

California Society of Certified Public Accountants
Accounting Principles and Assurance Services Committee
Hilton Oakland Airport
Minutes
November 15, 2018

Mr. Lombardi briefed the committee on a request by Jeremy Dillard for the committee to issue a letter encouraging the FASB to issue accounting guidance for cryptocurrency. A discussion ensued involving current diversity in practice: Firms such as Ernst & Young are accounting for cryptocurrency as an intangible asset, investment companies would need to mark to market. Mr. Harden recommended that our letter include the experiences of several committee members in dealing with cryptocurrency to emphasize that this is not an issue limited to public companies. The committee voted in favor of Mr. Lombardi writing a letter asking the FASB to provide accounting guidance for cryptocurrency.

Mr. Lombardi led a discussion based on Mr. Pfluger's request for the committee's informal input on three questions arising from a PCC working group regarding a potential practical expedient for determining the "underlying share price" as an input to an option pricing model when valuing an award under Topic 718. The committee discussed three questions:

1. What evidence would you need from a client as part of an audit procedure if they were using this expedient? Items noted were: any changes in the business, understanding of the circumstances, history of the company, tax positions, other offers received, and pricing of awards to non-employees.
2. Do you think this practical expedient will provide significant cost savings in applying Topic 718? The consensus was that it would result in cost savings.
3. How would you improve this practical expedient? No specific improvements recommended.

AICPA Update – Gary Krausz

Mr. Krausz informed the committee that there were currently no items to comment on. Mr. Krausz led a brief discussion of:

1. ASB project on revisions to the definition of materiality to align the AICPA's definition with the definitions held by the Supreme Court, SEC, PCAOB, and FASB. Differences revolve around "could influence" vs. "would influence".
2. ASB project on auditor reporting. The ASB received 39 comment letters, most supporting the changes proposed. Mr. Krausz updated the committee on three items that would be considered at the next ASB meeting: 1. Timing of communication to those charged with governance; 2. Addressee on auditor's report; 3. Independence and ethical requirements in the auditor's report.

PCAOB Update – Paul Peterson

Mr. Peterson gave a brief update on the PCAOB. With a complete turnover of the PCAOB board, they have not issued anything new so far in 2018. There will likely be a new standard released sometime during the 4th quarter of 2018 regarding use of other auditors. Future changes will likely focus on

inspection reports (improving timeliness, shining a spotlight on best practices) and more oversight on use of technology and plans to use more sophisticated technology.

SSARS Update – Sue Hudgens

Ms. Hudgens stated that ARSC is currently meeting in Puerto Rico, and there is nothing to comment on at the moment. Their agenda items for their meeting include: conforming review standards with ISRE 2400, a compliance framework, and revisions to standards for attestation.

Communications Update – Nancy Rix

Ms. Rix led a discussion regarding communications. She thanked Mr. Wille for getting new APAS committee members on the CalCPA magazine covers (Ms. Loyd in September and Ms. Kowalczyk in October). Mr. Wille expressed concern that more awareness is needed in the profession of impending changes to accounting principles and standards. The committee identified six critical areas: revenue recognition, lease accounting, auditor's reports, ERISA reporting, accounting for credit losses, and risk assessment. The committee discussed methods for educating the public, including articles in CalCPA magazine, emails from CalCPA, chapter discussion groups.

Ms. Rix then gave a recap of the 2018 CalCPA A&A Conference. The two-day conference took place on October 25 and 26. The conference went very well and Ms. Rix specifically thanked Mr. Wille, Mr. Krausz, Mr. Zabreyko, and Mr. Sibelman for their involvement in the conference.

Chapter Chairs Update – Doug DeBoer

Mr. DeBoer gave a brief update from the chapter chairs. Only 3 chapter chairs were in attendance at the meeting. Mr. DeBoer expressed that the chapters could be an effective means of distributing information regarding the six areas discussed in the communications update. He intends to encourage chapter chairs to lead discussion groups on these topics.

Meeting adjourned.