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## LIST OF SUBSTANTIVE CHANGES AND ADDITIONS

### *PPC's Guide to Preparing Financial Statements*

#### Thirty-sixth Edition (October 2018)

##### Highlights of this Edition

The following are some of the important new features of the 2018 Edition of *PPC's Guide to Preparing Financial Statements*:

- **Revenue Recognition.** In the coming year, nonpublic entities will begin implementing the new revenue recognition guidance in FASB ASC 606, *Revenue from Contracts with Customers*, and FASB ASC 610, *Other Income*. The new guidance, introduced by ASU 2104-09 and related amending ASUs, is effective for nonpublic business entities for years beginning on or after December 15, 2018. This edition of the *Guide* has integrated the revenue recognition guidance and added illustrative footnotes and application examples. Your *Guide* also retains the pre-FASB ASC 606 guidance for your continued use in preparing financial statements that have not yet implemented the new revenue recognition guidance.
- **Financial Instruments.** ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which amends guidance for equity securities, financial liabilities under the fair value option, and related presentation and disclosure requirements, is effective for nonpublic business entities for years beginning on or after December 15, 2018. This edition of your *Guide* integrates the revised financial instruments guidance and retains the pre-ASU 2016-01 accounting guidance for your continued use in preparing financial statements in which this new guidance is not yet effective.
- **Recently Enacted Tax Legislation.** The new Tax Cuts and Jobs Act (TCJA) is a comprehensive tax overhaul that dramatically changes the tax landscape for all businesses and is generally effective for tax years beginning in 2018. The significant TCJA changes, including the reduced corporate tax rate, expanded ability to use the cash method of accounting, and repealed corporate alternative minimum tax, change the calculation of income taxes and deferred tax assets and liabilities reported in corporate financial statements. The FASB also recently issued ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, related to the effects that the TCJA may have on tax-related accounting matters. Your *Guide* provides updated guidance related to the new TCJA and FASB-issued guidance.
- **Comprehensive, Up-to-date Disclosure Checklists.** The most effective way to ensure you have properly disclosed all of the required information in the financial statements you prepare is to use our comprehensive disclosure checklists. The disclosure checklist for nonpublic entities and the separate disclosure checklist for nonprofit organizations have been completely updated for the many ASUs issued since the last edition of your *Guide*.
- **Illustrative Financial Statements.** When you encounter a new reporting issue, we know it can be beneficial to see how other financial statement preparers may have reported the same or a similar issue. The *Trends* volume includes an entirely new set of illustrative financial statements and notes encompassing 33 entities from a variety of industries using various reporting bases. Our easy-to-use Finding List and Index help you quickly find the information you need.

In addition to these featured items, your *Guide* includes the following update items detailed below.

