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Accounting Roundup

Audit and Enterprise Risk Services

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FASB Developments

FASB Issues Three Proposed Amendments to Statement 140

The FASB has issued the following three proposed amendments to Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. (Clicking an exposure draft title below opens its full text on the FASB's Web site.)

- *Accounting for Transfers of Financial Assets* (a complete revision of the exposure draft initially released for public comment in June 2003);
- *Accounting for Servicing of Financial Assets*; and
- *Accounting for Certain Hybrid Financial Instruments* (also amends FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*).

The comment period for all three exposure drafts ends on October 10, 2005. A brief summary of each proposed Statement appears below. See Deloitte & Touche's *Heads Up* on the three amendments for additional information.

Transfers of Financial Assets

The proposed Statement on transfers of financial assets (1) provides guidance for determining whether financial assets must first be transferred to a qualifying special-purpose entity (QSPE) to be derecognized, (2) provides additional guidance on permitted activities of QSPEs, (3) **eliminates the prohibition** on a QSPE's ability to hold passive derivative financial instruments that pertain to beneficial interests held by a transferor, and (4) requires that interests related to transferred financial assets held by a transferor must be initially measured at **fair value**.

Servicing of Financial Assets

The proposed Statement on servicing of financial assets:

- Requires additional disclosures for all separately recognized servicing rights.
- Requires all separately recognized servicing rights to be **initially measured at fair value**, if practicable.

- Permits an entity to choose either of the following subsequent measurement methods for each class of separately recognized servicing assets and liabilities:
  - o **Amortize** servicing assets or liabilities in proportion to and over the period of estimated net servicing income or net servicing loss. This method, which is currently required by Statement 140, continues to require the assessment of servicing assets or liabilities for impairment or increased obligation based on fair value at each reporting date.
  - o Report servicing assets or liabilities at **fair value at each reporting date** and report changes in fair value in earnings in the period in which the changes occur. This method mitigates the income statement effect of changes in the fair value of derivative financial instruments used to offset changes in the fair value of servicing assets and liabilities.

Hybrid Financial Instruments

The proposed Statement on hybrid financial instruments would amend Statement 133 and Statement 140, and would resolve issues addressed in Implementation Issue D1.[1] The proposed Statement would also eliminate the exemption from applying Statement 133 to beneficial interests in securitized financial assets. Specifically, the proposed Statement would:

- **Permit fair value remeasurement** for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation.
- Clarify which interest-only strips and principal-only strips are not subject to the requirements of Statement 133.
- Establish a requirement to evaluate beneficial interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments containing an embedded derivative requiring bifurcation.
- Clarify that concentrations of credit risk in the form of subordination are not embedded derivatives.
- Eliminate restrictions on a QSPE's **ability to hold passive derivative financial instruments** pertaining to beneficial interests that are or contain a derivative financial instrument.

Effective Date and Transition of the Proposed Amendments

Generally, all three proposed amendments would be effective at the earlier of (1) fiscal years beginning after December 15, 2005, or (2) fiscal years that begin during the quarter in which the final Statement is issued. Special-purpose entities that are qualifying under existing rules generally would have their qualifying status grandfathered under the new rules unless they receive additional assets or issue additional beneficial interests other than those they were previously committed to receive or issue as a result of commitments to parties other than the transferor.

FASB Issues Final FSP on Freestanding Financial Instruments Originally Issued as Employee Compensation

Under Statement 123(R),[2] a freestanding instrument (such as a stock option) originally issued as employee compensation becomes subject to the recognition and measurement provisions of other GAAP when the rights conveyed by the instrument to the holder are no longer dependent upon the holder being an employee. Under this provision, an issuer may be required to reclassify an equity instrument as a liability (or vice versa) once it is subject to other GAAP. For example, a stock option whose exercise price is indexed to the S&P 500 may be classified as an equity award under Statement 123(R), but would be classified as a liability once other GAAP is applied.

To prevent such reclassifications, FSP FAS 123(R)-1[3] **preserves the Statement 123(R) classification** of these instruments even when the instrument is no longer dependent upon employment. In other words, the FSP **indefinitely defers** the requirement in Statement 123(R) for freestanding financial instruments to become subject to other GAAP (pending the Board's broader reconsideration of the distinction between liabilities and equity in its liabilities and equity project). An issuer applies other GAAP to these instruments only if a modification occurs after the time the conveyed rights are no longer dependent on employment.

