30, 2020, to gain real-time insight on how COVID-19 has impacted audit quality. The PCAOB also recently released a new [publication](#) providing staff observations and reminders during COVID-19. Further, the Board discussed the overall state of audit quality, which they noted is favorable, and highlighted the PCAOB's focus on firms' systems of quality control along with its proposed standard on improving quality control.

Accelerated change in the financial reporting environment, which is expected to continue in 2021

The audit profession, regulatory environment, and capital markets have endured an accelerated pace of change this year, which speakers agreed is expected to continue into 2021. Staff from both the SEC and FASB discussed recent rulemaking and standard setting that will impact registrants' disclosures in future filings, while other speakers focused on the growing need for disclosure of nonfinancial information.

During her remarks, Ms. Golden emphasized recent accelerated transformations that have impacted the profession, including rapid advancements in technology, new opportunities in the audit profession, the growing importance of public trust in companies' nonfinancial information, and an increased focus on diversity, inclusion, and flexible work arrangements.

Ms. Lindsay also noted that this accelerated change has created opportunities to expand the auditor's role into new areas, such as environmental, social, and governance (ESG) reporting, non-GAAP financial measures, and cyber risk management. In the area of ESG reporting, Ms. Lindsay mentioned that we are experiencing a "watershed moment" with the increased investment in public companies with strong ESG practices. She stated that the current environment has also increased the need for ESG information, particularly in the area of employee health, well-being, and diversity.

Even though there is a growing trend toward ESG reporting, Ms. Lindsay noted that the profession still lacks broadly adopted reporting standards in this area, which makes the comparability, reliability, and relevance of information challenging. Ms. Lindsay acknowledged that the profession has seen momentum toward the goal of establishing consistent standards and frameworks with recently updated ESG initiatives, as discussed in the shaded box below.



Early steps toward convergence in ESG reporting

Reporting companies and investors have long struggled with the wide array of ESG reporting standards and frameworks available and the resulting lack of comparability in reported information. However, 2020 marked several notable developments toward coordinating ESG reporting standards, as discussed by various conference speakers.

In September, the Carbon Disclosure Project, Climate Disclosure Standards Board, Global Reporting Initiative, International Integrated Reporting Council (IIRC), and Sustainability Accounting Standards Board (SASB) [issued](#) a *Statement of Intent to Work Together Towards Comprehensive Corporate Reporting*.

In the same month, the Trustees of the IFRS Foundation [published](#) a Consultation Paper on sustainability reporting, requesting public feedback to assess the demand for global sustainability standards and to determine how the Foundation could play a role in their development. Among other things, the Consultation Paper seeks feedback on the creation of a Sustainability Standards Board, which would operate alongside the IASB under the same governance structure.

Finally, in November, the SASB and IIRC [announced](#) their plans to merge into a new organization, called the Value Reporting Foundation.

To date, the SEC has largely avoided prescriptive ESG disclosure requirements, instead emphasizing that material information, including information about ESG risks and issues, should be disclosed under its existing principles-based disclosure requirements. The SEC's new human capital resources disclosure requirement in Item 101, *Description of business*, of Regulation S-K is nonprescriptive in nature and may overlap with social and governance issues faced by companies. As financial statement preparers implement the new human capital resource disclosure, they may consider disclosure guidance from nonfinancial reporting frameworks, including the SASB's recently issued guidance on preparing human capital management disclosures.

In her remarks, Ms. Golden stated that the profession's skillset and expertise make public accountants uniquely qualified to measure, report, and provide assurance on consistent, comparable, and meaningful sustainability information. This year, the AICPA [issued](#) nonauthoritative guidance on materiality in nonfinancial attestation engagements, including ESG information. This guidance aids practitioners in determining materiality for attestation engagements that include information that can be measured, such as greenhouse gas emissions, as well as information that cannot be measured, such as fair labor practices.

B. Accounting matters

Accounting standard-setting initiatives

FASB Chairman Richard R. Jones said that his primary focus in 2021 is outreach with both internal and external stakeholders. Mr. Jones noted that other priorities for the FASB are ensuring that investors have better information, reducing the costs and complexities involved in financial reporting, and maintaining and improving the FASB Codification. In addition, he said that the FASB will begin consulting with various stakeholders to decide on its future technical agenda and plans to issue an invitation to comment (or a discussion paper) in the summer of 2021.

FASB Technical Director Hillary Salo discussed several projects on the Board's [technical agenda](#). In addition, she highlighted various steps the FASB took earlier this year in light of COVID-19, such as (1) halting recurring board meetings through June, (2) allocating significant staff resources to address technical issues, (3) issuing several staff question and answer documents and educational materials, and (4) deferring the effective dates of several standards to allow companies ample time to deal with immediate issues. She noted that the FASB's COVID-19 [webpage](#) includes all resources that the Board and its staff have issued or discussed during 2020.

Ms. Salo further provided an update on the following projects:

- Postimplementation reviews on the revenue recognition, leasing, and current expected credit loss standards.
- The scope of reference-rate-reform relief guidance.
- A practical expedient for goodwill triggering events for nonpublic entities, which aims to reduce the cost and complexity of testing triggering events in interim reporting periods. An exposure draft on the practical expedient is expected to be issued by the end of 2020, with a final standard expected in March 2021.
- Recognition and measurement of revenue contracts in a business combination to improve consistent reporting among companies. Subsequent to the conference, a proposed Accounting Standards Update was issued with comments due by March 15, 2021.
- A practical expedient for nonpublic franchisors that was exposed to the public earlier this year. The FASB discussed those comments in early December and the final standard is expected in early 2021.

Ms. Salo also discussed certain longer-term projects on the technical agenda, including identifiable intangible assets and subsequent accounting for goodwill, interim reporting, segment reporting, and improvements to accounting for asset acquisitions and business combinations.

Sue Lloyd, Vice-Chair of the IASB, focused on the Board's response to COVID-19, its priorities for 2020, and its 2021 agenda. She stated that in response to COVID-19, the IASB took quick action to engage with companies to monitor the application of IASB standards and to amend the standards as necessary, to provide related educational materials, and to minimize the burden on stakeholders by focusing on critical projects.

In addition to COVID-19-related items, Ms. Lloyd said that the IASB also focused on targeted improvements to IFRS 17, *Insurance Contracts*; interest-rate-reform guidance; improvements to the primary financial statements; and goodwill and impairment.

Ms. Lloyd overviewed the IASB's priorities for 2021, which include (1) stakeholder input on the IASB's technical agenda for 2022-2026, (2) technology and digital transformation, including the IFRS taxonomy, and (3) climate-related matters in IFRS standards and management commentary.

