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### **(Live Poll) What Sector is Most Relevant to Your Job?**

- Public Companies
- Private Companies
- International Companies
- Federal Government
- State and Local Government
- Academia
- Other

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*Live Content Slide*

*When playing as a slideshow, this slide will display live content*

## Poll: What Sector is Most Relevant to Your Job?

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### (Live Poll) What Services Best Align with Your Job?

- Accounting
- Audit and Attest
- Other

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### Live Content Slide

*When playing as a slideshow, this slide will display live content*

## Poll: What Services Best Align with Your Job?

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## 2023-2024 Accounting & Auditing Advisory Committee

- 12-14 members
- Meet monthly
- Diverse areas of expertise
- Monitor exposure drafts issued by accounting and auditing standard setting bodies
- Issue written responses on behalf of VSCPA

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David Allen, CPA (Deloitte)

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Zach Borgerding, CPA (Virginia Auditor of Public Accounts)

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Scott Davis, CPA (Prager Metis CPAs)

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Joshua Keene, CPA (Johnson Lambert)

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Nicholas Kinsler, CPA (WellsColeman)

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Daniel Martin, CPA (Riveron Consulting LP)

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Brian Minor, CPA (Harris, Hardy & Johnstone, PC)

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Elisa Obillo, CPA (Aprio LLP)

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Michael Phillips, CPA (University of Virginia)

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Charles Valadez, CPA (Inter-American Development Bank)

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Natalya Yashina, CPA (Capital Accounting Advisory, LLC)

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Emily Walker (VSCPA Staff Liaison)

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## Stakeholders Considered by Committee

### Report Users

- Can take many forms
- Financial statements and other assurance reports are used for a wide variety of purposes
- Standards must support providing relevant information to support decision making

### Preparers

- Many struggling to recruit and retain talent
- Information should be essential to users and feasible for accountants to prepare
- Requirements should be clear
- Must consider cost-benefit of changes

### Auditors/ Practitioners

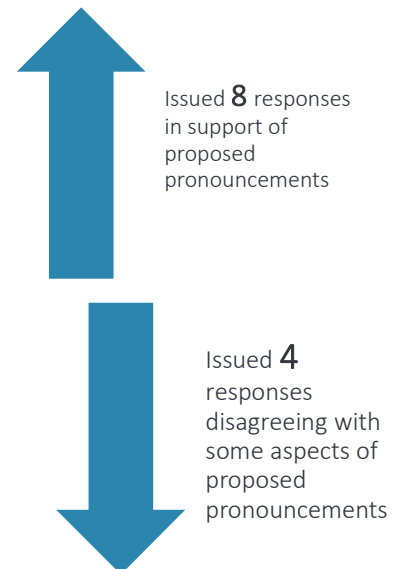
- Many struggling to recruit and retain talent
- Information must be verifiable
- Requirements should be clear
- Must consider cost-benefit of changes

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## Exposure Drafts Reviewed


Standard Setting Body	Exposure Drafts
<b>Accounting:</b>	
International Accounting Standards Board (IASB)	7
Financial Accounting Standards Board (FASB)	7
Federal Accounting Standards Advisory Board (FASAB)	7
Governmental Accounting Standards Board (GASB)	1
<b>Audit and Attest:</b>	
International Auditing and Assurance Standards Board (IAASB)	4
Public Company Accounting Oversight Board (PCAOB)	2
American Institute of Certified Public Accountants (AICPA)	1
Government Accountability Office (GAO)	1
<b>Total</b>	<b>30</b>



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## IASB Drafts

Exposure Draft Title	Issue Date
Amendments to the Classification and Measurement of Financial Instruments	March 21, 2023
Methodology for Enhancing the International Applicability of the SASB Standards and SASB Taxonomy Updates	May 1, 2023
International Tax Reform - Pillar Two Model Rules - Proposed Amendments to the IFRS for SMEs Standard	June 1, 2023
Proposed IFRS Taxonomy – Sustainability and Climate-related Disclosures	July 1, 2023
IFRS Accounting Standards Annual Improvements – Volume 11	September 23, 2023
Proposed IFRS Taxonomy Update 2023: Common Practice for Financial Instruments, General Improvements and Technology Update	November 6, 2023
Proposed Amendments to IAS 32, IFRS 7, and IAS 1 – Financial Instruments with Characteristics of Equity	November 23, 2023


