



December 2012

# A&A Update

## The Technical Standards Update of Crowe Horwath International

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### From the Standards Setters

#### **Applying ISQC 1 Proportionately with the Nature and Size of a Firm**

IAASB Staff have released a non-authoritative Q&A publication entitled *Applying ISQC 1 Proportionately with the Nature and Size of a Firm*. The publication highlights how the design of ISQC 1 enables it to be applied in a proportionate manner. The Q&A focuses on matters likely to be particularly relevant to smaller firms. This initiative follows on from the 2009 IAASB Staff Q&A publication, *Applying ISAs Proportionately with the Size and Complexity of an Entity*.

#### **ARSC Issues Clarified SSARS Exposure Drafts**

As part of its Clarity Project, the Accounting and Review Services Committee has exposed for public comment proposed Statements on Standards for Accounting and Review Services, *Review of Financial Statements* and *Review of Financial Statements -- Special Considerations*. ARSC has separated the review standards into two separate proposed standards. The proposed SSARS *Review of Financial Statements* addresses those areas that are applicable to a basic review engagement and the proposed SSARS *Review of Financial Statements -- Special Considerations* addresses those areas that are less frequently encountered. The comment period for the exposure draft of the proposed SSARS ends on April 26.

The ED are available [here](#).

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### From the Regulators

#### **SEC - Commissioner Walter to Replace Chairman Schapiro in December**

The SEC's leadership is about to change at a time when it's had extreme difficulty approving rules. To ensure a smooth transition, the White House is appointing one of the commissioners to chair the agency, but it's not clear if promoting an insider will be enough to overcome the internal divisions that have snarled rule making.

President Barack Obama designated SEC Commissioner Elisse Walter to replace Chairman Mary Schapiro on November 26, 2012. The appointment followed the SEC's announcement that Schapiro will leave the agency on December 14.

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## Headlines from around the world

### UK FRC Issues Standards to Ease Reporting Burden

The UK Financial Reporting Council (FRC) has issued two standards as the first part of the accounting framework replacing the current UK GAAP.

FRS 100, *Application of Financial Reporting Requirements*, will not require smaller entities to apply international accounting standards if they are not already required to do so.

FRS 101, *Reduced Disclosure Framework*, will allow subsidiaries to apply the reporting principles of the listed group accounts they belong to, but with fewer disclosures, reducing reporting burdens on these groups.

FRC hopes the standards will simplify accounting and reporting for unlisted entities, improve reporting of financial instruments and provide cost savings for subsidiaries of listed groups. However, by using an international-based framework, the FRC remarked that all companies will be using the same accounting language regardless of size, removing reporting burdens.

The standards are applicable to all companies and entities in the UK and Republic of Ireland. The standards will come into force 1 January 2015 but FRC said they may be adopted ahead of this date.

### AICPA Releases ED of Financial Reporting Framework for Smaller Private Entities (FRF-SPE)

On November 1, the AICPA released an [ED](#) of a financial reporting framework for privately owned, for-profit smaller enterprises that are not required to produce GAAP-based financial statements. This proposed new special purpose framework is designed to enable financial statement preparers of small and medium-sized private entities to produce more relevant, less complex and cost-beneficial financial statements for the companies and their financial statement users. Comments on the proposed FRF-SPE are due by January 30.

Research over the years and input from stakeholders demonstrated the marketplace need for such an accounting framework. The Financial Accounting Foundation called the AICPA's development of an additional other comprehensive basis of accounting option for use by millions of America's businesses "important and complementary." FAF's new Private Company Council is focusing on modifications to GAAP for the private company environment; the AICPA's framework is a non-GAAP financial reporting solution.

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## Useful Links

- International Accounting Standards Board (IASB) [www.iasb.org](http://www.iasb.org)
- IASB Exposure Drafts open for comment [www.iasb.org/Open+to+Comment/International+Accounting+Standards+Board++Open+to+Comment.htm](http://www.iasb.org/Open+to+Comment/International+Accounting+Standards+Board++Open+to+Comment.htm)
- International Auditing and Assurance Standards Board (IAASB) [www.ifac.org/iaasb](http://www.ifac.org/iaasb)
- International Federation of Accountants (IFAC) [www.ifac.org](http://www.ifac.org)
- IFRS Interpretations Committee (IFRIC) [www.iasb.org/Updates/IFRIC+Updates/IFRIC+Updates.htm](http://www.iasb.org/Updates/IFRIC+Updates/IFRIC+Updates.htm)
- Financial Accounting Standards Board (FASB) [www.fasb.org](http://www.fasb.org)
- Public Company Accounting Oversight Board (PCAOB) [www.pcaob.org](http://www.pcaob.org)
- American Institute of CPAs Auditing Standards Board (AICPA ASB) [www.aicpa.org/InterestAreas/AccountingAndAuditing/Pages/AccountingandAuditing.aspx](http://www.aicpa.org/InterestAreas/AccountingAndAuditing/Pages/AccountingandAuditing.aspx)
- United States Securities and Exchange Commission (SEC) [www.sec.gov](http://www.sec.gov)

- European Commission (EC) [ec.europa.eu/internal\\_market/index\\_en.htm](http://ec.europa.eu/internal_market/index_en.htm)
  - Forum of Firms (FoF) [www.ifac.org/Forum\\_of\\_Firms](http://www.ifac.org/Forum_of_Firms)
  - Transnational Auditors Committee (TAC) [www.ifac.org/TransnationalAuditors](http://www.ifac.org/TransnationalAuditors)
  - TAC Guidance Statement No. 1, Definition of Transnational Audit - [web.ifac.org/download/TAC\\_Guidance\\_Statement\\_1.pdf](http://web.ifac.org/download/TAC_Guidance_Statement_1.pdf)
  - UK Financial Reporting Council [www.frc.org.uk](http://www.frc.org.uk)
  - AICPA Center for Audit Quality document explaining PCAOB inspections <http://www.thecaq.org/resources/pdfs/GuidetoPCAOBInspections.pdf>
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