

THE PPC ACCOUNTING AND AUDITING UPDATE

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FASB Issues Three New ASUs



The FASB was especially busy in March 2019, issuing three new ASUs in rapid succession:

- ASU 2019-01, *Leases (Topic 842): Codification Improvements*.
- ASU 2019-02, *Entertainment—Films—Other Assets—Film Costs (Subtopic 926-20) and Entertainment—Broadcasters—Intangibles—Goodwill and Other (Subtopic 920-350): Improvements to Accounting for Costs of Films and License Agreements for Program Materials*.
- ASU 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*.

FASB ASU 2019-01

ASU 2019-01, *Leases (Topic 842): Codification Improvements*, addresses several issues regarding the application of FASB ASC 842, *Leases*.

Main Provisions

Under the extant guidance in FASB ASC 840, *Leases*, lessors that aren't manufacturers or dealers (e.g., financial institutions and captive finance

companies) may determine the fair value of an underlying leased asset at cost, adjusted for any volume or trade discounts, rather than fair value as defined in FASB ASC 820, *Fair Value Measurement*. The amendments in ASU 2019-01 allow lessors that aren't manufacturers or dealers to continue using this same method to determine the fair value of an underlying leased asset under FASB ASC 842, unless a significant amount of time has occurred between the commencement of the lease and the acquisition of the underlying asset. In addition, ASU 2019-01 clarifies that lessors within the scope of FASB ASC 942, *Financial Services—Depository and Lending*, must present principal payments received from sales-type and direct financing leases as investing activities in the statement of cash flows, rather than as operating activities as required for all other lessors. The ASU also clarifies that all entities that are lessors or lessees are exempted from making certain transition disclosures in interim periods after the date of adoption.

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Effective Date

For public business entities, certain nonprofit entities, and certain employee benefit plans, the amendments in ASU 2019-01 are effective for annual periods beginning after December 15, 2019, including interim periods within those annual periods. For all other entities, the amendments are effective for annual periods beginning after December 15, 2019, and interim periods beginning after December 15, 2020. Early adoption is allowed.

FASB ASU 2019-02

FASB ASU 2019-02, *Entertainment—Films—Other Assets—Film Costs (Subtopic 926-20) and Entertainment—Broadcasters—Intangibles—Goodwill and Other (Subtopic 920-350): Improvements to Accounting for Costs of Films and License Agreements for Program Materials*, was issued to better align the accounting for films and episodic television series.

Main Provisions

The primary change in ASU 2019-02 is the alignment of capitalization for costs of episodic television series to existing guidance for film productions. In addition, the ASU prescribes new guidance for testing film and license agreements for impairment. The ASU also requires new and enhanced disclosures to provide the financial statement users with more relevant and transparent information about a preparer's produced and licensed content.

Effective Date

For public business entities, the amendments will be effective for annual periods beginning after December 15, 2019, including interim periods within those annual periods. For all other entities, the amendments will be effective in annual periods beginning after December 15, 2020, and interim periods within those annual periods. Early adoption is allowed.

FASB ASU 2019-03

FASB ASU 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*, expands the definition of and accounting treatment for *collections* and extends the guidance to all entities, including business entities.

Main Provisions

Under the current definition of *collections*, an entity may only use the proceeds from sold collection items to acquire new collection items. ASU 2019-03 amends the definition of collections in the FASB Master Glossary

to include works of art, historical treasures, or similar assets that are—

- held for public exhibition, education, or research for public service rather than financial gain;
- protected, kept unencumbered, cared for, and preserved; and
- subject to a policy requiring proceeds from sales of the items be used for the acquisitions of new collection items, the direct care of existing collections, or both.

The ASU also requires an entity to disclose its policy for the use of proceeds from the sale of items in a collection. If the policy allows the entity to use proceeds for direct care, the entity must further disclose its definition of *direct care*. Finally, the ASU amends FASB ASC 360, *Property, Plant, and Equipment*, to clarify that the accounting and disclosure guidance in FASB ASC 958-360, *Not-for-Profit Entities—Property, Plant, and Equipment*, applies to all entities that maintain collections, including business entities.

Effective Date

ASU 2019-03 is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. The amendments must be applied prospectively.

Practical Consideration:

The ASUs are available at www.fasb.org and on Checkpoint at checkpoint.riag.com.



PPC's Substantive Changes List

PPC's guides and practice aids are updated annually. When you receive your content, do you wonder what's changed in the latest edition of your PPC guide or set of practice aids? To assist you in determining the major changes in the current edition, we provide you a "List of Substantive Changes and Additions" (Substantive Changes Listing). This Substantive Changes Listing provides you a bullet listing of some of the important new features in the current edition. It also provides a description of the specific substantive changes made by chapter, paragraph number, or practice aid.

Where Can You Find the Substantive Changes Listing?

The location of the Substantive Changes Listing depends on how you receive your content.