SEC staff views on specific accounting matters

Revenue recognition

Revenue recognition continues to be at or near the top of the topics that are submitted to OCA for consultation. Determining whether an entity is a principal or an agent and identifying performance obligations are still common consultation subjects. OCA staff discussed two fact patterns related to principal or agent considerations and one fact pattern on identifying performance obligations.

Determining whether an entity is principal or agent

When a third party is involved in providing goods or services to a customer, the guidance in ASC 606 requires an entity to determine whether it is acting as a principal (providing the specified goods or services itself) or as an agent (arranging for another entity to provide the specified goods or services). A principal recognizes revenue equal to the gross amount of consideration to which it expects to be entitled, while an agent recognizes revenue equal to the fee or commission to which it expects to be entitled.

If the entity determines that it controls the specified good or service before it is transferred to the customer, the entity is acting as a principal and would report revenue on a gross basis. Alternatively, if the control conclusion is not determinative, the entity would consider the indicators of control in ASC 606, including whether the entity is primarily responsible for fulfilling the contract and has inventory risk and/or price discretion.

The first fact pattern discussed by OCA staff involved a registrant that produced and sold a commodity directly to its customers. The registrant determined three possible ways of sourcing the commodity to fulfill its contracts with its customers—either from its own production, from the production of a related party to which the registrant has the contractual right to market and sell 100 percent of the production, or from a third party.

When the registrant sourced the commodity from the related-party facility, the registrant took possession and legal title of the product and transported it to the customer. The registrant had the right to redirect the product during transportation, but the registrant believed inventory risk was mitigated by its insurance policy covering the risk of damage or loss. The ultimate selling price of the commodity was generally based on market price at the time of delivery. Finally, the registrant collected payment from the customer and remitted payment to the related party, less its fixed percentage commission.

The registrant did not believe any of the ASC 606 control indicators were determinative and concluded that it was acting as an agent in the transaction when the commodity was sourced from its related party facility, because it did not receive substantially all of the benefits from the sale of the commodity as a result of its fixed percentage commission. OCA staff objected to the registrant's conclusion and instead concluded that the registrant was acting as a principal in the transaction based on the total mix of information presented.

The second fact pattern discussed by OCA staff related to a registrant that operated a platform that facilitated an advertiser's purchase of online advertising space from a publisher. The registrant identified a specific advertiser's ad before bidding on potential advertising space via auction. Upon winning the auction, the registrant obtained an exclusive right to the potential ad space and immediately pre-loaded the advertiser's ad to the publisher's site. A revenue transaction occurs if a valid user reaches the stage in the publisher's app where the potential advertising space is to be displayed and the pre-loaded ad is displayed in the advertising space.

OCA staff did not object to the registrant's conclusion that it was acting as an agent in this transaction, despite the fact that it obtained momentary title to the ad space. The registrant believed that the terms of its contract only obligated it to provide an advertiser with access to its platform and not to deliver ad space. Further, the registrant believed that it did not obtain control of the ad space prior to transferring the space to its customer.

Identifying performance obligations

In one recent consultation, OCA staff did not object to a registrant's conclusion that its software license, along with updates to the software license, represented a single performance obligation. In this fact

pattern, the registrant provided customers with access to its data analytics platform under a one-year license. Through the platform, customers can aggregate data from multiple sources and analyze the data on a real-time basis. The software must be updated in response to changes in the customer's IT environment and to external changes, such as updates to third-party software that impact the registrant's ability to obtain real-time data from those third-party systems. One of the registrant's promises to its customer was to monitor the software for required updates and to provide those updates as needed.

The frequency of the critical software updates varied, with some customers receiving updates daily while others received the updates every few months. But, without the critical updates, the software was unable to access and analyze the customer's data. As a result, the registrant concluded that the software license and the updates were highly interdependent or interrelated and that they significantly affected one another. In other words, there was a significant two-way dependency between the software and the related updates.

Consolidation

OCA staff discussed two consultations received during the past year related to the consolidation of legal entities (both voting and variable interest). The staff reminded stakeholders that identifying the party with the power to direct the activities that most significantly impact a variable-interest entity's (VIE) economic performance is an area that often requires significant judgment, according to the guidance in ASC 810. Entities must thoroughly evaluate the VIE's purpose and design, along with the variability that the VIE is designed to create and pass along to its variable-interest holders.

Evaluating power over a VIE

OCA staff did not object to a registrant's conclusion that it should not consolidate a VIE because the registrant lacked the power to direct the activities that most significantly impact the VIE's economic performance. In a fact pattern, the registrant, along with another party, was an investor in the VIE since its formation. The VIE was in the process of winding down its activities because its only customer did not renew the contract. In addition, the registrant had agreed to purchase the other party's interest in the VIE pursuant to a fixed-price buyout agreement after the VIE would cease all operations.

In order to conclude that the registrant did not have the power to direct the activities that most significantly impacted the VIE's economic performance, the registrant was required to consider whether it had the power to direct the activities that most significantly impact a VIE's economic performance and whether it was a related party with the other investing party, including whether a de facto agency relationship existed.

The registrant first identified the activities that significantly impact the VIE's economic performance:

- (1) approving the annual budget, (2) approving suppliers to be used in fulfilling the contract, and (3) appointing, removing, or replacing the CEO.

The registrant noted that these activities required a majority vote of the VIE's board of directors, as well as approval from both the registrant and the other investing party. The registrant therefore concluded that since the approval of significant activities gave both the registrant and the other party the ability to block actions proposed by the VIE, both the registrant and the other party shared the power over the VIE's most significant activities.

The registrant also evaluated whether the other party was a related party, including whether a de facto agency relationship existed between the registrant and other investing party due to the fixed-price buyout agreement. The registrant concluded that the buyout agreement was not economically equivalent to a

loan based on the substance of the agreement and therefore did not result in the other party becoming its de facto agent because

- The other party's equity interest was not directly financed by the registrant;
- The other party had an equity interest in the VIE since it was founded and before the registrant had an equity interest;
- The other party did not need a loan in order to continue participating in the business; and
- The purpose of the buyout agreement was to facilitate the dissolution of the VIE.

Evaluating substantive participation rights in a voting interest entity

OCA staff discussed another fact pattern involving a voting interest entity that was owned by two investors—the registrant and another investor. The registrant held a majority of voting interests through its share ownership, but the other investor's consent was required to effect certain significant decisions, including approving or modifying operating and capital budgets. The registrant had historically provided funding for investments made by the voting interest entity, and the other investor provided know-how and managed the investments on an ongoing basis. The shares in the voting interest entity conveyed economic rights that varied at different times, initially providing the bulk of the earnings to the registrant until a stated rate of return was achieved, then more equally distributing earnings between the registrant and the other investor.