In addition, the guidance in this FSP affects other existing authoritative literature as follows:

- FSP EITF 00-19-1[4] has been superseded because the issue addressed therein has been incorporated into FSP FAS 123(R)-1.

[1] Statement 133 Implementation Issue No. D1, "Application of Statement 133 to Beneficial Interests in Securitized Financial Assets."

[2] FASB Statement No. 123 (revised 2004), *Share-Based Payment*.

[3] FASB Staff Position No. FAS 123(R)-1, "Classification and Measurement of Freestanding Financial Instruments Originally Issued in Exchange for Employee Services Under FASB Statement No. 123(R)."

[4] FASB Staff Position No. EITF 00-19-1, "Application of EITF Issue No. 00-19 to Freestanding Financial Instruments Originally Issued as Employee Compensation."

- Paragraph 11(b) of Statement 133 is amended to clarify that an employee award remains subject to the measurement and recognition provisions of Statement 123(R) unless the award is modified when the holder is no longer an employee.
- DIG Issue C3[5] is amended to clarify that the indefinite deferral does not affect the requirement to evaluate the classification of a nonemployee award once performance has occurred.

The FSP is effective upon initial adoption of Statement 123(R). An entity that adopted Statement 123(R) prior to August 31, 2005, should apply this FSP in either (a) the first reporting period beginning after August 31, 2005, or (b) an earlier period if the financial statements for that period have not been issued. If a reclassification is necessary upon application of the FSP, entities can choose between retrospective application or a cumulative effect-type change. If the latter method is chosen, the effect on retained earnings is determined as of the beginning of the reporting period in which the FSP is adopted, not the beginning of the fiscal year. The FSP is available on the FASB's Web site.

FASB Issues Proposed FSP on Accounting for Guaranteed Investment Contracts by Certain Investment Companies

Proposed FSP AAG INV-a[6] provides guidance for investment companies that:

- Are established under a trust adopted as part of one or more qualified employer-sponsored defined-contribution plans, and
- Invest in guaranteed investment contracts (GICs) or synthetic GICS that are considered to be "fully benefit-responsive."

The proposed FSP requires such an investment company to present these contracts on its balance sheet at **fair value** with an additional **single line item** that adjusts the net assets attributable to the contracts from fair value to contract value. Appendix A of the proposed FSP provides the following example to illustrate the balance sheet disclosure requirements:

Investments (at fair value)	$8,800,000
Wrapper contracts (at fair value)	100,000
Total assets	$8,900,000
Total liabilities	200,000
Net assets at fair value	$8,700,000
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	1,100,000
Net assets	$9,800,000

In general, contract value equals the principal balance plus accrued interest. The FSP states that contract value is a relevant measurement attribute because it is the amount participants in the fund would receive if they were to initiate withdrawals.

The proposed FSP also:

- Includes the criteria that a contract must meet in order to be considered fully benefit-responsive, and
- Requires additional disclosures for fully benefit-responsive contracts individually and in the aggregate.

The guidance in this proposed FSP would be effective for financial statements for annual periods ending after December 15, 2005. Earlier application would be permitted. If comparative financial statements are presented, the guidance in the proposed FSP would be applied retroactively to all prior periods presented.

A complete copy of the proposed FSP is available on the FASB's Web site. Comments are due September 19, 2005.

Recent FASB Meetings

Conceptual Framework (July 27)

The FASB continued its deliberations on the joint IASB/FASB conceptual framework project. The Board reached the following tentative conclusions:

- *Stewardship and Accountability* — Neither stewardship nor accountability should be separate objectives of financial reporting. Stewardship encompasses management's responsibility not only for the custody and safekeeping of assets entrusted to it, but also for their efficient and

[5] Statement 133 Implementation Issue No. C3, "Exception Related to Share-Based Payment Arrangements."

[6] Proposed FASB Staff Position No. AAG INV-a, "Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide."

profitable use. The converged framework should clarify that the primary objective of providing financial information useful for making investment, credit, and resource allocation decisions would include financial information useful for assessing management's stewardship.