 Committee expressed disagreement with some aspect of these proposed standards

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## FASB Drafts

Exposure Draft Title	Issue Date
Leases Implementation Guidance Updates	March 15, 2023
Proposed Accounting Standards Update—Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets	March 23, 2023
Proposed Accounting Standards Update—Compensation (Topic 7): Stock Compensation	May 11, 2023
Proposed Accounting Standards Update—Financial Instruments-Credit Losses (Topic 326)	June 27, 2023
Proposed Accounting Standards Update—Disaggregation of Income Statement Expenses (Subtopic 220-40) (Topic 326)	July 31, 2023
Proposed Accounting Standards Update - Debt with Conversion and Other Options (Subtopic 470-20)	December 19, 2023
Proposed Concept Statement - Chapter 6: Measurement	December 21, 2023

 Committee expressed disagreement with some aspect of these proposed standards

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## FASAB and GASB Drafts


Exposure Draft Title	Issue Date
FASAB - Invitation to Comment - Reexamination of Existing Standards	May 15, 2023
FASAB - Leases Implementation Guidance Updates	May 30, 2023
FASAB - Proposed Statement - Transitional Amendment to SFFAS 54 (Leases)	June 27, 2023
FASAB - Proposed Statement - Omnibus Amendments	August 22, 2023
FASAB - Proposed Concept Statement - Omnibus Concepts Amendments	August 25, 2023
FASAB - Proposed Statement – Management’s Discussion and Analysis	September 7, 2023
FASAB - Omnibus Technical Release Amendments 202X	February 15, 2024
GASB – Proposed Statement – Disclosure and Classification of Certain Capital Assets	September 19, 2023

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## Audit and Attest Drafts

Exposure Draft Title	Issue Date
IAASB - Proposed International Standard on Auditing 570 (Revised 202X) Going Concern and Proposed Conforming and Consequential Amendments to Other ISAs	April 26, 2023
IAASB - Proposed International Standard on Sustainability Assurance Engagements	August 2, 2023
IAASB - Proposed Narrow Scope Amendments to ISQMS, ISAS, and International Standard on Review Engagements 2400, Engagements to Review Historical Financial Statements	January 8, 2024
IAASB - Proposed International Standard on Auditing 240 (Revised): The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements	February 6, 2024
PCAOB - Docket 049: General Responsibilities of the Auditor in Conducting an Audit	March 23, 2023
PCAOB - Amendments to PCAOB Auditing Standards related to a Company's Noncompliance with Laws and Regulations (NOCLAR)	June 6, 2023
AICPA - Proposed SSAE – Quality Management	August 25, 2023
GAO – Government Auditing Standards 2023 Exposure Draft	January 30, 2024

 Committee expressed disagreement with some aspect of these proposed standards

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## A Case Study on the Importance of Providing Feedback

PCAOB issued Amendments to Auditing Standards related to a Company's Noncompliance with Laws and Regulations (NOCLAR) in June 2023. In a good faith attempt to protect investor interests, the proposed standard significantly expanded the responsibilities of auditors, raising significant debate in the auditing and legal communities. The exposure draft received an unusually high 140 comments.