In the event of disagreements between the registrant and other investor, the arrangement included a buy/sell clause whereby either party could acquire the other party's shares at fair value. OCA staff objected to the registrant's conclusion that it should consolidate the voting interest entity, because the buy/sell clause allowed the registrant to break the deadlock unilaterally and the other investor did not have substantive participating rights.

Applying equity method accounting to an investment in an LLC

In a recent consultation, OCA staff objected to a registrant's conclusion that the equity method of accounting did not apply to an investment where the registrant held less than 20 percent of the outstanding voting stock of the investee, but the registrant

- Was a party to a contractual agreement with certain other investors to vote in concert to elect a majority of the investee's board of directors, which included the registrant's representatives.
- Shared its managerial personnel with the investee pursuant to separate employment agreements.
- Had access to the investee's confidential information pursuant to certain informal agreements.

Reference rate reform: Evaluating interest-rate-reset features

In a recent consultation, OCA staff did not object to a registrant's conclusion that certain Secured Overnight Financing Rate (SOFR) interest-rate-reset features in a debt instrument were terms of the host debt contract and did not represent embedded derivatives that required further assessment of bifurcation under the embedded derivatives guidance in ASC 815-15.

The registrant evaluated the following four SOFR-based interest-rate-reset conventions and concluded that they represent terms of the host debt contract: (1) term SOFR, (2) compounded SOFR "in-arrears," (3) compounded SOFR "in-advance," and (4) average SOFR "in-advance."

In determining that these interest-rate-reset conventions represent terms of the host debt contract, the registrant concluded that

- The purpose of these SOFR interest-rate features is to provide a market-based solution to the discontinuation of LIBOR;
- The interest-rate-reset features are not meant to provide leveraged returns to investors, nor are the counterparties seeking to add complex basis swaps; and
- Certain of the reset features will be required for specific lending products due to consumer protection laws that require lenders and servicers to provide advance notice of interest-rate changes to borrowers.

OCA staff noted that its conclusion on this specific consultation was based on the staff's current expectations of how markets for commercial and consumer-based SOFR products will develop. The staff further noted that as markets continue to develop and as facts or circumstances change, registrants will need to separately evaluate any new interest rate features.

Leasing: Abandonment of right-of-use assets

OCA staff discussed a recent consultation where the staff did not object to the registrant's conclusion to adjust the amortization period for unimpaired right-of-use assets related to leases that the registrant planned to abandon. The registrant concluded that the right-of-use assets related to such leases should be amortized ratably over a period from the date when the registrant decided to abandon the lease to the date when the lease was abandoned.

Consideration received from a vendor

In a recent consultation, OCA staff did not object to a registrant's conclusion that it was appropriate to recognize consideration received from a vendor as a reduction of the purchase price of fixed assets. In this fact pattern, the registrant had previously purchased fixed assets from the vendor and had non-cancellable commitments to purchase additional fixed assets. A significant issue was discovered with the fixed assets, requiring the vendor and registrant to agree on a plan to repair the affected assets, which was not contemplated in the original purchase agreements. In addition to the plan to repair the fixed assets, the vendor also paid cash to the registrant as compensation for multiple reasons, including maintaining the registrant as a customer. The registrant concluded that the cash compensation received from the vendor was not related to a distinct good or service and that other exceptions in ASC 705-20, including consideration for sales incentives and reimbursement to sell the vendor's products, were not relevant.

Cash flow presentation

OCA staff discussed a fact pattern where the registrant had both cash outflows and inflows from a vendor from whom the registrant purchased fixed assets. The staff objected to the registrant's conclusion to present the cash inflows and outflows from the vendor on a net basis as an investing activity in the statement of cash flows. The guidance in U.S. GAAP allows net presentation for items where the turnover is quick, the amounts are large, and the maturities are short. The registrant explained that net presentation was appropriate since the amounts involved were large and turnover was quick because the registrant had contracts to purchase fixed assets from the vendor at amounts in excess of the cash inflows. The registrant also believed that the criterion in U.S. GAAP stipulating that maturities should be short did not apply in this situation because the contractual cash outflows and inflows did not have stated maturities.

C. SEC compliance and reporting

SEC rulemaking and initiatives

During the SEC's Division of Corporation Finance (CorpFin) panel, CorpFin Chief Accountant Lindsay McCord discussed the division's 2020 accomplishments, including its assistance in the issuance of numerous Final Rules and three disclosure guidance topics. She informed the audience of the division's continued efforts toward engagement and transparency, and noted that CorpFin has held several virtual conferences and meetings with external parties to better understand the challenges they face in a remote work environment. She also highlighted the division's 2021 focus areas, including (1) the impacts of the transition from LIBOR to a market-based reference rate, and (2) the implementation of and compliance with recent Final Rules. Links to Grant Thornton publications discussing the Final Rules issued in 2020 are included in [Appendix B](#).

Final rules

Ms. McCord and Craig Olinger, CorpFin Senior Advisor to the Chief Accountant, provided an overview of 2020 rulemaking, which focused on recently issued Final Rules and related implementation matters.

- [*Financial Disclosures about Guarantors and Issuers of Guaranteed Securities and Affiliates Whose Securities Collateralize a Registrant's Securities*](#) – Eliminates certain prescriptive requirements in Regulation S-X, Rules 3-10 and 3-16; relocates the disclosure requirements in S-X Rule 3-10 to new S-X Rule 13-01, *Guarantors and issuers of guaranteed securities registered or being registered*; and relocates all content in S-X Rule 3-16 to new S-X Rule 13-02, *Affiliates whose securities collateralize securities registered or being registered*

While the effective date for these amendments is January 4, 2021, Mr. Olinger noted that several registrants have early adopted the Final Rule. Further, he observed that many registrants have elected to locate the required disclosures outside the annual and interim financial statements. With respect to transition, Mr. Olinger clarified that if a registrant files a registration statement prior to filing Form 10-K reflecting the adoption of the Final Rule, the staff does not expect the registrant to revise its previously issued financial statements to remove information presented pursuant to old S-X Rule 3-10, provided that the registration statement either includes or incorporates by reference disclosures required by the Final Rule.

