

### FASB Takes New Path in Contentious Financial Instruments Project

FASB is crafting a new expected credit loss impairment model in hopes of moving forward again in the joint accounting for financial instruments project the board is pursuing with the International Accounting Standards Board (IASB). In July, IASB Chairman reacted with consternation when informed that FASB intended to take a step back from the “three-bucket” impairment model in the project and address stakeholder concerns. FASB Chairman vowed to move quickly to prevent the project from stalling. FASB made key decisions on an alternative impairment model, in its meeting in held in August end, according to a summary of FASB decisions posted to the board’s website. FASB has invited the IASB to monitor the deliberations on the alternative model and plans to share its progress with the IASB early in the fall.

Although FASB had tentatively agreed to the “three-bucket” model with the IASB, stakeholder concerns about the understandability, operability, and auditability of that model, as well as whether it would measure risk appropriately, caused FASB to seek a different model. The alternative approach is called the “Current Expected Credit Loss” (CECL) model. It retains several key concepts that have been jointly agreed upon with the IASB. But there are differences, too, between the models. The FASB summary says, unlike the three-bucket model, the CECL model uses a single-measurement objective—current estimate of expected credit losses—rather than the three-bucket model’s dual-measurement approach. Under the CECL model, an entity at each reporting date would reflect a credit impairment allowance for its current estimate of the expected credit losses on financial assets held. The estimate of expected credit losses is neither a “worst case” nor a “best case” scenario, but it reflects management’s estimate of the contractual cash flows that the entity does not expect to collect, according to FASB’s summary. Because the basic estimation objective is consistent from period to period, there is no need in the CECL model to describe a “transfer notion” that determines the measurement objective in each period as the three-bucket model does, according to FASB’s summary.

(Source: <http://www.journalofaccountancy.com/News/20126359.htm>)

### Draft of Forthcoming IFRS on General Hedge Accounting

Last month, the IASB posted to its website a draft of the forthcoming general hedge accounting requirements that will be added to IFRS 9 Financial Instruments. The IASB is not seeking comments on the

draft, which is being made available for information purposes to enable constituents to familiarise themselves with the document. The draft will remain on the website until early December 2012 after which time the Board intends to proceed to finalise the draft document.

(Source: <http://www.ifrs.org/>)

### IESBA Proposes Changes to Code of Ethics to Address Illegal Acts

The International Ethics Standards Board for Accountants (IESBA) recently released new requirements that address a professional accountant’s responsibilities regarding the disclosure of suspected illegal acts committed by a client or employer for public exposure. The proposals describe the circumstances in which a professional accountant is required or expected to breach confidentiality, one of the five fundamental principles in the *Code of Ethics for Professional Accountants* (the Code), and disclose the act to an appropriate authority.

The Exposure Draft (ED), *Responding to a Suspected Illegal Act*, proposes adding two new sections addressing illegal acts to the Code—one each for professional accountants in public practice and professional accountants in business—and several revisions to other related sections. The new sections clearly delineate the expected course of action for a professional accountant to take if those charged with

governance do not respond to the issue appropriately.

(Source: <http://www.ifac.org/news>)

### IFAC Response to IASB Due Process Consultation

The International Accounting Standards Board (IASB) and the IFRS Foundation had issued Invitation to Comment (ITC): IASB and IFRS Interpretations Committee Due Process Handbook in May 2012. In its response, the International Federation of Accountants has said that as an organisation that supports four independent, international standard-setting boards, IFAC recognises the public interest imperative of having in place robust and transparent due process arrangements for standard setting. IFAC strongly supports the notion of shared private sector/public sector standard-setting arrangements in the public interest. However, it notes that there is no one way in which such arrangements should be defined and should operate. Therefore, IFAC recognises that the arrangements in place for the IFRS Foundation and International Accounting Standards Board (IASB) differ from the arrangements for the four independent, international standard-setting boards supported by IFAC. Both are robust systems that are developed and implemented to protect the public

interest. At 70 pages the proposed revised handbook provides considerable detail about the process undertaken by the IASB and IFRS Interpretations Committee (the "Interpretations Committee"), and is considerably longer than the principles-based approach currently in use. It is not clear that there are additional benefits to be derived from having such a long document, which is arguably less accessible and understandable for the general public.