- *Relationships Between Qualitative Characteristics of Financial Reporting* — The different qualitative characteristics (e.g., relevance and comparability) sometimes suggest different answers to standard-setting and financial reporting issues. Previous Board discussions of such differences focused on hierarchy or bargaining (i.e., how much of one quality one is willing to "trade off" to get more of another quality). The Board agreed that it would be better to view consideration of the qualitative characteristics as steps in a process that result in decision-useful financial reporting. The FASB staff will further develop a description of how qualitative characteristics of financial reporting information are used to build decision-useful financial reports.
- *Understandability* — The FASB staff will continue to refine the definition of understandability based on suggestions provided by Board members.

Deferred Acquisition Costs (August 3)

The FASB discussed the clearance of an AICPA Statement of Position, *Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection With Modifications or Exchanges of Insurance Contracts*, with AcSEC representatives. The FASB did not object to the issuance of the final SOP subject to changing the transition provisions to be consistent with FASB Statement No. 154, *Accounting Changes and Error Corrections*. The revised transition provisions would require the change in accounting principle to be reported in a manner similar to a cumulative effect of a change in accounting principle with the offsetting adjustments to the opening balance of retained earning as of the date of adoption. The AcSEC agreed to redraft the transition provisions.

Subsequent Events (August 17)

In its ongoing effort to codify U.S. GAAP, the FASB added a project to its agenda to establish accounting standards for subsequent events.

The Board plans to develop a standard reflecting the guidance in existing accounting standards and in the auditing requirements contained in AICPA Codification of Statements on Auditing Standards, AU Section 560, *Subsequent Events*.

The project will attempt to eliminate or minimize the following minor differences between U.S. GAAP and IAS 10, *Events after the Balance Sheet Date*:

- The date through which subsequent events are considered for adjustment to or disclosure in the financial statements,
- The reissuance of financial statements, and
- The examples used to illustrate the accounting requirements.

However, the project will not address the following differences because the FASB and IASB plan to address them in their joint project on financial performance reporting:

- Refinancing short-term obligations,
- Curing breaches of borrowing covenants, and
- Going concern issues.

The FASB staff will prepare a proposed Statement incorporating the requirements of AU Section 560 and the staff's proposals to address the international convergence objective.

Useful Life and Amortization of Intangible Assets (August 17)

The FASB reconsidered certain aspects of Statement 142[7] related to the determination of the useful life and amortization of renewable intangible assets. Specifically, the Board decided the following:

- At acquisition, the value of the renewable intangible asset should be attributed to the initial contractual period of use and all future renewal periods based on the relative value of the discounted cash flows of each period and amortized to expense over those respective periods.
- Incremental and direct costs of renewal should be capitalized and amortized over that renewal period.
- Renewable intangible assets should be subject to a fair-value-based test (similar to the impairment test for indefinite lived intangible assets under Statement 142). In the event of an impairment charge, the updated valuation should be utilized for purposes of attributing amortization expense to the remaining renewal periods.
- Paragraph 11(d) of Statement 142 should be modified as follows:
    - o Any legal, regulatory, or contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost (provided there

[7] FASB Statement No. 142, *Goodwill and Other Intangible Assets*.

is evidence to support renewal or extension and renewal is reasonably assured ~~or extension can be accomplished without material modifications of the existing terms and conditions~~).

FASB Project Summaries and Meeting Minutes

Project summaries maintained by the FASB staff, handouts distributed at each meeting, FASB meeting minutes, and summaries of FASB meetings and recent actions are available on the FASB's Web site.

Further information about the FASB can be found on the FASB's Web site, www.fasb.org.

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. FASB Staff Positions (the FASB staff's guidance) are proposed after the Board's review and, after being exposed for public comment, become final if a majority of the Board does not object to their issuance.

