Becker Professional Education

Financial Course – Updates Included in V1.1

<table>
<tr><th>Lecture</th><th>Page, Item</th><th>Update</th></tr>
<tr><td colspan="3">The following revisions to the V1.0 Financial textbook are included in the V1.1 Financial textbook released on November 6, 2014. If you are using the Financial V1.0 textbook and plan to take the Financial exam in 2015, you should use these updates as you study the V1.0 Financial materials.</td></tr>
<tr><td>F1</td><td>F1-6, Items V. and VI.</td><td>Items V. and VI. have been updated to reflect the current status of the IASB and FASB convergence projects and the adoption of IFRS in the United States.

Click here for the updated textbook page
http://www.becker.com/sites/default/files/2015_far_textbook_v.1.1_f1_pg_6.pdf</td></tr>
<tr><td>F1</td><td>F1-13, U.S. GAAP vs. IFRS box</td><td>This box has been revised because there is now only one fundamental assumption under the IASB Framework:

U.S. GAAP VS. IFRS
The IASB Framework for the Preparation and Presentation of Financial Statements outlines only one fundamental assumption—going concern.</td></tr>
<tr><td>F1</td><td>F1-14, U.S. GAAP vs. IFRS box</td><td>This box has been updated to remove the last sentence:

U.S. GAAP VS. IFRS
The IASB Framework for the Preparation and Presentation of Financial Statements outlines the following elements of financial statements: assets, liabilities, equity, income (including revenue and gains), expenses (including expenses and losses), and capital maintenance adjustments. Capital maintenance adjustments are increases and decreases in equity that arise from the revaluation or restatement of assets and liabilities.</td></tr>
<tr><td>F1</td><td>F1-22, Item III.</td><td>Item III. Accounting Rules has been revised to reflect the new FASB standard on Discontinued Operations.

Click here for the updated textbook pages
http://www.becker.com/sites/default/files/2015_far_f1_21.pdf
http://www.becker.com/sites/default/files/2015_far_textbook_v.1.1_f1_pg_22_25.pdf</td></tr>
<tr><td>F1</td><td>F1-57, Development Stated Enterprises</td><td>The Development-Stage Enterprises topic should be deleted from the textbook as this concept has been eliminated under U.S. GAAP and is no longer testable on the CPA Exam.</td></tr>
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Becker Professional Education

Financial Course – Updates Included in V1.1

Lecture	Page, Item	Update
F1	F1-58 to F1-60, First-Time Adoption of IFRS	The First-Time Adoption of IFRS topic should be deleted from the textbook. The AICPA has stated that this concept is no longer testable on the CPA Exam.
F2	F2-25, New Private Company Accounting Alternative box	A new box titled “Private Company Accounting Alternative” has been added to cover the alternative method of accounting for goodwill that is now available to private companies under U.S. GAAP: **PRIVATE COMPANY ACCOUNTING ALTERNATIVE** Under U.S. GAAP, a private company (an entity that is not a public entity or not-for-profit entity) may elect to apply the following alternative method of goodwill accounting: 1. Amortize goodwill on a straight-line basis over 10 years, or less than 10 years if it can demonstrate that another useful life is more appropriate. 2. Make an accounting policy election, disclosed in the summary of significant accounting policies (SSAP) in the footnotes, to test goodwill for impairment at either the entity level or the reporting unit level when a triggering event occurs that indicates that the fair value of an entity (or reporting unit) may be below its carrying amount. Because goodwill is being amortized, impairment is less likely to occur. This alternative method must be applied to all existing goodwill and any goodwill generated in future business combinations.
F2	F2-53	The following box has been deleted from the bottom of F2-53 because the AICPA has stated that the FRF for SMEs will not be tested on the CPA Exam in 2015: *Note:* In 2013, the AICPA released the *Financial Reporting Framework for Small- and Medium-Sized Entities* ("FRF for SMEs"). The FRF for SMEs is an other comprehensive basis of accounting. The AICPA has stated that the earliest the FRF for SMEs will be testable on the CPA Exam is 2015.
F3	F3-4 and F3-6, U.S. GAAP vs. IFRS boxes	The U.S. GAAP vs. IFRS boxes on these pages should be deleted. Information on the accounting for financial instruments under IFRS 9 can be found in the F10 lecture. Note that an update to the F10 coverage of IFRS 9 is provided below.