(Source: [www.ifac.org](http://www.ifac.org))

### Intuit Finds Small Businesses Added 30,000 Jobs in August

A recent report from Intuit states, small businesses with fewer than 20 employees created 30,000 new jobs in August, but overall saw revenue declines. The data is based on approximately 83,500 small businesses customers of Intuit Online Payroll and anonymised aggregated data from QuickBooks Online. Small business revenues are gradually recovering from recessionary depths, but are just now reaching levels seen before the recession began in 2007, according to the Intuit Small Business Revenue Index. Small business revenue fell from what it was in the previous month. The retail industry, along with the accommodation and food services sector, saw the biggest declines followed by real estate services. Average monthly compensation grew and average monthly hours worked decreased. Small businesses overall experienced declines in revenue in July. The health care and social assistance sector continued to see the smallest decline of all the industries. Among the industry sectors tracked by Intuit, the hardest hit recently has been small business retail. The sector with the smallest decline is health care.

Based on August's numbers and revised national employment data from the Bureau of Labor Statistics, Intuit revised upward the previously reported July growth rate which equates to 45,000 jobs added in July, up from a previously reported 35,000 jobs, though these numbers are expected to change once the index is recalibrated. The Employment Index indicated growth in overall employment in August for all regions except for the West North Central and the Middle Atlantic divisions. A state-by-state breakdown showed the largest employment increases in Washington and Michigan, while Missouri saw the largest decrease and North Carolina remained flat.

(Source: <http://www.accountingtoday.com/news>)

### CPA Firms See Revenues Increase

Revenue at accounting firms increased 3.8% in 2011, a significant improvement from the 1.7% increase in 2010, according to

Rosenberg Associates' annual MAP survey. When the impact of mergers is removed, the growth rate was only 2.7%. Revenues were up for firms in all size ranges, though firms with annual fees in excess of \$20 million experienced a higher growth rate of 6.5% than smaller firms. Profits, as measured by income per partner, averaged \$366,000 compared to \$360,000 in 2010. Firms continued to hold expenses tight last year. Coupled with the improved growth rate, equity partner income improved. These tactics enabled firms to enjoy a modest improvement in profits despite the continuance of the recession. Projections for 2012 indicate an improvement over 2011. Overall, firms are projecting a 4% growth rate. The Rosenberg MAP survey, now in its 14th year, reports on the results of 396 firms, most of which range from \$2–20 million in annual fees. Nearly 100 CPA firm metrics are measured. "We are passionate about our commitment to making our survey the most accurate and authoritative national survey of CPA firm statistics in the profession," said a top management consultant in a statement. "Every year, 30 to 40% of the data we receive contains gross errors. Our survey team of three CPAs reviews the data and gets revisions where necessary. We simply will not include data in our survey that doesn't look right."

(Source: [www.accountancyage.com](http://www.accountancyage.com))

### New Rules to Save Businesses £millions In Reporting & Accountancy Fees

More than 100,000 UK businesses could save £millions in annual accountancy and administration costs under reduced auditing and reporting requirements announced by the Business Secretary, Vince Cable recently. The Government's response to the consultation on Audit Exemptions and Change of Accounting Framework confirms plans to allow more companies to make a commercial decision about whether or not to have a statutory audit. Vince Cable said: "Reporting requirements have become increasingly demanding and costly over the years. We listened to business, who made a strong case for reform, and I am delighted that we are now taking this opportunity to make audit more flexible and targeted. Tackling these problems will help save UK companies £millions every year and free them up to expand and grow their business, which ultimately benefits the entire British economy." Currently, to be eligible for an audit exemption in the UK, small companies must be less than a certain size in terms of balance sheet and turnover.

(Source: <http://www.freshbusinessthinking.com>)