- [*Amendments to Financial Disclosures about Acquired and Disposed Businesses*](#) – Updates the disclosure requirements in Regulation S-X, Rule 3-05, *Financial statements of businesses acquired or to be acquired*; S-X Rule 3-14, *Special instructions for financial statements of real estate operations acquired or to be acquired*; and S-X Article 11, *Pro forma financial information*. The Final Rule also amends the "significant subsidiary" definition in S-X Rule 1-02(w), *Significant subsidiary*, to update the investment and income tests for determining significance. The Final Rule is effective for fiscal years beginning after December 31, 2020.

CorpFin Associate Chief Accountants Jessica Barberich and Todd Hardiman held a panel discussion on observations and implementation efforts related to this Final Rule; refer to the section titled "Amendments to financial disclosures about acquired and disposed businesses" on page 11.

- [*Modernization of Regulation S-K Items 101, 103, and 105*](#) – Updates the description of business, legal proceedings, and risk factors disclosure requirements in Regulation S-K. The Final Rule became effective November 9, 2020.

Ms. McCord highlighted the requirement to describe human capital resources, located in S-K Item 101, and provided certain disclosure considerations. She first noted that the disclosure is required to the extent that the information is material to an understanding of the business. Second, she noted that registrants have different considerations related to human capital resources, including (1) the industry and jurisdiction in which the registrant operates, (2) the registrant's general strategic posture, including whether it is vertically integrated, and (3) any current macroeconomic or other condition that affects human capital, such as a global health matter.

- [Management's Discussion and Analysis, Selected Financial Data, and Supplementary Financial Information](#) – Eliminates Regulation S-K, Item 301, *Selected financial data*; streamlines the requirements in S-K Item 302, *Supplementary financial information*; and updates certain requirements in S-K Item 303, *Management's discussion and analysis of financial condition and results of operations*

The Final Rule will be effective 30 days after publication in the *Federal Register* and must be applied in the first fiscal year ending on or after 210 days from its publication in the *Federal Register* (the mandatory compliance date). Ms. McCord noted that once the Final Rule is effective, a registrant may early adopt its amendments on an item-by-item basis only if all aspects of that item are adopted. Further, she stated that because the date when the Final Rule will be published in the *Federal Register* is currently unknown, a registrant's ability to adopt the Final Rule in its 2020 calendar year-end Form 10-K will depend on when the Final Rule is published.

Disclosure guidance

CorpFin Deputy Chief Accountant Patrick Gilmore discussed two disclosure guidance topics that provide the division's views on disclosure and other securities law obligations, which companies should consider when preparing disclosure documents given business and market disruptions caused by COVID-19:

- CF Disclosure Guidance: Topic No. 9, [Coronavirus \(COVID-19\)](#)
- CF Disclosure Guidance: Topic 9A, [Coronavirus \(COVID-19\) — Disclosure Considerations Regarding Operations, Liquidity, and Capital Resources](#)

Mr. Gilmore stated that while it may be difficult to predict with precision the effects of COVID-19 on a company's operations, companies should highlight in their disclosure documents (1) the impact that COVID-19 has already exerted on a company, (2) the future impacts that management expects to occur in both the short- and long-term, (3) management's response to evolving events, and (4) management's plans for COVID-19-related uncertainty. He reminded registrants that the disclosures should be company-specific and updated as events evolve. He further stated that if information about COVID-19 is important enough to be mentioned in an earnings release or call, it should be considered for inclusion in the company's Forms 10-Q or 10-K.

Ms. McCord briefly mentioned the issuance of CF Disclosure Guidance: Topic 10, [Disclosure Considerations for China-Based Issuers](#), which provides the division's views on risks and disclosure considerations for companies based in, or with a majority of their operations in, the People's Republic of China.

Amendments to financial disclosures about acquired and disposed businesses

In their panel discussion, Ms. Barberich and Mr. Hardiman discussed observations and provided implementation guidance related to the Final Rule on acquired and disposed businesses, which is summarized below.

Measuring significance – investment test

The Final Rule amended the investment test used for measuring the significance of business acquisitions and dispositions. The amended test requires a registrant to compare its and its subsidiaries' investments in, and advances to, the tested subsidiary, to the aggregate worldwide market value of the registrant's voting and nonvoting common equity (referred to as "aggregate worldwide market value"). If a registrant does not have an aggregate worldwide market value, it is required to use total assets in the denominator to measure significance.

CorpFin staff clarified that a registrant may use the aggregate worldwide market value as the denominator in measuring significance of acquisitions and dispositions of businesses, real estate operations, and equity method investments (regardless of whether the equity investment will be accounted for under the fair value method or the equity method) only if the registrant has outstanding common equity that is traded on a market. If the registrant does not have common equity that is traded on a market, as in the case of an initial registration statement or a nontraded real estate investment trust, the registrant should use total assets in the denominator to measure significance. Further, the staff indicated that a highly leveraged registrant should also use aggregate worldwide market value in its investment test if the value is available; no alternative tests were provided in the Final Rule.

CorpFin staff clarified the term "aggregate worldwide market value," noting that the value of voting and nonvoting common equity includes only the class of outstanding common equity that is traded on a market. The value does not include (1) other classes of common stock that are exchangeable into the class of common equity that is traded, or (2) preferred stock that can be converted to common stock. Also, the staff indicated that the term "month" in the definition of "aggregate worldwide market value" refers to a calendar month, regardless of whether a registrant's fiscal year coincides with the calendar. The staff further specified that the Final Rule does not define "agreement date," but that other SEC rules use this term and expect the term to be used consistently with how the practice applies this term under other SEC rules.



Distinction between 'aggregate worldwide market value' and 'public float'

CorpFin staff cited two specific differences between the equation used to calculate "aggregate worldwide market value" and the calculation used to determine accelerated filer status under Exchange Act 12-b2 (that is, public float):

- Aggregate worldwide market value includes the value of equity held by affiliates, while public float excludes equity held by affiliates.
- Aggregate worldwide market value is calculated as the average of the daily aggregate worldwide market value for the last five days of the most recently completed month ending prior to the earlier of the registrant's announcement date or the agreement date of the acquisition or disposition, while public float is calculated as of the end of a registrant's second fiscal quarter.

Mr. Hardiman also discussed a transaction that the Final Rule does not explicitly contemplate: a pro rata spinoff to all shareholders where the registrant receives no consideration in the disposition. Instead of comparing the consideration received, which would be \$0, to aggregate worldwide market value, he noted that the current practice of measuring significance should be maintained. He indicated that to compute

significance in this type of transaction, the registrant should compare the carrying value of the spun-off entity to the registrant's total assets as of the most recently completed fiscal year prior to the disposition.

