

**FASB Update**

[Amendments to Transition and Disclosure Provisions of SFAS 123](#)

**SEC Update**

[Sworn Statements by CEOs and CFOs](#)

**AICPA Update**

[Information on "Sustainability Reporting"](#)

**IASB Update**

[Upcoming IASB Exposure Drafts](#)

**Other**

[NYSE Files Proposed Changes to Corporate Governance](#)

[Recent D&T Publications on Revenue Recognition and SPEs](#)

The purpose of this publication is to briefly describe key regulatory and professional developments that have recently occurred in the field of accounting and to provide links to locations where additional information can be found on each topic. Readers seeking additional information about a topic should review the information referred to in the hyperlinks and not rely on the descriptions included in this communication.

Deloitte & Touche LLP is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor.

Deloitte & Touche LLP shall not be responsible for any loss sustained by any person who relies on this publication.

**FASB Discusses Amendments to Transition and Disclosure Provisions of SFAS 123**

At its August 14, 2002 meeting, the Financial Accounting Standards Board (FASB or "the Board") continued its discussions on the transition and disclosure provisions of Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation*.

At this meeting, the Board tentatively decided to allow companies that adopt the fair value recognition provisions of SFAS 123 to choose from one of the following three transition methods:

- Prospective application for awards granted after adoption of the standard (the original transition provisions of SFAS 123),
- Prospective application for new awards and recognition of compensation costs for unvested portions of awards granted since the effective date of SFAS 123, or
- Limited retrospective method requiring restatement of prior years' financial statements presented as if SFAS 123 had been adopted as of its effective date. Entities would not be required, but would be permitted, to record a cumulative effect of an accounting change for the effect of adopting SFAS 123 in years prior to the first period presented in the financial statements.

The Board also tentatively decided to require expanded disclosures, including disclosure of (1) the method used to account for stock-based compensation for all periods presented, and (2) until the stock compensation expense recognized in each period presented is measured under the fair value provisions of SFAS 123, the following information in tabular form: (a) the stock-based compensation expense recognized in the income statement, and (b) the stock-based compensation expense, pro forma net income, and earnings per share calculated as if the recognition provisions of SFAS 123 had been applied as of the Statement's effective date. These disclosures would be required for companies regardless of which method is used to account for stock-based compensation. The Board also decided to require these disclosures in quarterly information provided to shareholders, not just in the annual financial statements.

The amended disclosure provisions are expected to be effective upon issuance of a revised SFAS on accounting for stock-based compensation. The provisions related to quarterly disclosure requirements would be effective in the first interim period of fiscal years beginning after December 15, 2002, with earlier application encouraged.

The FASB expects to issue an Exposure Draft in late September for a 30-day comment period.

*Note: Conclusions of the FASB are subject to change at future Board meetings and generally do not affect current accounting requirements until an official position (Statement or Interpretation) is issued. Official positions of the FASB are determined only after extensive deliberation and due process, including a formal vote by written ballot to issue a Statement or Interpretation.*

Further information about the FASB can be obtained on the FASB's website, <http://www.fasb.org>.

## Sworn Statements by CEOs and CFOs

The U.S. Securities and Exchange Commission (SEC or "the Commission") has begun categorizing, scanning, and posting sworn statements received in accordance with [SEC Order No. 4-460](#) ("the Order"), which requires principal executive and financial officers of the 947 largest U.S. publicly traded companies to attest to the accuracy of their company's most recent annual and quarterly financial reports under Section 21(a)(1) of the Securities Exchange Act of 1934.

The sworn statements are categorized in separate tables for the CEO and CFO statements, respectively, displaying the company name, anticipated periodic report due date, and whether the sworn statement is in the form of Exhibit A to the Order or in another form. The anticipated periodic report due date is based on information supplied by the company directly to the SEC or through the EDGAR database. A company may file a Notification of Late Filing and receive a five-day extension of the due date for a Form 10-Q or a 15-day extension of the due date for a Form 10-K, which will also extend the due date for the related sworn statements.

The CEO and CFO tables can be accessed on the SEC's website at <http://www.sec.gov/rules/extra/ceocfo.htm>. Statements can be viewed by clicking on the receipt date indicated for a company.

Further information about the SEC can be obtained at <http://www.sec.gov>.

## AICPA Offers Information on "Sustainability Reporting"

Some companies prepare and issue reports on their performance regarding health, safety, and environmental matters (sometimes called sustainability reporting), including matters related to employee health, on-the-job accident rates, emissions of certain pollutants, spills, volumes of waste generated, and initiatives to reduce and minimize such incidents and releases.

To assist companies that prepare and issue such reports, or that are planning to do so, the American Institute of Certified Public Accountants (AICPA) has posted information on this topic to its website. The information, which includes frequently asked questions and links to resources, can be accessed at <http://www.aicpa.org/innovation/baas/environ/index.htm>.

Further information about the AICPA can be obtained at <http://www.aicpa.org/index.htm>.

