EXCERPTS OF RECENT MEDIA COVERAGE

ASSURANCE PRACTICE

A SAMPLING OF BDO THOUGHT LEADERSHIP IN THE MEDIA FOR Q1 2018

REUTERS

Tax Law May Lead to Changes in U.S. GAAP

January 8, 2018

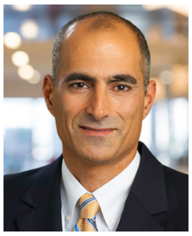
The FASB at its first meeting of 2018 plans to address the financial reporting ramifications for one of the top headlines from 2017 - tax reform.

The board at its January 10, 2018, meeting plans to discuss whether the overhaul of the U.S. tax code necessitates updates to Topic 740, Income Taxes. Signed into law by President Donald Trump on December 22, 2017, the Tax Cuts and Jobs Act reduces the corporate income tax rate from 35 percent to 21 percent, among other changes.

Topic 740 requires businesses to adjust the value of deferred tax assets and liabilities upon enactment of a change to the tax code. Changes must be presented in current earnings, even when the corresponding deferred taxes relate to items presented in accumulated other comprehensive income.

Items such as pension adjustments, gains or losses on cash flow hedges, and foreign currency translation adjustments, are typically recorded in other comprehensive income. In recent weeks, banks and insurers have raised alarm bells to the FASB about the consequences of adjusting such deferred assets and liabilities in current earnings….

Given the magnitude of the tax rate change, the adjustments could have a significant effect on many companies' financial position.



"I would say it is going to create a big dent, if you wish, or one-time noise and disconnect in what they have in OCI and the balance sheet. It's a big adjustment," said B**DO USA LLP National Assurance Partner Yosef Barbut**. *"For certain industries, their deferred tax inventory is fairly significant. This could be a big number for them."…*

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

SEC gives relief from tax reform year-end reporting crisis

January 9, 2018

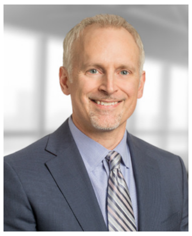
Swift guidance from the Securities and Exchange Commission on how to book the effects of tax reform in year-end financials offers companies some welcome relief, but it's not a free pass on the mountain of work that must be done, nor does it put to rest all accounting questions.

Almost immediately after President Trump signed into law the Tax Cuts and Jobs Act, making sweeping changes to the U.S. tax code only days before the end of 2017, the SEC issued Staff Accounting Bulletin No. 118 to give companies some guidance on how to handle their financial reporting obligations….

SAB 118 gives companies three possible avenues for each of the various financial statement provisions that might need to change. First, it tells companies to the extent they can quantify and reflect the tax law, they should do so. Second, where they can't access the necessary data, perform the appropriate analysis, or complete the required calculations by their relevant filing deadlines, they should arrive at reasonable estimates that can be booked as provisional amounts in financial statements.

And if even reasonable estimates are not possible, SAB 118 says, companies should rely on historic numbers. Where companies decide to rely on estimates or historic figures, they'll be expected to provide plenty of disclosure to explain….

As companies move through each reporting period, they'll be expected under SAB 118 to revisit estimates and finalize them as they are able, so that all tax effects are fully recognized within a year. The SEC put a time limit on the measurement period approach, saying it cannot extend past one year from the enactment date of the new law….



Michael Williams, a tax partner at BDO USA, also is cautioning companies to see SAB 118 as a relaxation of the reporting timeline, not wholesale relief from reporting. *"Companies still need to do their required analysis and quantification,"* **he says**. *"They must make a reasonable effort and act in good faith."*

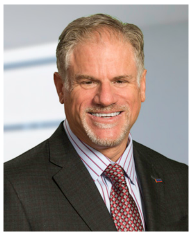
Documentation will be important, says **Williams**, not only to support changes to financial statements to reflect the tax effects but also to support estimates, and even to support claims that something cannot be estimated. *"If you can't reasonably estimate the effect, you should still have robust documentation in place to support why you can't make a reasonable estimate,"* **he says**.

And as companies are working through the reporting aspects, **Williams** says companies need to be ever mindful of their internal controls both over the financial reporting and the new tax provisioning processes that need to be established. *"This is going to be a lot of work for companies, and the reporting deadlines are coming quickly,"* **he says**…

INSIDE PUBLIC ACCOUNTING

BDO MP Appointed to PCAOB Standing Advisory Group

January 23, 2018



Christopher Tower, national MP for audit quality and professional practice at Chicago-based **BDO USA** (FY17 net revenue of $1.4 billion), has been appointed to the standing advisory group (SAG) of PCAOB.