GASB Developments

GASB Publishes Implementation Guide on Postemployment Benefits Other Than Pensions

The GASB has published a *Guide to Implementation of GASB Statements 43 and 45 on Other Postemployment Benefits*, which provides **answers to over 250 questions** about topics including:

- Scope and applicability of Statement 43[8] and Statement 45,[9] including distinguishing between other postemployment benefits (OPEB) and other forms of employee benefits such as compensated absences, termination benefits, and pensions.
- Actuarial issues, including the timing and frequency of actuarial valuations associated with OPEB, and selection of methods and assumptions.
- Treatment of implicit rate subsidies that arise when retirees are insured in a group with current employees.
- Option for certain employers and plans with small plan memberships to apply an alternative measurement method to estimate liabilities and expenses associated with their OPEB obligations.

A related press release that includes ordering information is available on the GASB's Web site.

Further information about the GASB can be found on the GASB's Web site, www.gasb.org.

Conclusions of the GASB 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 GASB are determined only after extensive deliberation and due process, including a formal vote to issue a Statement or Interpretation.

SEC Developments

SEC Advisory Committee on Smaller Public Companies Makes Recommendations

The SEC Advisory Committee ("Committee") was established to assess the impact of the current regulatory system for smaller public companies under U.S. securities laws and make recommendations for changes.

At its August meeting, the Committee recommended that the SEC:

- Provide an additional **one-year extension of the Sarbanes-Oxley Section 404** compliance requirements for non-accelerated filers. This would delay the compliance date for internal control over financial reporting requirements to the first fiscal year ending on or after July 15, 2007.
- Classify public companies based on their market capitalization. Companies would determine their classification at the beginning of each fiscal year using a two-year average market capitalization. The Committee will use the following classification scheme to make recommendations specific to the size of the company.
    - Micro-Cap Company: Any company that ranks within the bottom one percent of total U.S. public market capitalization. Currently this represents market capitalization of less than approximately $100 million (or approximately 50 percent of all U.S. public companies).
    - Smaller Public Company: Any company that ranks within the bottom six percent of total U.S. public market capitalization. Currently this represents market capitalization of less than approximately $700 million (or approximately 80 percent of all U.S. public companies).

[8] GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.
[9] GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

- Large Public Company: Any company not within the bottom six percent of total U.S. public market capitalization.

- Stop any further acceleration of due dates for quarterly and annual reports for smaller public companies. The deadlines should remain at the current requirement of 40 days for quarterly reports and 75 days for annual reports.

A full text of the recommendations and further information on the Committee are available on the SEC's Web site.

SEC Extends XBRL Program to Investment Companies

The SEC has expanded its voluntary eXtensible Business Reporting Language (XBRL) program to investment companies. The expansion will allow mutual funds to file exhibits to their annual report to shareholders and quarterly statement of portfolio holdings using XBRL. XRBL turns text-based information, such as the filings currently available through the EDGAR system into documents that can be retrieved, searched and analyzed through automated means.

The press release and full text of the voluntary program release can be accessed on the SEC's Web site.

Christopher Cox Sworn In as SEC Chairman

On August 3, 2005, Christopher Cox took the oath of office to become the 28th Chairman of the SEC. Chairman Cox was nominated by President Bush on June 2, 2005, and was unanimously confirmed by the Senate on July 29, 2005. For the past 10 years, he served in the elected majority Leadership of the House of Representatives. Most recently, he was Chairman of the House Committee on Homeland Security. In addition, he served as White House counsel to President Reagan, was a securities partner in a law firm, and was a member of the Harvard Business School faculty.

Further information about the SEC can be found on the SEC's Web site, www.sec.gov.

International Developments

IASB Issues IFRS 7 on Financial Instrument Disclosures and Amends IAS 1 for Capital Disclosures

The IASB has issued IFRS 7, *Financial Instruments: Disclosures*, and a complementary amendment to IAS 1, *Presentation of Financial Statements — Capital Disclosures*. IFRS 7 introduces new requirements to **improve disclosure of financial instruments**. The amendment to IAS 1 introduces **disclosure requirements regarding an entity's capital**.

- *Principle Features of IFRS 7* — IFRS 7 applies to all risks arising from all instruments, except those covered by another more specific standard. The IFRS applies to all entities and requires disclosure of:
  - The significance of financial instruments to an entity's financial position and performance; and
  - Qualitative and quantitative information about **exposure to risks arising from financial instruments**, including specified minimum disclosures about credit risk, liquidity risk and market risk.
- *Amendments to IAS 1* — The amendments add requirements to disclose the following:
  - The entity's objectives, policies, and processes for managing capital;
  - Quantitative data about what the entity regards as capital;
  - Whether the entity has complied with its capital requirements; and
  - If it has not complied, the consequences of such non-compliance.