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## PCAOB Proposed Changes to Standards on NOCLAR

- Replaced term “illegal acts” with “noncompliance with laws and regulations” and includes fraud within the umbrella of that term
- Expanded obligations for identifying laws and regulations with which noncompliance could reasonably have a material effect and whether such noncompliance has occurred
- Expanded requirements for understanding of the company and risk assessment
- Expanded the sources of information to use in risk assessment
- Expanded consideration of NOCLAR to reviews of interim financial information
- Clarified required communication with management and those charged with governance
- Clarified required communication and coordination with specialists
- Clarified audit obligations regarding transactions with related parties

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## Committee Concerns with the Proposal

- Broad expansion of the audit scope to effectively address all laws and regulations
- Elimination of the distinction between direct and indirect effect of noncompliance
- Inclusion of “fraud” in NOCLAR negates an important differentiation and may create an expectations gap
- Requirements to search websites and social media are better suited for forensic audits
- Expansion of scope will require use of more regulatory and legal experts and increase costs
- Given the inherent limitations of an auditor to identify every possible law or regulation for which noncompliance could be material, firm liability will be factored into costs

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## How did the Story End?

- In March 2024, PCAOB held a three-part round-table with a diverse group of stakeholders and reopened the comment period
- 49 stakeholders, including the Committee, submitted additional responses
- 80 percent of respondents were not in favor of the proposal as written
- PCAOB continues to analyze feedback and expects to issue a final standard in 2024
- .....Stay tuned!

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## Big Changes in Business

### Environmental, Social, and Governance (ESG)

- 2 IASB proposals related to sustainability
- 1 IAASB proposal related to sustainability

### Digital Currencies

- FASB Crypto Proposal
- GASB and others monitoring and considering future projects for evolving mediums of exchange

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## Big Changes in Business

### IASB

- IASB Taxonomy Update – Sustainability and Climate-related Disclosures
- Methodology for enhancing the international applicability of Sustainability Accounting Standards Board (SASB) standards

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## Big Changes in Business

### IAASB

- IAASB Proposed International Standard on Sustainability Assurance Engagements
  - Practitioners to obtain reasonable assurance or limited assurance, as applicable, about sustainability information being free from material misstatement when sustainability information is required as part of an audit
- Committee did not respond due to the team seeing no glaring issues with the standard

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## Big Changes in Business

### Digital Currencies

- FASB Subtopic 350-60 Intangibles – Goodwill and Other-Crypto Assets
  - Requires entities to separate out crypto assets from other intangible assets
  - Requires entities to report crypto assets at fair value with changes reported in net income
  - Committee opposed questions 6, 7, and 9
    - We asked to capitalize direct transaction costs like in Topic 946
    - We asked for further guidance on whether gains should be classified as operating or non-operating income
    - We asked for further clarification on the appropriate methods to determine the cost basis of crypto assets to ensure consistent application and comparability

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## Other Trends

### Several Other Trends We See

- Quality Management
- Going Concern
- FASAB “finding itself”
- FASB and IASB looking hard at complex financial instruments

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## Other Trends

### Quality Management

- New quality management standards become effective in December 2025 for:
  - GAO
  - AICPA
  - PCAOB
- Continuation of effort across all standard setters to adopt risk-based quality management standards and to harmonize to the extent possible

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## Other Trends

### Going Concern

- IAASB Proposal is a continuation of an ongoing emphasis on going concern and other early warning disclosures
- Material Uncertainty terminology changes

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## Other Trends

### FASAB

- Three recent exposure drafts:
  - Omnibus Technical Release Amendments
  - Replacing SFFAS 15
  - Omnibus Concepts Amendments
- Revisiting essentially all aspects of its financial reporting model

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## Other Trends

### Complex Financial Instruments

- FASB Subtopic 470-20 (Debt with Conversion and Other Options)
  - Provided guidance on when debt is converted whether to treat as induced conversion or debt extinguishment
- IFRS Amendments to IFRS 9 and IFRS 7
  - Clarifications around payments settled through electronic transfer and assessing financial assets with contractual terms that could change the timing or amount of contractual cash flows
  - Amended IFRS 7 disclosure requirements

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## Future Topics

### What we see coming down the road

- Short-term
- Long-term

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## Future Topics

What would you like the A&A Advisory Committee to focus on in our future responses?

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### *Live Content Slide*

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## **Social Q&A for 14C. Accounting & Auditing Standards on the Horizon**

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