Finance Assignment

Name of Student

Name of Institution

**Introduction**

The Securities and Exchange Commission has a mission of protecting investors, maintaining fair and effective markets and make sure that enough capital is formed in the economy (Investor.gov, 2019). Investors have focused on security markets to invest and grow their money for important life events. A greater number of people are living longer retired lives putting extra pressure on investment products for these retired people. People are now focusing more on the 401(K) plans instead of company based retirement plans so they have to show more responsibility in terms of savings. The investor does not have clear choices when they need professional advice. There is less difference between investment professionals and investment advisors. The SEC should gain more and more knowledge regarding the participation of various investors in capital markets which will allow the authority to address new risks faced by investors.

The AICPA has a mission of empowering the global businesses to succeed including CPAs and CGMAs by providing them with up-to-date knowledge, funds and help so that the public interest can be protected (AICPA, 2019). In terms of advocacy, the organization will protect and promote the interests of professionals as their national representative in front of the government, regulatory bodies and all other relevant organizations. The organization also promotes a standardized licensing environment to protect the designation of professionals. Communication takes place to increase public awareness about the profession and also act as a link between public and professionals.

**Event**

The issue is related to the AICPA and more specifically to the not-for-profit organizations who will be implementing the new NFP financial statement presentation standard. This standard will pose fresh challenges to the staff of these organizations. In the lines below, there is an assessment of the new standards and their effects.

**Revenue Recognition, grants and Contracts**

 The new revenue recognition model takes over all existing rules governing revenue from exchange transactions. All entities which enter into a sales contract with customers are affected by it unless these transactions are governed by some other standard. One major issue faced by the not- for-profit organization is that they will have to divide certain transactions between exchange transaction and a contribution because they may have many common elements. The contract terms and specific industry will define the impact of these changes on any organization. The contracts with customers have to be disclosed according to the new requirements. The organizations will be most affected by these changes if they have conduit debt. There is a separate clarification made by the FASB regarding contributions made and received. There is also a difference stated between donor imposed conditions and donor imposed restrictions on contributions. This will affect the income statement and balance sheet of the company.

**Not-for-profit Financial Statement Presentation Standard**

 The biggest challenge faced by the non profit organizations is to disclose their liquidity under the amended standards. These organizations have to provide qualitative and quantitative information on their management of liquid resources. Companies have to choose the best possible way of presenting this new information. Another challenge may be presented by the requirements under functional expense shown in the financial statements. More attention has to be paid to the way specific expenses have to be shown on financial statements. Auditors will have to keep a closer look at functional expenses and their presentation. Financial statements include income statement, balance sheet, statement of cash flows and statement of owner’s equity. This change will affect all these statements and their presentation method.

**2017 Tax cuts and job Acts provisions affecting Tax exempt NFPs**

 There are two major considerations regarding this change, charitable giving and unrelated business income tax. A new tax has been imposed on the NFPs at the current income tax rate of 21%. This tax is imposed on qualified transport benefits and expenses in relation to specified parking. There is a separate treatment for organizations having more than one business activities. New rules state that a loss from an unrelated business cannot be offset against the profits of other entities.

**Cyber Security issues for Not-for-profit organizations**

 Regardless of the type of business undertaken by an organization, its size and industry in which it is working, cyber security is an issue that is relevant to almost every organization. There is a significant amount of data handled by the NFPs and they are vulnerable to attacks on that data. These organizations must have proper ways to save their data so that the trust of customers remains intact (AICPA, 2019).

 There is an important role played by various professionals as a result of the above changes. The auditors will have their work increased because they will have to check if these changes have been properly incorporated. The last change will also involve tax practitioners so that they assess the impact of this change.

**Summary**

 Both the above organizations have different domains to work in but there are some common aspects as well. AICPA registers and oversees the CPAs who have to do their work by using the standards set by the SEC. Thus there is a clear connection between these two organizations. We have analysed a suggested update of the presentation of information in the financial statements. This situation involves internal auditors, tax consultants and financial statement preparers. This amendment will affect almost all the financial statements prepared by companies which will increase the duties of all concerned authorities because they have to verify whether these amendments have been correctly incorporated in latest financial statements.

# **References**

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