## Upcoming IASB Exposure Drafts

The International Accounting Standards Board (IASB or "the Board") has on its agenda a number of projects expected to result in the issuance of exposure drafts of International Financial Reporting Standards (IFRS) in the fourth quarter of 2002 or the first quarter of 2003. Following are brief descriptions of those projects. Further information about each project can be obtained on the IASB's website by clicking on the link provided.

### **Fourth Quarter of 2002:**

#### **Business Combinations—Phase One**

This project, a reconsideration of International Accounting Standard (IAS) No. 22, *Business Combinations*, deals with policy issues, such as the definition and method of accounting for a business combination, goodwill (and negative goodwill), and assets acquired and liabilities assumed, as well as disclosures and transitional provisions. Further information is available at <http://www.iasb.org.uk/docs/projects/buscom1-ps.pdf>.

#### **Share-Based Payment**

The objective of this project is to develop an IFRS on all aspects of accounting for transactions involving share-based payment (i.e., transactions in which an entity issues shares of its stock—or options on such shares—to employees, vendors, or others, in exchange for goods or services). The IASB has tentatively concluded that the fair value of such payments should be recognized as an expense. Further information is available at <http://www.iasb.org.uk/docs/projects/sbp-ps.pdf>.

## **First Quarter of 2003:**

### **Disclosure and Presentation of Certain Activities by Financial Institutions**

This project, a reconsideration of IAS No. 30, *Disclosures in Financial Statements of Banks and Similar Financial Institutions*, responds to various accounting and business developments over the last decade that have affected the financial services industry by addressing disclosure and presentation in the financial statements of entities that perform deposit-taking, lending, or securities-business activities. Further information is available at <http://www.iasb.org.uk/docs/projects/deposit-ps.pdf>.

### **Insurance Contracts**

Given that insurance is an increasingly global business and insurance accounting varies considerably across countries, this project seeks to develop an IFRS on accounting for insurance contracts that is consistent with the IASB's conceptual framework definitions of assets and liabilities. Further information is available at <http://www.iasb.org.uk/docs/projects/insurance-ps.pdf>.

### **Performance Reporting**

This project broadly addresses the issues related to the display and presentation in the financial statements of all recognized changes in an entity's assets and liabilities resulting from transactions or other events except those with the entity's owners (referred to as "comprehensive income" in the FASB literature). Further information is available at <http://www.iasb.org.uk/docs/projects/rfp-ps.pdf>.

Further information about the IASB can be obtained on the IASB's website at <http://www.iasb.org.uk> and on Deloitte & Touche's IAS Plus website at <http://www.iasplus.com/index.htm>.

### **NYSE Files Proposed Changes to Corporate Governance**

The New York Stock Exchange (NYSE) announced on August 16, 2002 that it has filed proposed changes to its listing standards with the SEC "aimed at helping to restore investor confidence by empowering and ensuring the independence of directors and strengthening corporate-governance practices."

The filing can be obtained on the NYSE's website at <http://www.nyse.com/report>.

### **Recent Deloitte & Touche Publications**

Deloitte & Touche recently issued several publications addressing such current topics as revenue recognition and the FASB's proposal on accounting for special-purpose entities (SPEs).

### **Revenue Recognition**

Stating that "in the aftermath of the recent decline in technology stocks, accounting for revenue has been thrust into the spotlight," Deloitte & Touche's Technology, Media, and Telecommunications Group has devoted the entire July/August 2002 issue of its newsletter, *For the Record*, to an article titled "Recognizable Figures: Accounting for Revenue in Today's Business Environment."

The article discusses FASB, SEC, and AICPA accounting requirements for revenue recognition, particularly those that apply to arrangements involving multiple elements or up-front or contingent fees.

The newsletter can be obtained on Deloitte & Touche's website at <http://www.deloitte.com/dt/cda/doc/content/FortheRecordVol4.pdf>.

## FASB's Proposal on SPEs

As reported in the July 15, 2002 issue of *Accounting Roundup*, the FASB's Exposure Draft of a Proposed Interpretation, *Consolidation of Certain Special-Purpose Entities*, would apply to any business enterprise that has an ownership interest, contractual relationship, or other business relationship with an SPE.

Given the proposal's potential impact, Deloitte & Touche's Global Markets Group has devoted the entire July 18, 2002 issue of its newsletter, *Heads Up*, to a summary and analysis of the Exposure Draft's key provisions.

A final Interpretation on SPEs would be effective immediately upon issuance (which the FASB has indicated would be in the fourth quarter of 2002). However, for SPEs created before that date, the provisions would apply as of the beginning of the first fiscal period after March 15, 2003 (i.e., April 1, 2003 for calendar year-end companies that prepare quarterly financial statements).

The newsletter can be obtained on Deloitte & Touche's website at <http://www.deloitte.com/dt/cda/doc/content/HeadsUp%20Vol9-2.pdf>.