Becker Professional Education

Financial Course – Updates Included in V1.1

Lecture	Page, Item	Update
F10	F10-19, New Private Company Accounting Alternative box	A new box titled “Private Company Accounting Alternative” has been added to cover the alternative method of accounting for VIEs that is now available to private companies under U.S. GAAP: **PRIVATE COMPANY ACCOUNTING ALTERNATIVE** Under U.S. GAAP, a private company (an entity that is not a public entity or not-for-profit entity) may elect to apply the following accounting alternative for consolidation of a variable interest entity for common control lease arrangements. This accounting alternative permits a private company lessee to not consolidate a lessor entity that would otherwise be consolidated under existing VIE guidance if the following four criteria are met: 1. The lessee (the reporting entity) and the lessor are under common control. 2. The lessee has a leasing arrangement with the lessor. 3. Substantially all activities between the lessee and lessor are related to leasing activities. 4. If the lessee explicitly guarantees or collateralizes any obligation of the lessor, then the principal amount of the obligation at inception of such guarantee or collateral arrangement does not exceed the value of the asset leased by the private company from the lessor. This is an accounting policy elected by the lessee and applies to all current and future leasing arrangements. It is applied using a full retrospective approach to all periods presented. Disclosures are required when circumstances of the lessor result in the private company lessee providing financial support to the lessor. Other disclosures normally associated with leases and related parties still apply.
F10	F10-49, New Private Company Accounting Alternative box	A new box titled “Private Company Accounting Alternative” has been added to cover the alternative method of accounting for certain interest rate swaps that is now available to private companies under U.S. GAAP: **PRIVATE COMPANY ACCOUNTING ALTERNATIVE** Under U.S. GAAP, a private company (an entity that is not a public entity or not-for-profit entity) may elect to apply the following accounting alternative intended to make it easier for certain interest rate swaps to qualify for hedge accounting. Certain conditions must be met, and this alternative is not available to financial institutions. An eligible company would be able to apply hedge accounting to its receive-variable, pay-fixed interest rate swaps using the following simplified steps: 1. Assume the cash flow hedge has no ineffectiveness as long as certain conditions are met. 2. Recognize the interest rate swap at its settlement value, which excludes nonperformance risk, instead of at its fair value. This provision is optional, and can be elected on a swap-by-swap basis. 3. Complete hedge documentation by the first date on which the financial statements are available to be issued after hedge inception, rather than at hedge inception. Under this simplified hedge accounting approach, the interest expense reported on the income statement would be similar to the amount that would result if the entity had entered into a fixed-rate borrowing instead of a variable-rate borrowing and a receive-variable, pay-fixed interest rate swap.
F10	F10-51, Item X.	Item X. Accounting for Financial Instruments Under IFRS 9 has been rewritten to incorporate the final version of IFRS 9: Click here for the updated textbook pages http://www.becker.com/sites/default/files/2015_far_textbook_v.1.1_f10_pg_51_55.pdf

Becker Professional Education

Financial Course – Updates Included in V1.1

Lecture	Page, Item	Update
F10	F10-67	The IFRS vs. U.S. GAAP comparison related to Marketable Securities has been updated to reflect the final version of IFRS 9. Please see the updated comparison on the next page.

Becker Professional Education

Financial Course – Updates Included in V1.1

F-3

ISSUE	IFRS	U.S. GAAP
Marketable securities—classification	• IFRS has three classification categories for debt instruments: amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPL). • Investments in equity instruments are generally measured at fair value through profit or loss (FVPL). However, management can make an irrevocable election to present changes in fair value in other comprehensive income (FVOCI), provided the instrument is not held for trading.	Marketable security investments are classified as: • Trading • Available-for-sale • Held-to-maturity
Marketable securities—impairment	• Impairment losses are recognized using an expected credit loss model. Losses are recorded in a valuation allowance. • For financial assets measured at fair value through profit or loss, no impairment losses are recorded. • For financial assets measured at amortized cost, the impairment losses are recorded in earnings. • For financial assets measured at fair value through OCI, impairment losses are recorded in OCI.	• Impairment losses are recognized in earnings and the cost basis of the security is reduced. ○ Subsequent changes in fair value are not recognized if the security is classified as held-to-maturity. • If the security is classified as available-for-sale, a subsequent increase in fair value is included in other comprehensive income. ○ Subsequent increases in fair value are not recognized on the income statement.
Equity Method—Step-by-Step Acquisition	IFRS generally requires entities to apply the equity method prospectively from the time at which the investor obtains significant influence. Retroactive adjustment is not required.	When significant influence is acquired, it is necessary to record a change from the cost/available-for-sale classification to the equity method. The investment account and the retained earnings account are adjusted retrospectively for the difference between the available-for-sale classification/cost method to the equity method.
Consolidation—parent and subsidiary with different year-ends	If the year-ends differ by three months or less, the parent company can use the subsidiary's regular financial statements of a different period, giving recognition to material intervening events during the gap period to expedite the consolidation process. The subsidiary financial statements must be adjusted for significant transactions during the gap period.	If the year-ends differ by three months or less, the parent company can use the subsidiary's regular financial statements of a different period, giving recognition to material intervening events during the gap period to expedite the consolidation process. Significant transactions during the gap period require disclosure.
Acquisition method—noncontrolling interest and goodwill	Noncontrolling interest and goodwill are calculated using either the partial goodwill method or the full goodwill method. The partial goodwill method is the preferred method under IFRS, but entities can elect to use the full goodwill method on a transaction-by-transaction basis.	Noncontrolling interest and goodwill are calculated using the full goodwill method.