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LIST OF SUBSTANTIVE CHANGES AND ADDITIONS

PPC’s Guide to Restaurants and Bars

Twenty-eighth Edition (September 2018)

Highlights of this Edition

The following are some of the important new features of the 2018 Edition of *PPC’s Guide to Restaurants and Bars*:

- **IRS and Regulatory Changes.** The Tax Cuts and Jobs Act of 2017 (TCJA) affects several areas of taxation for restaurants and bars. Changes include method of accounting, inventory, net operating losses, advance payments such as gift cards and others. This edition of *PPC’s Guide to Restaurants and Bars* has been revised to reflect changes to the tax law that are applicable to your restaurant or bar’s operations and accounting.
- **Minimum Wage Rate.** Many states and local jurisdictions continue to raise the minimum wage rate, having a dramatic impact on restaurants and bars. The pace of change is increasing and there is legislative action occurring at all levels of government. This edition includes an updated web link to find the latest minimum wage rates for your jurisdiction.
- **Financial Statements.** Interim and annual financial statements allow restaurant owners and managers to gauge their operation’s success in meeting profitability goals. This *Guide* discusses format and drafting considerations for restaurant financial statements. Additionally, some of the common measurement and disclosure issues that are of particular interest to those who prepare restaurant financial statements are discussed. We have completely updated the Disclosure Checklist (a list of primary disclosure requirements for income tax basis financial statements) for changes in requirements of the professional standards to help ensure that your financial statements are accurate and complete.
- **Technological Changes in the Industry.** This edition of the *Guide* includes discussions on several of the newer technologies available to restaurants and bars. There is a new discussion on marketing with Instagram as well as updated discussions on point-of-sale data analysis tools, biometric devices, and bar metering systems.

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>
CHAPTER 1 Overview	1. Updated the industry statistical data.	Paragraphs 101.2 and 101.3
CHAPTER 2 Form of Entity and Other Tax Considerations	1. Revised the table on form of entity attributes for recent tax law changes. 2. Updated the OASDI tax wage base amount for 2018. 3. Updated the discussion on using the cash basis of accounting for recent tax law changes.	Paragraph 201.5 Paragraph 201.41 Paragraph 203.1

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
	4. Updated the section on tax considerations for inventory due to recent tax legislation.	Section 204
	5. Updated the discussion of the Work Opportunity Tax Credit (WOTC).	Paragraph 205.3
	6. Updated the discussion of the Small Employer Health Insurance Tax Credit.	Paragraphs 205.9 and 205.11
	7. Updated the discussion of net operating losses for recent changes to tax legislation.	Paragraphs 206.2 and 206.3
	8. Updated the discussion of gift card taxation for recent changes to tax legislation.	Paragraphs 207.2 through 207.4
	9. Updated the table summarizing the treatment of unredeemed gift cards for each state.	Paragraph 207.11
CHAPTER 4 The Revenue Cycle	1. Updated for the release of PCI DSS Version 3.2.1 data security standards.	Paragraph 408.28
	2. Updated the Summary Schedule of State Sales Tax.	Appendix 4H
CHAPTER 5 Portion Costs and Controls	1. Updated the discussion on the use of serving utensils for portion control.	Paragraph 502.11
	2. Updated the discussion of plate cost.	Paragraph 503.3
	3. Updated the discussion of trends in liquor sales.	Paragraph 505.5
	4. Updated the discussion on monitoring liquor costs for newer technology.	Paragraph 505.6
CHAPTER 8 Personnel	1. Added three paragraphs discussing the interplay of state and federal minimum wages.	Paragraphs 802.3 through 802.5
	2. Added four new paragraphs noting recent legal and regulatory activity surrounding tip pooling.	Paragraph, 802.17 through 802.20
	3. Updated the discussion of exempt employees to clarify the effect of the Department of Labor's regulations increasing the minimum salary for exempt employees.	Paragraph 802.38
	4. Updated the discussion on automatic service charges.	Paragraph 802.77
	5. Updated recommendations on retention of Forms I-9.	Paragraph 803.20
	6. Updated the employee's cost for minimum essential coverage under the health ACA.	Paragraph 805.13
CHAPTER 9 Tip Reporting and Allocation	1. Replaced outdated IRS forms with the most current forms.	Exhibit 9-3, Appendixes 9D and 9F
CHAPTER 10 Analyzing Restaurant Operations	1. Added three paragraphs regarding the use of Instagram.	Paragraphs 1003.19 through 1003.21
	2. Added a bullet point to consider when contemplating adding delivery service.	Paragraph 1004.4

