

CAQ SEC Regulations Committee Releases Highlights of October 21, 2015, Joint Meeting With SEC Staff

January 22, 2016 — Recently, the Center for Audit Quality (CAQ) posted to its Web site [highlights](#) of the October 21, 2015, CAQ SEC Regulations Committee joint meeting with the SEC staff. Topics discussed at the meeting included:

- Reorganization of the SEC’s Division of Corporation Finance (the “Division”):
 - Referring to the June meeting, at which the SEC staff announced that associate chief accountants in the Division’s OCA (the “CF-OCA”) would be responsible for accounting topics rather than specific industries, the staff noted that “inquiries and pre-clearance letters should still be directed to the CF-OCA’s general mailbox at DCAOLetters@sec.gov.”
- Current financial reporting matters:
 - An update on Regulation A.
 - The committee and SEC staff discussed certain issues associated with retrospective adoption of the new revenue recognition guidance in ASC 606,¹ including the impact on significance testing for equity method investees and the ratio of earnings to fixed charges. The interaction between retrospective application and the requirements related to revising previously issued financial statements associated with certain SEC filings was also discussed. As indicated in the highlights, “Item 11(b) of Form S-3 requires retrospective revision of pre-transition financial statements to reflect a change in accounting principle (for which retrospective application was either required or elected) if the Form S-3 also incorporates by reference interim financial statements prepared under the new principle.”
 - The interaction between the guidance in ASU 2014-17² on pushdown accounting and the presentation and computation guidance in Regulation S-X, Rule 3-10(i);³ SAB Topic 6.K;⁴ and SAB Topic 1.J.⁵
 - Discussion of the guidance in Section 3420 of the SEC Financial Reporting Manual, “Distribution to Promoter/Owners at or Prior to Closing of an IPO.”
- Current practice issues:
 - Shelf takedowns and greater than 50 percent significant completed and probable business acquisitions.

¹ FASB Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers*.

² FASB Accounting Standards Update No. 2014-17, *Pushdown Accounting* — a consensus of the FASB Emerging Issues Task Force.

³ SEC Regulation S-X, Rule 3-10, “Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered.”

⁴ SEC Staff Accounting Bulletin Topic 6.K, “Accounting Series Release 302 — Separate Financial Statements Required by Regulation S-X.”

⁵ SEC Staff Accounting Bulletin Topic 1.J, “Application of Rule 3-05 in Initial Public Offerings.”

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