

**CALCPA Accounting Principles and Auditing Standard State Committee**  
**Meeting at Armanino Offices – San Francisco and Los Angeles**  
**Also virtually attended via Zoom**  
**February 13, 2020**

Meeting called to order by Committee Chair, Nancy Rix at 9:05 a.m.

Introductions

Appointment of morning minutes secretary, Jillian Phan

Minutes presented for approval:

- Motion to approve made by Claus Agger-Nielsen
- Motion seconded by Frank O'Brien
- Motion passes

EITF Update - Alex Zabreyko

EITF Issue 19-B Revenue recognition regarding licenses, especially software licenses. How should revenue be recognized when additional terms extend outside of the original license agreement and issues regarding hosting arrangements? Issue was voted on at EITF meeting, but a consensus was not met; the FASB staff required to do more research. This issue will be discussed again at March 2020 meeting.

FASB – Matt Lombardi & Alex Zabreyko

FASB Technical Agenda

- Exposure Draft will be out in the 2<sup>nd</sup> quarter of 2020 which will evaluate the elements of the financial statements
- Final standard is being drafted regarding codification improvements to financial instruments
- Initial deliberation related to accounting for goodwill. Suggestions by many parties to retain the current model with enhancements
- Initial deliberation pertaining to accounting for joint venture of nonmonetary assets contributed by investors. There's diversity in practice related to this matter.

FASB Meeting Gifts in Kind (GIK) Donation

- California Attorney General raised concerns regarding accounting for fair value of GIK contributions received by non-profits, especially donated pharmaceuticals
- No consistency in practice because there is no specific guidance on fair value measurement
- Topic 820 values using highest and best use of the GIK; Howard Sibelman's concern is that using U.S. measurement to determine fair value would result in an overstatement

- Lewis Sharpton doesn't feel the CalCPA APAS committee should respond publicly with our comment letter because of possible back-lashes by the CA Attorney General's office
- The committee feels that we should respond indicating that there should be one national guidance on fair value, not separately by individual states
- The committee arrived at three options for our comments and voted as follows:
  - (a) GAAP is fine as-is but not applied correctly by the practioners; no revisions should be made (13 votes)
  - (b) GAAP needs clarity regarding fair value measurement; donor restrictions should be considered in determining fair value ((7 votes)
  - (c) Accounting for GIK as an effective pass-through similar to an agent (0 votes)
- Matt Lombardi to form a small group to respond by 4/10/2020. The following volunteered to be in this group: Paul Peterson, Stacie Kowalczyk, Vee Cristobal, David Aley, Jillian Phan and Don Pfluger

#### PCAOB – Paul Peterson

PCAOB's concept of issuing revised QC Standards ISQM1 as a basis for future PCAOB QC standards. Paul Peterson, Howard Sibelman and Nancy Rix will prepare a response.

#### AICPA – Stacie Kowalzyk, Howard Sibelman and Mark Dauberman

AU-C 940 regarding audit of internal control guidance on issuing an adverse report effective for financial statements issued after 12/15/2020 and early adoption is not allowed.

Proposed amendments to the concept of materiality – Materiality should be aligned across all standards.

Proposed amendment by ASB related to audit evidence addresses the appropriateness, accuracy, and completeness of the support. Professional judgment must be applied to determine if evidence is sufficient to arrive at auditor's overall conclusion.

Discussion pertaining to proposed SAS for auditing accounting estimates will take place after lunch.

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After the lunch break the meeting was called to order by Committee Chair, Nancy Rix at 1:00 p.m.

SSARS Update – Gail Anikouchine

ARSC met in San Diego January 9 and 10, 2020. Items discussed were

- Issuance of SSAE 19 and withdrawal Selected Procedures ED
- Materiality/Adverse Conclusions
- Development of the 2020 AICPA Guide, *Preparation, Compilation and Review Engagements*

SSARS 25 was issued February 11, 2020

- Explicit requirement to require materiality
- Allows for the expression of an adverse review conclusion when financial statements are materially and pervasively misstated
- Required statement regarding independence in the accountant's review report
- SSARS 25 is effective for engagement performed in accordance with SSARSs for periods ending on or after December 15, 2021. Early implementation is permitted.

The ARSC will be at the Engage Conference, June 7 to 11, 2020 and will have a town meeting with attendees

AICPA – Mark Dauberman

Proposed Statement on Auditing Standards – *Audit Evidence*

- Discussed risk assessment
- Discussed spectrum of inherent risks

⇒ APAS committee concluded that this should go back to the drawing board

PEEC/Ethics – Dave Wilson

Staff Augmentation Arrangements

- NASBA has significant concerns
- Will be re-exposing to address NASBA's issues

## Education - Mark Dauberman

Discussed new CPA Exam – 2 segment approach

- First segment will test general knowledge and be more objective and less specific
- Grading has been an issue
- Once candidate has passed initial segment, phase 2 will be more specific and allow for grading on a smaller population
- Will test Knowledge, Resources and Analysis
- Will allow candidate to choose specific areas

## Communications – Mark Wille

Working on article for upcoming publication on Cybersecurity and AB 375

## Other Committee Matters

Discussed A&A Conference – scheduled for October 29 and 30, 2020. Will be live in Los Angeles and available on webcast

Discussed May meeting – scheduled for May 28 and 29, 2020 at the J. W. Marriott, Palm Desert

- Nancy Rix is considering Bob Dorr and others as guest speaker

Discussed committee participation expectations

- Attend 6 of 8 meetings in a two year cycle, in person or virtually
- Participation on subcommittee activities where the heavy lifting will happen

Discussion of follow-up on Frank O'Brien's thoughts about communicating to standard setters to adopt international standards. Will need to communicate with FAF

Gail Anikouchine brought up an issue regarding ADA lawsuits against CPAs whose websites are not modified for the visually impaired

Meeting adjourned at 3:45pm