EXCERPTS OF RECENT MEDIA COVERAGE

ASSURANCE PRACTICE

A SAMPLING OF BDO THOUGHT LEADERSHIP IN THE MEDIA FOR Q4 2014

COMPLIANCE WEEK

FASB WANTS TO STREAMLINE RULES FOR CLASSIFYING DEBT

October 7, 2014

The sprawling machinery of detailed rules in Generally Accepted Accounting Principles on debt classifications may be getting an overhaul.

The Financial Accounting Standards Board has announced its intention to take a fresh look at how to reduce the cost and complexity associated with classifying debt by replacing "fact-pattern specific guidance in GAAP with a principle." While preparers may welcome the potential simplification, it could come with a catch: potential limitations on what counts as long-term debt.

FASB wants to tell preparers to never mind the prescriptive rules that built up over generations of the financial sector's engineering of transactions, which has been met with continual standard-setting responses to ever more tedious arrangements. Just look at the contractual terms of a debt arrangement along with your compliance with debt covenants and determine for yourself: Is it "current" or "non¬current" debt? With no specific proposal yet on the table, FASB's timeline for simplifying debt classifications is not clear.

The difference between current and non-current debt is an important distinction on the balance sheet. Current debt, or short-term debt, are funds the lender expects to be repaid in the next 12 months or the

next operating cycle if that's longer than 12 months, says **Adam Brown, a partner with BDO USA**. Non-current, or long-term debt, suggests the company has more time to pay it off. "People are interested in whether or not it looks like you can meet your obligations, particularly those coming due sooner rather than later," he says...

Though it might sound simple enough to figure out if debt is due in the next 12 months or not, the determination can be anything but straightforward. "The current standards are written to address several specific situations," says **Brown**. "It can be difficult to figure out which set of rules you are in. Hopefully the board can develop a single set of principles that covers them all."...

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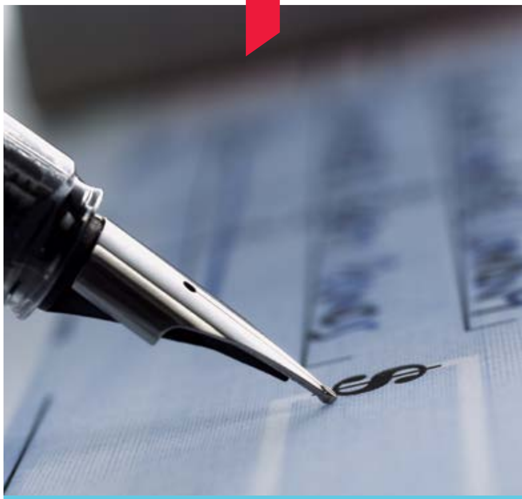

BDO USA ASSURANCE PRACTICE

BDO USA's Assurance Practice delivers comprehensive, independent, efficient, and effective audits of financial statements, including those that are integrated with an audit of internal controls. We also provide quality assurance services to help ensure that our clients' financial statements meet the complex regulatory and business requirements under which they function.

At the core of our service philosophy is a commitment to proactively communicate with our clients and their audit committee, or others charged with corporate governance, about issues and information that impact their company and industry.

For non-audit clients, we provide a broad range of advisory services including assistance with internal audit, risk advisory, internal control design and testing, and other accounting services.

COMPLIANCE WEEK

ALL EYES ON INTERNAL CONTROLS AS YEAR-END CLOSE APPROACHES

October 28, 2014

As companies begin preparing now for the year-end close, audit experts are warning them to take these final few months of the year to double check documentation. With the Public Company Accounting Oversight Board putting pressure on audit firms to scrutinize internal controls and other areas, that scrutiny is likely to trickle down to issuers.

Although no broadly applicable accounting standards took effect this year, auditors are under a fresh round of orders from their regulators to get tougher and demand more evidence in a number of areas, especially internal controls over financial reporting, revenue recognition, and accounting estimates.....