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CHAPTER 12 Financial Statement Presentation	1. Updated the discussion on selecting a basis of accounting in light of recent tax law changes.	Paragraph 1200.6
	2. Added a paragraph discussing the Tax Cuts and Jobs Act of 2017.	Paragraph 1200.15
	3. Added two paragraphs discussing the AICPA's FRF for SME's.	Paragraphs 1200.18 and 1200.19
	4. Updated the discussion on financial statement titles.	Paragraph 1201.8
	5. Updated the footnote to include ASU 2016-13.	Paragraph 1201.34
	6. Updated the cash concentration illustrative disclosure for the current FDIC insurance amount.	Paragraph 1202.65
	7. Added a discussion on qualified improvement property for recent tax code changes.	Paragraphs 1202.70 through 1202.73
	8. Updated the discussion on bonus depreciation for recent changes in the tax code.	Paragraph 1202.74
	9. Updated the discussion on Sec. 179 expensing for recent tax code changes.	Paragraphs 1202.80 through 1202.83
	10. Updated the discussion remodel and refresh activities due to recent tax code changes.	Paragraphs 1202.84 and 1202.85
	11. Updated the illustrative summary of significant accounting policies for the revenue recognition standard changes.	Appendixes 12A-1 through 12A-3
	12. Updated the Disclosure Checklist.	Appendix 12B
CHAPTER 13 Automating Restaurant Operations	1. Updated the discussions on hand-held devices in restaurants.	Paragraphs 1302.12 and 1302.15
	2. Updated the discussion on selecting integrated point-of-sale devices.	Paragraphs 1302.17 and 1302.36
	3. Updated the discussion on data integrity for point-of-sale systems utilizing cloud computing.	Paragraph 1302.40
	4. Added a paragraph discussing modern bar metering systems.	Paragraph 1304.5
CHAPTER 14 Consulting Services for a Restaurant	1. Added a discussion on the use of third-party service providers in consulting engagements.	Paragraph 1401.7
	2. Updated the discussion on using a specialist in consulting engagements.	Paragraph 1401.10
	3. Provided an overview of the applicability of the attestation standards in consulting engagements.	Paragraphs 1401.47 through 1401.51
	4. Revised the sample consulting engagement letter and notes.	Appendix 14A
	5. Updated prime cost statistics and profitability for selected chain restaurants.	Appendix 14E
	6. Updated the website and restaurant organization sources of information for consultants.	Appendix 14H
CHAPTER 15 Employee Theft	1. Updated the discussion on accounts payable thefts involving the creation of false vendors.	Paragraph 1502.20

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 16 Compilation and Review of Financial Statements	2. Added two paragraphs discussing recent changes to fraud detection technology and listing software packages for use in fraud detection.	Paragraphs 1502.48 and 1502.49
	3. Updated the discussion of methods to decrease time punch fraud.	Appendix 15C
	1. Updated the discussion of professional literature for compilation and review engagements.	Paragraph 1601.3
	2. Added a discussion on SSARS No. 24.	Paragraph 1601.4
	3. Updated the discussion on engagement acceptance and continuance.	Paragraphs 1602.2 through 1602.7
	4. Updated the discussion on actions necessary when the accountant receives incorrect, incomplete or otherwise unsatisfactory information.	Paragraph 1603.4
	5. Updated the discussion on designing and performing analytical procedures.	Paragraph 1604.13
	6. Updated the discussion on reading the reviewed financial statements.	Paragraph 1604.22
	7. Added a discussion on the requirements for representations in a review engagement.	Paragraphs 1604.25 and 1604.26
	8. Added clarifying information regarding the dating of management's representation letter in a review engagement.	Paragraph 1604.29
	9. Updated the discussion on documentation requirements for all SSARS engagements.	Paragraph 1605.7
	10. Added a discussion on interim reporting.	Paragraphs 1606.9 and 1606.10
	11. Added several questions and practical considerations to the Engagement Acceptance and Continuance Form for Special Purpose Financial Statements.	Appendix 16A
	12. Updated references in the Checklist for a Step-down Engagement.	Appendix 16B
	13. Added three practical considerations and made minor editorial changes to the Illustrative Engagement Letter for Compilation, Bookkeeping, and Financial Statement Preparation Services of Special Purpose Framework Financial Statements.	Appendix 16C
	14. Added five practical considerations and revised the Illustrative Engagement Letter for Review and Financial Statement Preparation Services of Special Purpose Framework Financial Statements.	Appendix 16D
15. Made minor editorial changes to the Client Information Form.	Appendix 16E	
16. Added one practical consideration and made minor editorial changes to the Compilation Procedures, Review, and Approval Form—Special Purpose Framework Financial Statements.	Appendix 16F	

Chapter**Substantive Changes and Additions****Reference**

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| 17. Revised several questions in the Compilation Reporting Checklist for Special Purpose Framework Engagements. | Appendix 16G |
| 18. Revised the instructions to the Review Procedures, Review, and Approval Form—Special Purpose Framework Financial Statements. Added two new practical considerations. Added one step and two sub-steps. | Appendix 16H

Appendix 16J |
| 19. Added a new inquiry to the Inquiry and Analytical Procedures Program—Special Purpose Framework Financial Statements. | |
| 20. Revised the Review Reporting Checklist—Special Purpose Framework Financial Statements. Revised the instructions, questions and practical considerations. | Appendix 16K |
| 21. Revised the Illustrative Representation Letter—Review of Special Purpose Framework Financial Statements. Added two representation statements and revised and added several practical considerations. | Appendix 16L |
| 22. Revised the Routing Instructions for Processing Financial Statements. | Appendix 16M |
| 23. Revised the notes for the compilation reports. | Appendixes 16O |
| 24. Revised the notes for the review reports. | Appendixes 16P |