- *Printed Guides.* If you are an existing subscriber, when you receive your printed guide, the Substantive Changes Listing is located near the top of the box. It can be filed behind the guide's title page.
- *Subscriptions on Checkpoint.* For products on Checkpoint, the Substantive Changes Listing is in the Introductory Material tab.
- *Practice Aid Only Products.* For practice aids that are delivered only on Checkpoint, the Substantive Changes Listing is in the Introductory Materials tab.

Practical Consideration:

Additionally, when your Checkpoint Tools are released, your firm receives an email providing a bullet listing of some of the important new features in the Tools.



Recent Enhancements to QuickBooks Online

Over the last several years, Intuit has been focusing their resources on improving their QuickBooks Online products. There are now four versions of QuickBooks Online: Simple Start, Online Essentials, Online Plus, and Online Advanced. Intuit periodically adds features to each of their QuickBooks Online products. Practitioners with clients using QuickBooks Online need to be knowledgeable about the updates and improvements to each of the different QuickBooks Online products.

Practical Consideration:

This article doesn't include a comprehensive list of all the new features in QuickBooks Online. Intuit's "Product Updates Hub" includes the latest offerings and improvements across all QuickBooks products and can be accessed at <https://quickbooks.intuit.com/accountants/news-community/product-updates/>.

Intuit's newest offering is QuickBooks Online Advanced and is for users who have outgrown QuickBooks Online Plus. QuickBooks Online Advanced includes everything that Online Plus does, with some additional features. It supports 25 users; includes unlimited chart of accounts and classes/locations; and includes importing invoices, custom user permissions, smart reporting, and project profitability tracking.

Other updates and improvements to QuickBooks Online in the past year include, among other things, the following:

- *Work Tab.* Intuit has made improvements to the "Work" tab in QuickBooks Online Accountant. The "Work" tab feature allows practitioners to manage their clients and firm projects from one tab. Practitioners can create projects and tasks, track the work they (and members of their team) need to do, and send requests to clients. They also added email and work notifications, which ensures team members are notified of new assignments, updates, and due dates.
- *Improved Accountant App Program.* Intuit updated the "Apps" tab in QuickBooks Online Accountant making it easier to manage apps connected to client's QuickBooks Online companies. The tab gives accountants better visibility and control of their clients' apps.
- *Prep for Taxes Feature.* The "Prep for Taxes" feature (formerly "Trial Balance Utility") in QuickBooks Online Accountant presents the client's profit & loss and balance sheet and allows the practitioner to review balances, drill down to the source detail, make adjusting entries, and print the data from within the feature. It also exports returns directly to Intuit's ProConnect Tax Online.
- *Track Project Profitability.* QuickBooks Online Plus and Online Advanced have added project-based profitability tracking. You can use Projects to track job expenses, income, and labor costs in one place.
- *Progress Invoicing.* Intuit added progress invoicing to QuickBooks Online, allowing users to set up and send progress invoices.
- *Improvements to Sales Tax.* Intuit recently improved how sales tax is managed in QuickBooks Online. The new Sales Tax Center allows users to manage all sales-tax-related tasks, including adding multiple sales tax rates, viewing sales tax liability reports, and recording sales tax payments. The new Sales Tax Center automates the collection, reporting, and paying of sales tax.

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- *Paypal Integration.* Intuit added the ability to connect to the PayPal app for QuickBooks. After connecting to the app, you and your clients can review all PayPal transactions in the “Banking” tab and categorize, edit, and match them to their books.
- *Independent Contractor Features.* Intuit has added several features that will help manage independent contractors. QuickBooks will obtain the W-9 information and the needed e-signatures from contractors your clients hire. QuickBooks Online also allows users to invite contractors to securely enter their tax info into QuickBooks Online. In addition, users can now pay independent contractors using direct deposit.
- *Improved Paycheck Reconciliation.* Paychecks deposited in two bank accounts will now show up as two different transactions in QuickBooks Online, making it easier to match and reconcile.
- *Flexible User Permissions.* QuickBooks Online has added a new “no-payroll permission.” When adding new users, you can now give them access to everything but payroll.
- *Quicklink to Audit Trail.* QuickBooks Online has added a new link within the “All sales filter,” allowing users to find deleted or voided transactions quickly.

Technical Q&A Revised for Prior Period Audits

On March 26, 2019, the AICPA revised Q&A 8100.03. The question addresses when an auditor is performing an audit of financial statements that are as of and for a period that ended before certain auditing standards were in effect. It asks whether the auditor should use the auditing standards and form of auditor’s report in their entirety that are in effect at the time the audit is performed even though those standards weren’t in effect for the financial statement period under audit. The Q&A 8100.03 points to AU-C 200.20 and states that the auditor should use the auditing standards that are in effect at the time that the audit is performed, unless an auditing standard provides transitional guidance regarding its implementation.

Practical Consideration:

The amended Q&A 8100.03 is available at www.aicpa.org and on Checkpoint at checkpoint.riag.com.