The PCAOB also warned auditors recently to dig in more on revenue recognition, with an alert in September telling auditors to look more closely at testing of revenue from contractual arrangements, evaluating gross vs. net presentation of revenue, testing whether revenue was recognized in the correct period, and evaluating revenue-related disclosures. Companies are well aware that the Financial Accounting Standards Board issued a brand new standard for how to recognize revenue that doesn't take effect until 2017, but they might be less aware that auditors have been warned to look more closely at revenue recognition now under present standards...

In addition, companies should be prepared for questions from auditors about what they've done so far to prepare for the new

standard, says **Wendy Hambleton, national director at BDO USA** focused on financial reporting issues. "It is not impacting the current audit, but in the future what direction will you be going?" she says. "Will you do a full or modified retrospective adoption? How does that affect your policies, your data, your systems? Auditors will want to know."...

ACCOUNTING TODAY

PUBLIC COMPANY BOARD DIRECTORS FAVOR CORPORATE TAX REFORM

October 21, 2014

A majority of board members at public companies want Congress to pass broad-based tax reform legislation to address corporate tax inversions, according to a new survey.

The survey, by the accounting and consulting firm **BDO USA**, found that almost four-fifths (79 percent) of public company board members believe the increased use of corporate tax inversions is an expected outcome given the U.S. high corporate tax rate. In an inversion, a U.S.-based corporation merges with a foreign company and moves its tax domicile abroad to lower its tax rate.

A 56 percent majority are in favor of Congress addressing the issue through legislation.

Of those in favor of legislative action, an 85 percent majority believe any remedy must be part of broad-based tax reform on both the corporate and personal level. Directors were evenly divided (40 percent for, 40 percent against, 20 percent unsure) when asked if they were in favor of replacing the corporate and personal income tax with a tax on consumption.

"After a wave of tax motivated mergers and acquisitions, the U.S. government has begun to crack down on the practice of tax inversions, but a majority of corporate board members believe Congress should address this issue further and they believe the solution should be part of broad-based tax reform legislation," said **Wendy Hambleton, a partner in the Corporate Governance Practice of BDO USA**, in a statement. "From a risk management perspective, this year's board survey clearly shows that boards are becoming more involved in their businesses' cyber-security programs and are increasing resources to defend against attacks. Directors also report some frustration with the move to

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uniformity in executive pay practices and an inclination to use more discretion in determining appropriate compensation.".....

COMPLIANCE WEEK

COMPANIES FALL BEHIND ON PREPARING FOR REVENUE RECOGNITION RULES

November 18, 2014

Only weeks away from the ideal "go live" date for companies to implement a massive new rule on how to recognize revenue, accounting experts in the field say few are prepared to meet that target date.

The Financial Accounting Standards Board has said it is contemplating deferring the effective date for Accounting Standards Update No. 2014-09, which maps out an entirely new process that companies will be required to follow to determine when and in what amounts to recognize revenue. FASB Vice-Chairman James Kroeker says the board is performing field visits to assess readiness and any difficulties companies may be encountering. For public companies, which will be required to present three years worth of results in financial statements, the new rule takes effect for interim and annual periods beginning after Dec. 15, 2016.

Companies that elect a full retrospective adoption of the standard ideally would be prepared at the start of next year, or soon thereafter, to run parallel systems that would collect and prepare data under both standards, facilitating full presentation when companies are required to provide it beginning in 2017....

The joint Transition Resource Group formed by FASB and the International Accounting Standards Board has met twice and cataloged more than two dozen implementation questions or concerns that have been brought to the group's attention for consideration. The TRG is discerning whether to recommend that FASB or IASB take action on any of them. SEC Chief Accountant James Schnurr also remarked recently that SEC staff has identified as many as 250 potential issues that might arise during implementation, prompting consideration of whether any SEC action is warranted.

Adam Brown, a national director of accounting with BDO, says some of the implementation issues that are surfacing are industry-specific, so not necessarily equally applicable to all companies. The TRG has devoted a great deal of attention, for example, to questions that have surfaced over how to apply the new rules to licensing arrangements. "There are plenty of companies that don't engage in intellectual property transactions, so they may not have as many questions as technology or entertainment companies might," he says....

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