

LEARNING OBJECTIVES

- Identify some of the eligible expenses related to use of PPP loan proceeds.
- Recognize approaches to account for PPP loans under GAAP.
- Recall how to present debt issuance costs on the financial statements.
- Recognize how to account for PPP loan forgiveness.
- Recognize how to present a gain on extinguishment on the statement of cash flows.
- Identify how to treat the forgiveness of a PPP loan for tax purposes.
- Recognize how the IAS 20 grant approach is used to account for its PPP loan.
- Recognize actions that impact a CPA's independence in a PPP loan assistance engagement.
- Recall some of the rules pertaining to a CPA receiving an agent fee from a PPP loan lender.
- Identify whether an emphasis-of-matter paragraph may be used in an accountant's report when there is a forgiveness of a PPP loan.

I. Introduction

II. Basic Rules for PPP Loans - SBA

- General Rules – CARES Act, as amended by Consolidated Appropriations Act, 2021

III. How Should PPP Loans be Accounted for Under GAAP?

IV. Accounting for the PPP Loan as Debt

- Debt issuance costs- PPP loans

V. Forgiveness of PPP Loan

- Accounting for forgiveness of PPP loan
- PPP loan eligible expenses
- Presentation of PPP loan transactions on the statement of cash flows

VI. Tax Effects of PPP Loans

VII. Disclosures Required - PPP Loan Treated as Debt

VIII. Bank Covenants and Impact of PPP Loan Treated as Debt

IX. Accounting for an Economic Injury Disaster Loan (EIDL)

X. PPP Loans in Tax-Basis Financial Statements

XI. Other GAAP Approaches for PPP Loans

- Account for the PPP loan as a grant using ASC 958 guidance
- Account for the PPP loan as a governmental grant using IAS 20
- Account for the PPP loan as a gain contingency using ASC 450-30

XII. CPA Involvement in a PPP Loan Application and Forgiveness

- Impact on a CPA's independence
- CPAs receiving agent fees from PPP loan lenders

XIII. Accountant and Auditor Reporting Issues - PPP Loans

XIV. Reporting and Disclosure Issues Peculiar to 2021 First- and Second-Draw Loans