Made up of representatives from accounting, auditing, financial reporting, corporate finance, corporate governance and investor groups, the SAG advises the PCAOB on the development of auditing and related professional practice standards.

"Our entire firm takes pride in Christopher being recognized through this tremendous achievement," says **Wayne Berson, BDO CEO**. *"His extensive experience at BDO – having served as the West region managing partner, long tenure on the assurance standard setting and audit committees and his current role leading the firm's national assurance office and audit quality initiatives – will make him a valuable contributor to the SAG."*…

Tower was appointed national MP for audit quality and professional practice at **BDO USA** in 2016. He previously served on the firm's board of directors and served as a regional assurance leader for many years. **Tower** has more than 30 years of public accounting experience serving both private and public companies. His experience includes auditing, ICFR attestation, technical accounting advisory, transaction due diligence and other advisory services…

WALL STREET JOURNAL

Chegg CFO Warns That Upcoming R&D Tax Rules Could Strain Cash Flow

February 16, 2018

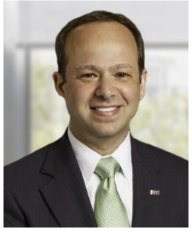
New tax regulations will require companies to claim research and development expenses over five years rather than all at once, a prospect that's raised concern for companies that heavily rely on R&D, said Andrew Brown, chief financial officer of Chegg Inc.

The U.S. tax overhaul reduced the corporate tax rate to 21% from 35% previously, but also introduced new provisions and changes to existing rules that govern how much companies can deduct from their federal tax bills.

Companies will be required to capitalize and amortize R&D expenses over five years starting in 2022 under one such change. Companies currently can elect to claim a tax deduction for the entirety of their R&D expense the same year that cost was incurred and get the immediate benefit.

The new rule will pressure cash flow and drive finance chiefs in the technology industry and other sectors that heavily invest in research to restructure their balance sheets, Chegg's Mr. Brown said. "This gives me much anxiety," he said. "This will be a major change."

Mr. Brown, who has been with the online textbook rental company Chegg since 2011, said the change to the R&D tax rules offsets some of the benefits of the lower corporate tax rate….



The tax law change is set to impact technology, pharmaceutical and energy companies because of their intensive research and development needs, said **Jonathan Forman, tax principal at accounting and audit firm BDO USA**.

"You'll have potentially increased tax liability because you are not able to reduce as much of your tax bill," **Mr. Forman said**.

He added that while the full implications of the bill have not fully emerged, he doesn't believe this particular requirement will have much of an impact and will be more than offset by other aspects of the tax bill.

"It's an interesting time for companies who are spending money on R&D," **he said**. *"There's a lot of things that can happen."*

COMPLIANCE WEEK

Weary from accounting change, companies gear up for leases

March 20, 2018

With year-end reporting and revenue recognition implementation nearly complete, public companies are preparing for their next accounting freakout—this time over leases.

Recent polls suggest companies have a lot of work to do to get ready for the next big rule, Accounting Standards Codification 842 on leasing, which takes effect Jan. 1, 2019, for public companies….

Angela Newell, a national assurance partner at BDO USA, says the largest companies that are likely to see the biggest impact from the standard are much further along in their preparation. That includes retail companies or restaurant chains, for example, that have large lease portfolios and were less affected by the new revenue rules. "They had less to do to adopt the new revenue standard, so it gave them more flexibility and more bandwidth to start looking at the leasing standard," **she says**.

In theory, the leasing standard should be easier to adopt than revenue recognition, **Newell says**, because the new lease accounting requirements are not as different from the historic rules as the new revenue recognition rule was. The big challenges with the leasing standard is simply gathering all the data companies need and then implementing the necessary systems to do the accounting….

Recognizing the challenges and hearing early calls for a deferral in the effective date, FASB recently indicated it will provide some significant transition relief, primarily by permitting companies to adopt the rules on a prospective, or go-forward basis. That means they can opt to leave historic periods in financial statements reflecting lease obligations in footnotes as they have historically, applying the new accounting only to remaining and new lease obligations in periods beginning Jan. 1, 2019, and going forward. The board also approved a practical expedient for land easements….

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