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## Postcard from the AICPA SEC Conference - Day 1

PUBLIC COMPANIES  
BY RYAN DEATRICK

Greetings from the AICPA Conference on Current SEC and PCAOB Developments! The conference kicked-off on Monday, December 4 in Washington, D.C.

The conference kicked-off with Kimberly Ellison-Taylor, Chair of the American Institute of Certified Public Accountants (AICPA), giving an update on the developments and areas of focus of the AICPA, which include the development of guidance related to cybersecurity, cryptocurrency and the use of data analytics in the audit process. To show just how important cybersecurity has become, she stated that the average cost of a data breach has risen to approximately \$3.6 million. Ms. Ellison-Taylor was followed by Cynthia Fornelli, Executive Director of the Center for Audit Quality (CAQ), who provided commentary regarding the advocacy efforts, research and resources provided by the CAQ. Ms. Fornelli stressed how important it is for companies to have an involved audit committee and said that she was pleased with the improved transparency of audit committees as detailed in the CAQ's Audit Committee Transparency Barometer.

The conference transitioned to an update from the U.S. Securities and Exchange Commission (SEC), which included a conversation with Jay Clayton, Chairman of the SEC, Wesley Bricker, Chief Accountant of the SEC, and additional SEC staff. Mr. Clayton noted the importance of having a strong public market that provides "main street investors" with an opportunity to participate in a market at a reasonable cost. He also stressed the importance of having regulations that promote thoughtful and customized disclosures rather than boilerplate disclosures. The rest of the SEC staff discussed some hot topics that include revenue recognition, leases, credit losses, internal control over financial reporting, international issues, auditor independence, and enforcement issues.

Day 1 also included a keynote address from James Doty, Chairman of the Public Company Accounting Oversight Board (PCAOB). Mr. Doty discussed the upcoming changes to the audit report and noted that the PCAOB will soon be issuing staff guidance related to the new report and its changes. He also addressed the continued focus of the PCAOB on the use of other auditors, particularly those outside the United States.

The afternoon session included three panel discussions. The first panel discussion covered the SEC comment letter process and trends in comment letter topics. The panel noted that comment letter volume has decreased over the years as companies have become more familiar with the process and initial public offering activity has slowed. The panel noted that non-GAAP measures will continue to be a focus, but that issuers have made significant improvements in this area. The panel also speculated that income tax law changes, cybersecurity, pay ratio disclosures, and

revenue recognition will be prevalent comment letter topics in future filings. Of interesting note is the fact that while the SEC doesn't have Facebook access, they do have an online presence and perform reviews of various forms of digital media. The second panel discussion included an in-depth technical review of several complex accounting areas. This included topics such as consolidation, segments and goodwill impairment testing, credit losses, and hedge accounting. The final panel discussion started with a polling question that showed that 60% of the conference attendees felt that current disclosure requirements were too burdensome. The panel then discussed their thoughts on the current state of disclosure requirements and where future requirements may take the industry.

Stay tuned for more as the conference continues!

This article was co-written by Ryan Deatruck and Matt McNeal.

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