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
Throughout the <i>Guide</i>	1. Incorporated dual guidance for prior to and after the adoption of FASB ASC 606, <i>Revenue from Contracts with Customers</i> .	Various
	2. Incorporated dual guidance for prior to and after the adoption of ASU 2016-01, <i>Recognition and Measurement of Financial Assets and Financial Liabilities</i> .	Various
CHAPTER 1 Basic Financial Statements and Applicability of Standards	1. Revised the definition and discussion of materiality for amendments to Statement of Financial Accounting Concepts No. 8, Chapter 3.	Paragraphs 103.16 and 103.18
CHAPTER 2 Form and Style Considerations	1. Added a summary of SSARS No. 24, <i>Omnibus Statement on Standards for Accounting and Review Services—2018</i> .	Paragraph 204.2
CHAPTER 3 The Balance Sheet	1. Expanded the guidance for marketable securities after the adoption of ASU 2016-01.	Paragraphs 302.47–83
	2. Moved inventory measurement illustrations from Chapter 19 to Chapter 3.	Paragraphs 302.158–162
	3. Updated the new guidance on leases for recently issued ASUs amending FASB ASC 842, <i>Leases</i> .	Paragraphs 304.39, 304.44, 304.83, and 304.86
	4. Updated the guidance on deferred tax assets and liabilities to fully reflect the amendments to FASB ASC 740, which were included in ASU 2015-17, <i>Balance Sheet Classification of Deferred Taxes</i> .	Paragraphs 308.53–55
	5. Updated the guidance on the accounting for share-based payments to fully incorporate the amendments to FASB ASC 718, which were included in ASU 2016-09, <i>Improvements to Employee Share-Based Payment Accounting</i> .	Paragraphs 311.13, 311.16–.19, and 311.30
	6. Added a summary of ASU 2018-07, <i>Improvements to Nonemployee Share-Based Payment Accounting</i> .	Paragraphs 311.24–29
	7. Provided a discussion on equity for noncorporate entities.	Paragraphs 311.64–66
CHAPTER 4 Statements of Income and Comprehensive Income	1. Provided guidance on unrealized gains and losses after adoption of ASU 2016-01 and added footnotes on ASU 2016-13, <i>Measurement of Credit Losses on Financial Instruments</i> , and ASU 2017-12, <i>Targeted Improvements to Accounting for Hedging Activities</i> .	Paragraph 400.5
	2. Added a discussion on combining contracts and contract modification under FASB ASC 606.	Paragraphs 402.26–.27
	3. Added a discussion of a series of distinct goods and services under FASB ASC 606.	Paragraph 402.32
	4. Expanded the discussions of constraints on variable consideration and significant financing components under FASB ASC 606.	Paragraphs 402.35–.36
	5. Added a paragraph about measuring progress on performance obligations under FASB ASC 606.	Paragraph 402.40
	6. Expanded the discussion on contract assets under FASB ASC 606.	Paragraph 402.46

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
	7. Added an illustrative example on determining whether and when control transfers for a transfer of ownership interests transaction under FASB ASC 610-20.	Paragraph 402.81
	8. Added a discussion on the use of spot rates in determining the projected benefit obligation of a defined benefit pension plan.	Paragraph 404.16
	9. Added a summary of ASU 2018-15, <i>Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement</i> .	Paragraphs 405.29–.31
	10. Added guidance on advertising and advertising barter transactions under FASB ASC 606.	Paragraphs 405.83–.86 and 405.91
	11. Updated the discussion on tax rates for TCJA.	Paragraph 406.8
	12. Updated the guidance on the alternative minimum tax for TCJA.	Paragraphs 406.32–.36
	13. Updated the discussion on deferred tax allowances related to the effects of tax law changes.	Paragraph 406.39
	14. Added guidance and an exhibit summarizing net operating loss rules.	Paragraph 406.76 and Exhibit 4-5
	15. Added a summary of ASU 2018-02, <i>Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income</i> .	Paragraph 407.11
CHAPTER 6 The Statement of Cash Flows	1. Incorporated dual guidance throughout the chapter for prior to and after the adoption of ASU 2016-15, <i>Classification of Certain Cash Receipts and Cash Payments</i> , and ASU 2016-18, <i>Restricted Cash</i> .	Various
CHAPTER 7 Notes to Financial Statements	1. Added a footnote on ASU 2018-13, <i>Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement</i> .	Paragraph 704.49
	2. Added a discussion on two new common problems noted in financial statement disclosures: debt issuance costs and inventory valuation.	Paragraphs 704.50–.51
	3. Added a summary of ASU 2018-14, <i>Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans</i> .	Paragraph 705.12
	4. Added a footnote for ASU 2018-07 changes to required disclosures.	Paragraph 705.44
	5. Updated the disclosure checklists for new pronouncements.	Appendix 7A and 7B
	6. Added illustrative disclosures for investment policies, shipping and handling under FASB ASC 606, advertising under FASB ASC 606, restricted cash, and marketable debt and equity securities after adoption of ASU 2016-01.	Appendix 7C
CHAPTER 9 Cash and Tax Bases and Other Special Purpose Frameworks	1. Updated the discussion of inventory and property and equipment for requirements under TCJA.	Paragraphs 906.6 and 906.8
	2. Updated the discussion on the FASB's Simplification Initiative.	Paragraph 908.10