Measuring significance – income test

The Final Rule amended the income test for measuring significance to add a new revenue component that compares the registrant's and its other subsidiaries' proportionate share of the tested subsidiary's consolidated total revenues from continuing operations after eliminating intercompany transactions, to the registrant's consolidated total revenue for the most recently completed fiscal year. The revenue component applies only when both the registrant and the tested subsidiary have "material" revenue in each of the two most recently completed fiscal years.

CorpFin staff explained that the word "material" was added to the revenue component of the income test to mitigate the risk that the revenue results alone would produce anomalous results due to small amounts of revenue. The staff further stated that a registrant's determination of whether it or its tested subsidiary has material revenues should be readily apparent and should not evolve into an analysis under SEC Staff Accounting Bulletin (SAB) Topic 1.M, *Materiality* (also referred to as SAB 99).

CorpFin staff also clarified that the existence of a noncontrolling interest in the tested subsidiary does not impact the revenue component in the income test, given that the test requires the proportionate share of the tested subsidiary's consolidated total revenues to be used in the significance calculation.

Mr. Hardiman closed out the discussion by highlighting several observations on the significance calculation for related businesses and aggregation of individually insignificant acquisitions. Mr. Hardiman stated that under the existing rules and the new Final Rule, related businesses must be treated as a single business acquisition when calculating significance. He indicated that the revenue component applies when the revenues for each related business added together, and then compared to the related businesses taken as a whole, are material.

To calculate the aggregate significance of individually insignificant acquisitions, Mr. Hardiman explained that the calculation related to the revenue component is similar to the calculation used for related businesses, except that in the aggregate evaluation, the businesses are split into two groups: businesses with net income and businesses with net loss. Each group is then evaluated separately, and the revenue component could therefore apply to only one group and not the other.

Financial statement requirements

CorpFin staff discussed the following clarifications related to the financial statement requirements of other entities as amended by the Final Rule:

- Registrants are allowed to omit the financial statements of an acquired business from a registration statement if the acquired business's results have been included in the registrant's audited consolidated results for at least 9 months (when significance is at the one-year level) and at least 12 months (when significance is at the two-year level). The staff noted that the 9- and 12-months determinations are "bright lines."
- The practice of using a combination of pre-acquisition and post-acquisition audited results to reduce the length of period for which the financial statements of other entities are required, as currently described in the SEC's *Financial Reporting Manual* (FRM) Section 2030.4, no longer applies under the Final Rule. The staff stated that a registrant may request relief under Regulation S-X, Rule 3-13, *Filing of other financial statements in certain cases*, if it believes applying the practice described in FRM 2030.4 may be appropriate in light of its unique facts and circumstances.

- In order for a registrant to meet the requirements to present abbreviated financial statements in lieu of the full financial statements of an acquired business, as described in new S-X Rule 3-05(e), the business may not be an “operating segment,” as defined by U.S. GAAP or IFRS Standards, among other conditions. The staff clarified that this condition also applies to a business acquired from a private entity, even though a private entity is not required to comply with ASC 280. The staff further clarified that (1) it is likely that an acquired business will meet the first criteria for an operating segment, which focuses on business activities from which it may earn revenues and incur expenses, and (2) the evaluation of whether the business is an operating segment will depend on the nature of discrete financial information that is available and used by the private entity’s decision-maker.

Additionally, Ms. Barberich highlighted a change in how registrants should report the acquisition of real estate operations subject to a triple net lease. The Final Rule does not differentiate an acquisition of a real estate operation that is subject to a triple net lease from one that is not subject to a triple net lease. A registrant is now required to provide the financial statements of a significant acquired real estate operation instead of the tenant’s financial statements. However, Ms. Barberich clarified that the tenant’s financial statements may still be required post-acquisition if a significant asset concentration exists.

Pro forma financial information

According to Mr. Hardiman, pro forma financial information should give effect to a significant business acquisition, as well as to other transactions directly attributable to the acquisition that are material to an investor. He noted that this is not optional under the Final Rule. Examples of other transactions directly attributable to an acquisition include debt financing, new agreements, or regulatory requirements.

Transition observations

CorpFin staff concluded with the following transition observations:

- A company may continue to apply the existing rules in an initial registration statement that is first publicly filed before the mandatory compliance date of the Final Rule, even if the registration statement becomes effective after such compliance date. If a nonpublic or confidential submission is made before the mandatory compliance date, but the registration statement is not publicly filed until after such compliance date, the amended guidance under the Final rule should be applied.
- For pro forma financial information, an existing registrant should comply with the new amendments in a registration statement that becomes effective after the mandatory compliance date of the Final Rule. However, the staff noted that it will not object if a registrant presents the pro forma financial information under the existing rules, provided that (1) the transaction for which the pro forma financial information is required was consummated prior to the mandatory compliance date, and (2) the pro forma financial information giving rise to that transaction was filed before the mandatory compliance date.
- A registrant should evaluate the significance of an equity method investment for purposes of reporting under Rules 3-09 and 4-08(g) of Regulation S-X, using the new amendments for all periods presented in its first Form 10-K filed after the mandatory compliance date. In most circumstances, CorpFin staff does not believe the reassessment will cause equity method investees that were previously insignificant to now be significant, but, if it does, registrants are encouraged to reach out to the staff for further discussion.

Non-GAAP financial measures and key performance indicators

A panel featuring CorpFin staff provided an overview of trends and considerations on non-GAAP financial measures as well as metrics or key performance indicators (KPIs). In particular, attendees were reminded of the SEC's January 2020 [Interpretive Release, Commission Guidance on Management's Discussion and Analysis of Financial Condition and Results of Operations](#), which provides guidance on the disclosure of KPIs and metrics in MD&A. The panel suggested that preparers also keep the release in mind for disclosures outside of MD&A, such as the earnings release.

COVID-19

Considering the current economic environment, registrants in certain industries have disclosed new metrics, such as a cash burn rate, in order to provide insight into their liquidity position. CorpFin staff noted that registrants reporting such metrics should refer to the Interpretive Release referenced in the previous paragraph.

While CorpFin staff has not seen many non-GAAP financial measures to adjust for the impacts of COVID-19, they have received questions regarding the presentation of such measures, and reminded attendees that there were no changes to the existing non-GAAP guidance in Regulation G; Regulation S-K, Item 10(e), *Use of non-GAAP financial measures in Commission filings*; or CorpFin's [Compliance and Disclosure Interpretations, Non-GAAP financial measures](#).

Additionally, the staff provided questions and examples for financial statement preparers to consider when determining whether a non-GAAP adjustment related to COVID-19 is appropriate, as summarized in the following table.