IFRS 7 and the amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2007. Earlier application is encouraged. A press release summarizing IFRS 7 and the amendments to IAS 1 is available on the IASB's Web site.

IASB Issues Amendments for Financial Guarantee Contracts

The IASB has issued amended requirements for financial guarantee contracts, in the form of limited amendments to IAS 39, *Financial Instruments: Recognition and Measurement* and IFRS 4, *Insurance Contracts*.

The amendments **define a financial guarantee contract** and are intended to ensure that issuers of financial guarantee contracts **include the resulting liabilities in their balance sheets**. The issuer of the contract will initially measure it at fair value and subsequently measure it at the higher of (a) the amount determined in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*; or (b) the amount initially recognized less cumulative amortization recognized in accordance with IAS 18, *Revenue*. However, if specific criteria are met, the issuer may use the fair value option in IAS 39.

In an accommodation to credit insurers, the amendments allow issuers that have previously explicitly asserted that such contracts were insurance contracts and used accounting specific to insurance contracts to elect to apply either IFRS 4 or the guidance described above. The IASB expects to review the accounting for credit insurance contracts in more detail in its project on insurance contracts.

The amendments are effective for annual periods beginning on or after January 1, 2006. Earlier application is encouraged. The amendments can be obtained from the IASB's Web site.

IASB Invites Comment on Its Proposed Technical Corrections Policy

The newly proposed IASB Policy on Technical Corrections would establish a **"fast track"** to address situations in which either (a) it is clear that the words in a standard do not convey the IASB's intention or (b) the standard has unexpected consequences. The proposed Policy establishes the ability of the IASB staff to take an issue directly to the Board for discussion at its next meeting. The Board would publish the proposed amendment on the IASB Web site and in the *IASB Update* and allow 30 days for comments.

The proposed Policy is available in its entirety on the IASB's Web site. Comments are due September 30, 2005.

Recent IFRIC Meeting

The International Financial Reporting Interpretations Committee discussed the following topics when it met in London on August 1–2, 2005:

- Service concession arrangements
- IAS 34 — Interaction with IAS 36 and IAS 39
- Employee Benefits — IFRIC D9: *Measurement Options*
- Employee Benefits: Distinction between defined-benefit and defined-contribution plans, and allocation of future salary increases
- IFRIC agenda decisions

A summary of the IFRIC meeting, the observer notes, and staff presentations made at the meeting are available on the IASB's Web site. Summaries of the IFRIC meeting decisions and discussions also are available on Deloitte's IAS Plus Web site.

Further information about the IASB and the IFRIC can be found on the IASB's Web site, www.iasb.org, and on the IAS Plus Web site, www.iasplus.com/index.htm.

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

Appendix A: Significant Adoption Dates and Deadlines

The chart below illustrates significant adoption dates and deadlines for the FASB, EITF, GASB, AICPA/AcSEC, SEC, PCAOB, and IASB/IFRIC.