<b><u>Chapter</u></b>	<b><u>Substantive Changes and Additions</u></b>	<b><u>Reference</u></b>
CHAPTER 10 Accounting for Certain Tax Transactions	1. Expanded the discussion on temporary differences from construction period interest for GAAP and tax.	Paragraph 1003.4
	2. Updated the depreciation discussion for new requirements under TCJA.	Paragraphs 1005.11–.15
	3. Added a footnote on ASU 2018-07.	Paragraph 1010.1
CHAPTER 11 Business Combinations, Consolidations, and Controlling Financial Interests	1. Updated the discussion on the proposed ASU, <i>Targeted Improvements to Related Party Guidance for Variable Interest Entities</i> , for recent FASB decisions and expected issuance date.	Paragraph 1106.84
	2. Updated the example of deferred tax assets for intra-entity transfers to an inventory example as it will only be applicable to inventory after the adoption of ASU 2016-16, <i>Intra-entity Transfers of Assets Other Than Inventory</i> .	Paragraph 1109.42
	3. Added a discussion on classifying equity method distributions in the statement of cash flows.	Paragraph 1110.9
CHAPTER 13 Nonprofit Organizations	1. Incorporated dual guidance throughout the chapter for prior to and after the adoption of ASU 2016-14, <i>Presentation of Financial Statements of Not-for-Profit Entities</i> , and expanded the summary of the amendments in the ASU.	Various
	2. Added a footnote on ASU 2018-08, <i>Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made</i> .	Paragraph 1302.9
	3. Provided a summary on the effects of ASU 2016-01 specific to nonprofit organizations.	Paragraphs 1305.20–.26
	4. Updated the disclosure checklist for new pronouncements.	Appendix 13A
CHAPTER 14 Automobile Dealerships	1. Added a section on FASB ASC 606 and implications to automobile dealerships.	Section 1409
CHAPTER 15 Retailing Industry	1. Added a discussion with an illustrative example on accounting for returns under FASB ASC 606.	Paragraphs 1503.10–.17
	2. Provided an illustrative example of breakage recognition for prepaid stored-value products.	Paragraph 1503.24
	3. Expanded the discussion on sales incentives offered to customers by the retailer under FASB ASC 606.	Paragraph 1503.33
	4. Added discussions on cash incentives exercisable at the time of the sale and subsequent to the sale under FASB ASC 606.	Paragraphs 1503.39 and 1503.43
	5. Provided a discussion on noncash incentives under FASB ASC 606.	Paragraphs 1503.47–.48
	6. Added a discussion on sales incentives offered to customers by the manufacturer under FASB ASC 606.	Paragraph 1503.52
	7. Provided a discussion on extended warranties under FASB ASC 606.	Paragraph 1503.61
	8. Added a discussion on consignments under FASB ASC 606.	Paragraph 1503.66

<b><u>Chapter</u></b>	<b><u>Substantive Changes and Additions</u></b>	<b><u>Reference</u></b>
CHAPTER 16 Construction Contractors	1. Added a section on FASB ASC 606 and implications to construction contractors.	Section 1605
CHAPTER 18 Reserved	1. Removed this chapter.	
CHAPTER 19 Fair Value Measurements	1. Added a footnote and summary of ASU 2018-13.  2. Added a footnote on ASU 2018-08.  3. Added a discussion on financial liabilities under the fair value option after the adoption of ASU 2016-01.	Paragraphs 1900.4 and 1902.43–.47  Paragraph 1901.11  Paragraphs 1905.4–.5
CHAPTER 20 Derivative Instruments	1. Added a footnote on the proposed ASU, <i>Inclusion of the Overnight Index Swap (OIS) Rate Based on the Secured Overnight Financing Rate (SOFR) as a Benchmark Interest Rate for Hedge Accounting Purposes</i> .	Paragraph 2002.74
TRENDS VOLUME	Added 33 new sets of illustrative financial statements.	Volume 4
CPE Continuing Professional Education	Updated the online CPE courses	CPE