Considerations	Examples
<p>Is the adjustment directly attributable to COVID-19?</p> <p>Is the adjustment incremental to normal operations?</p>	<p>Adjustments to remove the expense of nonroutine, deep cleaning of company facilities may be appropriate; however, if in the future this becomes a part of normal operations, the company should reconsider whether the adjustment remains appropriate.</p> <p>Adjustments to add back hazard pay incremental to normal wages for essential workers who continue to provide services may be appropriate. Adjustments to add back "compassion pay" to idled workers, or expenses associated with idle facilities or stores such as lease expense, are not appropriate as these are normal, recurring expenses.</p>
<p>Is the adjustment based on actual or hypothetical amounts?</p>	<p>Adjustments for hypothetical items, such as adding back hypothetical lost revenue, are not appropriate.</p>

The panel also reminded financial statement preparers that non-GAAP adjustments related to COVID-19 should be consistent across reporting periods and that they may not "cherry pick" incremental costs to remove without also removing beneficial items, such as government grants or other income items.

Revenue-related non-GAAP measures

CorpFin staff cautioned registrants that there is a high probability that non-GAAP adjustments to revenue will receive attention from the staff and provided the following observations grounded in the staff's review of filings:

- *Gross revenue or gross sales:* Some registrants, particularly in the retail industry, have disclosed a non-GAAP financial measure of revenue adjusted to add back returns, allowances, incentives, or discounts. While the staff noted that it would be inappropriate for the registrant to label such a measure with a GAAP caption, such as "revenue" or "sales," the company may disclose certain factual sales metrics, such as the amount billed to customers or bookings before discounts and allowances.
- *Non-GAAP net revenue:* Recent filings have included non-GAAP financial measures that adjust GAAP revenue to remove certain expenses within the cost of sales, usually expenses that are outside of the registrant's control. The staff stated that it is inappropriate to characterize a non-GAAP financial measure as "revenue" once expenses have been deducted. However, a caption such as "contribution margin" or "adjusted gross profit" may be acceptable, depending on facts and circumstances. The staff indicated that registrants should reconcile such measures to GAAP gross margin rather than revenue when reconciling to the nearest GAAP financial measure.

Filing reviews

Segment reporting

Mr. Gilmore reminded the audience that the guidance in ASC 280 requires entities to base revenue-related disclosures in entity-wide information on financial information used to produce general purpose financial statements. Accordingly, presenting revenue from external customers excluding discounts, returns, allowances, or other concessions that must be recognized as an offsetting adjustment to revenue under U.S. GAAP may not be appropriate.

Further, CorpFin staff recognized that the segment measure of profit or loss disclosed pursuant to ASC 280 could differ from profitability measures included in a registrant's statement of comprehensive income. Such measures could include or exclude certain income or expenses so that the measure may constitute a non-GAAP financial measure if taken outside the context of ASC 280. Ms. McCord noted that if a registrant includes more than one measure of segment profitability that is prepared on such non-GAAP basis, the staff may question the rationale for providing multiple measures in the segment footnotes.

CorpFin staff may also issue comments if a registrant applies a recognition or measurement principle to an income or expense line item that differs from principles used to prepare its financial statements. Ms. McCord discussed a fact pattern where a registrant presented net income by segment as its segment measure of profitability and also presented segment revenue, which reflected an add-back for certain promotional expenses. The segment revenue was not consistent with the revenue recognition and measurement principles used to prepare the registrant's financial statements, and the promotional expenses were not broken down by segment. As a result, the staff objected to the registrant's presentation of segment revenues in this fact pattern.

Revenue recognition and related discussion in MD&A

CorpFin staff noted that revenue recognition, including the identification of performance obligations, the timing of revenue recognition, and gross versus net presentation, continue to be areas of focus in reviewing filings.

Mr. Gilmore noted that an increased number of companies are utilizing incentive programs, especially technology companies that run platforms connecting users with suppliers, such as ride-sharing or food-delivery platforms. Such incentives are often significant and may be provided to end-users or other parties who are not customers of the company, which means that the guidance on “consideration payable to a customer” in ASC 606 (which requires an entity to recognize the incentives paid to a customer as a reduction in revenue) does not apply in this situation. As a result, companies may classify such incentives as sales and marketing expenses. To the extent that these incentives are material, the staff expects registrants to quantify such amounts in MD&A.

Further, companies may also enter into transactions that result in so-called “negative revenue,” which is when incentives exceed consideration received from those customers. Because U.S. GAAP does not specifically address “negative revenue,” some companies have presented the amount as an offset to revenue (or contra revenue), while other companies have presented the amount as sales and marketing expenses based on their unique facts and circumstances. The staff reiterated that it expects registrants to quantify the amounts of negative revenue in MD&A so that investors understand their impact on the results of operations, to the extent that these amounts are material.

Transactions involving SPACs

CorpFin staff acknowledged a significant increase in capital raised by special purpose acquisition companies (SPACs) in recent years. Mr. Olinger noted that the staff reviews all initial public offering (IPO) registration statements, including those filed by SPACs. In fact, the staff reviews all registration and proxy statements filed by SPACs in connection with a proposed acquisition of an operating company target with the same level of rigor as an IPO registration statement.

Mr. Olinger reminded registrants that the staff expects the operating company’s annual financial statements that are included in Form S-4 or a proxy statement to be audited in accordance with PCAOB standards. He also highlighted the recently issued interpretive guidance, [Compliance and Disclosure Interpretations](#), *Securities Act Forms*, Question 115.18, noting that a registrant would ordinarily need 12 calendar months of Exchange Act reporting history following the business combination transaction to be eligible to use Form S-3.

SEC enforcement matters

Matthew Jacques, Chief Accountant of the SEC’s Division of Enforcement, provided an overview of the division’s recent activities, which are discussed in greater detail in the [Division of Enforcement 2020 Annual Report](#). Despite the remote work environment, the division continues to carry out its mission, including conducting investigations. The division is proactively addressing the impacts of COVID-19 on the capital markets through the creation of a steering committee of representatives from across the division. This work has led to trading suspensions related to false and misleading disclosures, including inappropriate disclosures on the efficacy of a company’s products in treating COVID-19. Citing experience from prior economic downturns, Mr. Jacques noted that the division is aware that the current economic recession may lead to an increase in fraud risk, adding that it is monitoring public filings in certain industries flagged by the staff. He emphasized that the division is focusing on situations where the issuer’s disclosures appear out-of-step compared to disclosures filed by industry peers, as well as

attempts to inappropriately characterize pre-existing conditions as pandemic-related, such as an unrecognized impairment.