FASB	Status
Upcoming Adoption Dates	
Statement 154, *Accounting Changes and Error Corrections* — a replacement of APB Opinion No. 20 and Statement No. 3	Effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.
Statement 153, *Exchanges of Nonmonetary Assets* — an amendment of APB Opinion No. 29	Effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005.
Statement 152, *Accounting for Real Estate Time-Sharing Transactions* — an amendment of FASB Statements No. 66 and 67	Effective for fiscal years beginning after June 15, 2005.
Statement 151, *Inventory Costs* — an amendment of ARB No. 43, Chapter 4	Effective for inventory costs incurred during fiscal years beginning after June 15, 2005.
Statement 123(R), *Share-Based Payment*, (reflecting change in effective dates for public companies as a result of the SEC's Final Rule amending Rule 4-01(a) of Regulation S-X)	Effective for public entities (other than those filing as small business issuers) as of the first interim or annual reporting period of the registrant's first fiscal year that begins after June 15, 2005. Public entities that file as small business issuers will be required to apply Statement 123(R) in the first interim or annual reporting period of the registrant's first fiscal year that begins after December 15, 2005. Nonpublic entities will be required to apply Statement 123(R) in the first annual reporting period that begins after December 15, 2005.
Interpretation 47, *Accounting for Conditional Asset Retirement Obligations* — an interpretation of FASB Statement No. 143	Effective as of the end of fiscal years ending after December 15, 2005.
Interpretation 46(R), *Consolidation of Variable Interest Entities* — an interpretation of ARB No. 51	**Public companies that are not small business issuers:** – Provisions of Interpretation 46(R) currently are effective. **Small Business Issuers:** – For interests in SPEs, Interpretation 46 or Interpretation 46(R) must be applied no later than for financial statements ending after December 15, 2003. – For interests in all entities, Interpretation 46(R) must be applied no later than for financial statements ending after December 15, 2004. **Nonpublic Entities:** – Interpretation 46(R) must be applied by the beginning of the first annual period beginning after December 15, 2004. For guidance related to foreign private issuers, refer to the SEC's Letter to AICPA Regarding Interpretation 46(R) Effective Date Provisions With Regard to Foreign Private Issuers on the SEC's Web site.
FSP FAS 150-5, "Issuer's Accounting Under FASB Statement No. 150 for Freestanding Warrants and Other Similar Instruments on Shares That Are Redeemable"	Effective for the first reporting period beginning after June 30, 2005.

FSP FAS 150-3, "Effective Date, Disclosures, and Transition for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests Under FASB Statement No. 150, *Accounting for Certain Financial Instruments With Characteristics of Both Liabilities and Equity"*	Certain mandatorily redeemable shares are subject to the provisions of Statement 150 for the first fiscal period beginning after December 15, 2004. Other mandatorily redeemable shares are deferred indefinitely, but may be subject to classification or disclosure provisions of the Statement.
FSP FAS 143-1, "Accounting for Electronic Equipment Waste Obligations"	Effective the later of the first reporting period ending after June 8, 2005, or the date of the adoption of the Waste Electrical and Electronic Equipment Directive by the applicable EU-member country.
FSP FAS 142-2, "Application of FASB Statement No. 142, *Goodwill and Other Intangible Assets*, to Oil- and Gas-Producing Entities"	Effective for reporting periods beginning after September 2, 2004.
FSP FAS 123(R)-1, "Classification and Measurement of Freestanding Financial Instruments Originally Issued in Exchange for Employee Services Under FASB Statement No. 123(R)"	Effective upon initial adoption of Statement 123(R). For an entity that adopted Statement 123(R) prior to August 31, 2005, this FSP is effective for either (a) the first reporting period beginning after August 31, 2005, or (b) an earlier period if the financial statements for that period have not been issued.
FSP FAS 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision Within the American Jobs Creation Act of 2004"	Effective as of December 21, 2004.
FSP FAS 109-1, "Application of FASB Statement No. 109, *Accounting for Income Taxes*, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004"	Effective as of December 21, 2004.
FSP FAS 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003"	Effective for the first interim or annual period beginning after June 15, 2004, except for certain nonpublic entities for which the effective date is for fiscal years beginning after December 15, 2004.
FSP FAS 19-1, "Accounting for Suspended Well Costs"	Effective for the first reporting period beginning after April 4, 2005.
FSP FIN 46(R)-5, "Implicit Variable Interests Under FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities*"	Effective in the first reporting period beginning after March 3, 2005, for entities that have adopted Interpretation 46(R). For all other entities, effective in accordance with the effective dates of Interpretation 46(R).
FSP FIN 46(R)-4, "Technical Correction of FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities*, Relating to Its Effects on Question No. 12 of EITF Issue No. 96-21, 'Implementation Issues in Accounting for Leasing Transactions Involving Special-Purpose Entities'"	The guidance should be applied in accordance with the effective dates of Interpretation 46(R).
FSP FIN 46(R)-3, "Evaluating Whether as a Group the Holders of the Equity Investment at Risk Lack the Direct or Indirect Ability to Make Decisions About an Entity's Activities Through Voting Rights or Similar Rights Under FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities*"	The guidance should be applied in accordance with the effective dates of Interpretation 46(R).
FSP FIN 46(R)-2, "Calculation of Expected Losses Under FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities*"	The guidance should be applied in accordance with the effective dates of Interpretation 46(R).
FSP FIN 46(R)-1, "Reporting Variable Interests in Specified Assets of Variable Interest Entities as Separate Variable Interest Entities Under Paragraph 13 of FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities*"	The guidance should be applied in accordance with the effective dates of Interpretation 46(R).