Mr. Jacques also highlighted two recently settled cases under the division's ongoing earnings per share (EPS) initiative, which utilizes risk-based data analytics to identify potential accounting and disclosure violations, with a focus on inappropriate earnings management practices. Common problematic practices identified are accounting adjustments that (1) are made at the end of a quarter but not at year-end, (2) involve financial statement accounts requiring significant judgment, and (3) are highly material to meeting or beating EPS estimates.

A panel discussion featuring division accountants unveiled some themes of recent enforcement actions, including instances of fictitious revenues from contracts with related or nonexistent entities, as well as incomplete disclosure of executive perquisites, such as transportation or housing. The panel also discussed several cases related to inaccurate or inflated metrics such as sales volume or same-store sales, and misleading disclosures related to calculating non-GAAP financial measures, including an inaccurate description of the income tax impact on a non-GAAP financial measure.

Lastly, the panel discussed enforcement orders against auditors related to the manipulation of audit workpapers (such as back-dating) as well as failures to (1) exercise professional skepticism, (2) obtain sufficient appropriate audit evidence, (3) consider fraud, and (4) staff engagement teams with an appropriate level of relevant, technical experience on specialized engagements.

D. Audit and corporate governance

PCAOB keynote address

PCAOB Chairman Duhnke was joined by other Board members to deliver a keynote address that focused on adapting to the COVID-19 environment, audit quality, and the Board's strategic goals for 2021.

Although the Board's view of audit quality is favorable, a Board member noted that there is always room for improvement. The Board believes that pending enhancements to the quality control standards, when appropriately implemented by audit firms, will have a significant, positive impact on overall audit quality. In 2021, the Board expects to focus on improvements to its engagement with external stakeholders, including issuing more timely inspection reports of audit firms. The Board noted that it will continue to support implementation of new PCAOB rules and standards through proactive guidance and economic analysis and will particularly monitor how investors use the information provided by reporting critical audit matters (CAMs).

PCAOB standard-setting update

PCAOB Acting Chief Auditor Barbara Vanich summarized the Board's standard-setting and research projects and highlighted the implementation of new requirements related to auditing accounting estimates and using the work of specialists, as well as the final phase of implementation for reporting CAMs.

Ms. Vanich also indicated that the Board expects to issue a proposal on revised audit firm quality control standards in 2021 and that the PCAOB's Office of the Chief Auditor expects to continue its research on how data and technology are used in the audit and whether the existing standards are constraining the use of these technologies. The PCAOB is also closely monitoring how audit firms are handling the challenges created by COVID-19 in order to identify areas where additional guidance may be beneficial.

Auditor independence

Mr. Teotia along with other OCA staff emphasized that auditor independence is a shared responsibility and is most effective when management, audit committees, and audit firms work together. The staff further emphasized the importance of being (1) aware of how independence affects audit clients and their affiliates, and (2) advised of all business events on a timely basis. The staff also stressed that auditor independence with respect to its audit clients, both in fact and in appearance, is essential to high-quality audits and remains the foundation for credible financial statements. The auditor independence requirements are critical to promoting high-quality audits by reducing the possibility that external factors influence an auditor's judgment and boosting investor confidence in public company financial statements.

In October 2020, the SEC adopted the [Final Rule, Qualifications of Accountants](#), to amend certain auditor requirements in Regulation S-X, Rule 2-01. The Final Rule modernizes the independence rules and more effectively focuses on evaluating specific services and relationships that may create threats to the auditor's objectivity and impartiality based on risk and specific fact patterns that OCA staff has observed, including when (1) SEC rule breaches occur or (2) extensive, time-consuming reviews occur on matters that were ultimately determined not to impair the auditor's independence and objectivity.

PCAOB inspection and enforcement update

George Botic, Director of the PCAOB's Division of Registration and Inspections, discussed inspection activities at the PCAOB, the state of audit quality based on recent inspection results, and the areas of focus for 2021. Inspections in 2020 were all undertaken remotely, and Mr. Botic expects that remote inspections will continue in 2021. This year's inspection cycle and areas reviewed were expanded to provide visibility into how auditors responded to the practical challenges created by COVID-19. In 2021, Mr. Botic expects a continued focus on (1) firms' systems of quality control, (2) risk assessment and response, particularly in the area of fraud risks, and (3) reporting on CAMs.

In highlighting common deficiencies observed in 2020, Mr. Botic noted that auditor independence, both in fact and appearance, is foundational and that the PCAOB continues to identify recurring deficiencies, which suggests that some firms may not have adequate quality control systems in place to identify potential SEC or PCAOB independence issues.

He further noted that PCAOB inspections of auditor independence matters focus primarily on four areas: (1) analyzing firm-identified violations for possible quality control concerns, (2) evaluating firms' compliance with the audit committee pre-approval requirements for significant nonaudit services, (3) reviewing firms' audit committee communications concerning independence matters, and (4) reviewing firms' responses to past inspection quality control concerns, including high rates of exceptions identified through firms' personal independence compliance testing.

E. Other important topics

Fraudulent financial reporting

The conference featured a panel of senior forensic accounting and legal professionals who discussed common areas involving fraudulent financial reporting, based on analysis of nearly six years of SEC [Accounting and Auditing Enforcement Releases](#), as well as the current fraud risk landscape in the ongoing COVID-19 environment.

The panelists noted that many fraud schemes relate to recognizing revenue and recording financial reserves and noted that additional areas of focus in recent SEC enforcement actions included earnings

management and non-GAAP financial measures, as well as KPIs and other metrics. The panelists acknowledged the existence of heightened fraud risk during COVID-19 as well as risks related to cyber incidents arising from the increased use of technology. They recognized that an economic crisis often creates pressures to meet expectations and emphasized the importance of culture to combat those pressures, including the tone at the top as well as the tone at the middle-management level. The panelists also cautioned companies to be aware that ICFR may not be operating as designed due to operational adjustments, such as remote work environments.

The panelists further noted that several new accounting standards require entities to exercise more judgment, which could provide an opportunity for fraudulent financial reporting. In areas involving judgment, it may be difficult for companies to distinguish between unintentional errors and intentional fraudulent reporting, thereby underscoring the importance of transparent disclosures and contemporaneous documentation supporting a company's position.

Digital assets

The co-chairs of the AICPA's Digital Assets Working Group, which is divided into two subgroups—accounting and auditing—provided an update on the group's activities in addressing the accounting for, and auditing of, digital assets. They noted recent updates to the AICPA's practice aid, *Accounting for and Auditing of Digital Assets*, issued in December 2019, for additional topics related to both accounting and auditing digital assets.

The new accounting topics added include (1) the definition of an "investment company" when an entity engages in digital asset mining activities and the accounting by investment companies for digital assets investments; (2) the recognition, measurement, and presentation of digital assets by broker-dealers; (3) fair value considerations for crypto assets; and (4) accounting for stablecoin holdings.

On the audit side, the audit subgroup currently focuses on auditing matters, considering the unique challenges in applying auditing requirements to digital assets. The group provided updates regarding client acceptance and continuance for audits of digital assets. The panel cautioned that the working group is not setting standards or interpreting applicable rules and regulations, but noted that its practice aid will nonetheless be helpful guidance for financial statement preparers and auditors.

AICPA resources related to digital assets are available [here](#). Stay tuned for additional guidance expected to be issued in early 2021 on risk assessment, including processes and controls; laws and regulations as well as related parties; and service organization control considerations.

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Appendix A

Conference speeches and statements

Below is a list of publicly available speeches and statements from select sessions and speakers. Full text of the conference speeches can be accessed using the links below.

Speaker	Summary and link to source
SEC, Office of the Chief Accountant (OCA)	
Sagar Teotia, Chief Accountant	<p data-bbox="576 642 1365 709">“Statement on OCA’s Focus on High-Quality Financial Reporting During an Unusual Year and Discussion of our Upcoming Priorities”</p> <p data-bbox="576 722 1390 821">Topics discussed included OCA’s efforts in addressing the financial reporting impacts of COVID-19, recent OCA initiatives, and upcoming priorities of the division.</p>
Kevin Cherrstrom, Professional Accounting Fellow (PAF)	<p data-bbox="576 865 813 898">Remarks of the PAF</p> <p data-bbox="576 911 1349 1010">Topics discussed included observations from consultations on the identification of performance obligations under Topic 606 and the presentation of certain payments in the statement of cash flows.</p>
Geoff Griffin, PAF	<p data-bbox="576 1058 813 1092">Remarks of the PAF</p> <p data-bbox="576 1104 1406 1203">Topics discussed included observations on principal versus agent determinations under the revenue standard and accounting for right-of-use assets under the leases standard.</p>
Jeffery Joseph, PAF	<p data-bbox="576 1243 813 1276">Remarks of the PAF</p> <p data-bbox="576 1289 1365 1356">Topics discussed observations related to the implementation of and post-issuance period for CAMs.</p>
Sheena Lam, PAF	<p data-bbox="576 1398 813 1432">Remarks of the PAF</p> <p data-bbox="576 1444 1406 1543">Topics discussed included the SEC’s recent amendments to its auditor independence rules and the Monitoring Group’s recommendations to strengthen international audit and ethics standard-setting.</p>
Jeffrey Nick, PAF	<p data-bbox="576 1583 813 1617">Remarks of the PAF</p> <p data-bbox="576 1629 1390 1728">Topics discussed included equity method investments, including the concept of significant influence and complexities in the voting interest equity portion of the consolidation analysis.</p>

Jillian Pearce, PAF	<p>Remarks of the PAF</p> <p>Topics discussed included observations on the expected discontinuation of LIBOR and the principal versus agent guidance in the revenue standard.</p>
Damon Romano, PAF	<p>Remarks of the PAF</p> <p>Topics discussed included observations on determining the primary beneficiary of a variable-interest entity and a customer's accounting for considerations received from a vendor or supplier.</p>
PCAOB	
J. Robert Brown, Jr. Board Member	<p>"The Need for Increased Transparency and Accountability in the PCAOB's Remediation Process"</p> <p>Statement addresses additional thoughts on the PCAOB's process of assessing an audit firm's remediation efforts in the firm's system of quality control.</p>
FASB	
Richard R. Jones, Chairman	<p>Remarks of FASB Chair Richard R. Jones</p> <p>Topics discussed included 2021 focus areas, including next steps.</p>
IASB	
Sue Lloyd, Vice-Chair	<p>"IASB Chair on challenges and developments in 2020 and plans for the year ahead"</p> <p>Topics discussed included current developments at the IASB, the Board's response to COVID-19, and the 2021 agenda.</p>
CAQ	
Julie Bell Lindsay, Executive Director	<p>Remarks of CAQ Executive Director Julie Bell Lindsay</p> <p>Topics discussed included three forces that are bringing about change to the audit profession and capital markets, including COVID-19, the expanding role of auditors, and talent and diversity.</p>

Appendix B

Grant Thornton publications

SEC final rules

- New Developments Summary (NDS) 2020-03, "[SEC simplifies financial disclosures in certain registered debt offerings: Final rule affects disclosures related to guarantors and collateralizations](#)"
- NDS 2020-05, "[SEC amends 'accelerated filer' and 'large accelerated filer' definitions: Certain low-revenue issuers will be non-accelerated filers](#)"
- NDS 2020-09, "[SEC amends financial disclosures for business acquisitions and dispositions](#)"
- Snapshot 2020-20, "[SEC updates certain Regulation S-K disclosures](#)"
- Snapshot 2020-24, "[SEC updates banking statistical disclosures](#)"
- Snapshot 2020-25, "[SEC amends certain auditor independence requirements](#)"
- Snapshot 2020-26, "[SEC harmonizes exempt offering framework](#)"
- Snapshot 2020-28, "[SEC amends additional Regulation S-K disclosures](#)"

Staff disclosure guidance

- Snapshot 2020-01, "[CorpFin issues IP and technology risk disclosure guidance](#)"
- Snapshot 2020-12, "[SEC extends COVID-19 relief and CorpFin issues guidance](#)"
- Snapshot 2020-17, "[CorpFin issues additional COVID-19 guidance](#)"

Accounting

- NDS 2020-04, "[COVID-19: Accounting and financial reporting considerations](#)"
- NDS 2020-07, "[COVID-19 and the CARES Act: Income tax accounting and reporting considerations](#)"
- Viewpoint: "[Applying ASC 360 to right-of-use assets](#)"
- Snapshot 2020-23, "[Accounting for PPP loans received by businesses](#)"
- Snapshot 2020-29, "[Accounting for Provider Relief Funds](#)"

Contacts



Kendra Decker
Partner-in-Charge
SEC Regulatory Matters
T +1 202 521 1530
E Kendra.Decker@us.gt.com



Maria Manasses
National Partner
Audit Methodology & Standards
T +1 312 602 8030
E Maria.Manasses@us.gt.com



Lynne Triplett
Partner-in-Charge
Accounting Principles
T +1 312 602 8060
E Lynne.Triplett@us.gt.com