FSP APB 18-1, "Accounting by an Investor for Its Proportionate Share of Accumulated Other Comprehensive Income of an Investee Accounted for Under the Equity Method in Accordance With APB Opinion No. 18 Upon Loss of Significant Influence"	Effective as of the first reporting period beginning after July 12, 2005.
FSP SOP 78-9-1, "Interaction of AICPA Statement of Position 78-9 and EITF Issue No. 04-5	Effective after June 29, 2005, for new limited partnership agreements and for pre-existing limited partnership agreements that are modified; otherwise, effective no later than the beginning of the first reporting period in fiscal years beginning after December 15, 2005.
FSP EITF 00-19-1, "Application of EITF Issue No. 00-19 to Freestanding Financial Instruments Originally Issued as Employee Compensation"	The guidance should be applied in accordance with the effective date of Statement 123(R).
FSP EITF 85-24-1, "Application of EITF Issue No. 85-24, 'Distribution Fees by Distributors of Mutual Funds That Do Not Have a Front-End Sales Charge,' When Cash for the Right to Future Distribution Fees for Shares Previously Sold Is Received From Third Parties"	Effective for reporting periods beginning after March 11, 2005.
Statement 133 Implementation Issue No. G1, "Cash Flow Hedges: Hedging an SAR Obligation"	Revisions effective as of the beginning of the period in which the entity initially adopts Statement 123(R).
Statement 133 Implementation Issue No. E22, "Hedging — General: Accounting for the Discontinuance of Hedging Relationships Arising From Changes in Consolidation Practices Related to Applying FASB Interpretation No. 46 or 46(R)"	Effective as of the date of initial application of Interpretation 46 and/or Interpretation 46(R).
Statement 133 Implementation Issue No. E19, "Hedging — General: Methods of Assessing Hedge Effectiveness When Options Are Designated as the Hedging Instrument"	Revisions effective as of the beginning of the period in which the entity initially adopts Statement 123(R).
Statement 133 Implementation Issue No. C3, "Scope Exceptions: Exception Related to Share-Based Payment Arrangements"	Revisions effective as of the beginning of the period in which the entity initially adopts Statement 123(R).
Statement 133 Implementation Issue No. B39, "Embedded Derivatives: Application of Paragraph 13(b) to Call Options That Are Exercisable Only by the Debtor"	Effective the first day of the first fiscal quarter beginning after December 15, 2005.
Statement 133 Implementation Issue No. B38, "Embedded Derivatives: Evaluation of Net Settlement With Respect to the Settlement of a Debt Instrument Through Exercise of an Embedded Put Option or Call Option"	Effective the first day of the first fiscal quarter beginning after December 15, 2005.
Projects in Exposure Draft Stage	
Proposed Interpretation, *Accounting for Uncertain Tax Positions* — an interpretation of FASB Statement No. 109	Comments due September 12, 2005.
Proposed FSP FAS 13-a, "Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction"	Comments due September 12, 2005.
Proposed FSP AAG INV-a, "Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide"	Comments due September 19, 2005.
Proposed Statement, *Accounting for Transfers of Financial Assets* — an amendment of FASB Statement No. 140	Comments due October 10, 2005.
Proposed Statement, *Accounting for Servicing of Financial Assets* — an amendment of FASB Statement No. 140	Comments due October 10, 2005.

Proposed Statement, *Accounting for Certain Hybrid Financial Instruments* — an amendment of FASB Statements No. 133 and 140	Comments due October 10, 2005.
Proposed Statement, *Business Combinations* — a replacement of FASB Statement No. 141	Comments due October 28, 2005.
Proposed Statement, *Consolidated Financial Statements, Including Accounting and Reporting of Noncontrolling Interests in Subsidiaries* — a replacement of ARB No. 51	Comments due October 28, 2005.
EITF	**Status**
Upcoming Adoption Dates	
Issue 05-6, "Determining the Amortization Period for Leasehold Improvements Purchased After Lease Inception or Acquired in a Business Combination"	Effective for periods beginning after June 29, 2005.
Issue 05-5, "Accounting for Early Retirement Programs With Specific Features (Such as Terms Specified in Altersteilzeit Early Retirement Arrangements)"	Effective for fiscal years beginning after December 15, 2005.
Issue 05-2, "The Meaning of 'Conventional Convertible Debt Instrument' in EITF Issue No. 00-19, 'Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock'"	Effective for new instruments and modifications to existing instruments entered into after June 29, 2005.
Issue 04-10, "Determining Whether to Aggregate Operating Segments That Do Not Meet the Quantitative Thresholds"	Effective for fiscal years ending after September 15, 2005.
Issue 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings per Share"	Effective for fiscal periods ending after December 15, 2004.
Issue 04-6, "Accounting for Stripping Costs Incurred During Production in the Mining Industry"	Effective for fiscal years beginning after December 15, 2005.
Issue 04-5, "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights"	Effective after June 29, 2005, for new limited partnership agreements and for pre-existing limited partnership agreements that are modified; otherwise, effective no later than the beginning of the first reporting period in fiscal years beginning after December 15, 2005.
Issue 04-1, "Accounting for Preexisting Relationships Between the Parties to a Business Combination"	Effective for business combinations completed and goodwill impairment tests performed in reporting periods beginning after October 13, 2004.
Issue 03-13, "Applying the Conditions in Paragraph 42 of FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, in Determining Whether to Report Discontinued Operations"	Effective for components either disposed of or classified as held for sale in fiscal periods beginning after December 15, 2004.
Issue 02-14, "Whether an Investor Should Apply the Equity Method of Accounting to Investments Other Than Common Stock"	Effective for the first reporting period beginning after September 15, 2004.
Amendment to Issue No. 96-16, "Investor's Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholders Have Certain Approval or Veto Rights"	Effective for new investments and investment agreements modified after June 29, 2005.
Topic D-108, "Use of the Residual Method to Value Acquired Assets Other Than Goodwill"	Effective for business combinations completed after September 29, 2004. Companies that have applied the residual method to the valuation of intangible assets for purposes of impairment testing will be required to perform an impairment test no later than the beginning of their first fiscal year beginning after December 15, 2004, using a direct method.

GASB	Status
Upcoming Adoption Dates	
GASB Statement No. 47, *Accounting for Termination Benefits*	For termination benefits provided through an existing defined benefit OPEB plan, the provisions should be applied simultaneously with the requirements of GASB Statement 45. For all other termination benefits, effective for periods beginning after June 15, 2005.
GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation* — an amendment of GASB Statement No. 34	Effective for fiscal periods beginning after June 15, 2005.
GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*	Effective in three phases based on a government's total annual revenues.
GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section* — an amendment of NCGA Statement 1	Effective for statistical sections prepared for periods beginning after June 15, 2005.
GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*	Effective one year prior to the effective date of GASB Statement 45 for the employer in a single-employer plan or the largest participating employer in a multi-employer plan.
GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*	Effective for fiscal periods beginning after December 15, 2004.
GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit (OPEB) Expenditures/Expense and Liabilities by Cost-Sharing Employers*	For pension transactions, effective for financial statements for periods ending after December 15, 2004, with earlier application encouraged. For OPEB transactions, the provisions should be applied simultaneously with the requirements of GASB Statement 45.

AICPA/AcSEC	Status
Upcoming Adoption Dates	
SOP 04-2, *Accounting for Real Estate Time-Sharing Transactions*	Effective for fiscal years beginning after June 15, 2005.
SOP 03-3, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*	Effective for loans acquired in fiscal years beginning after December 15, 2004.

SEC	Status
Upcoming Adoption Dates	
Final Rule, *Use of Form S-8, Form 8-K, and Form 20-F by Shell Companies*	Effective August 22, 2005, except that Form 8-K, Item 5.06 is effective November 7, 2005.
Final Rule, *First-Time Application of International Financial Reporting Standards* (amendments to Form 20-F)	Rule will apply to foreign private issuers that adopt IFRS prior to or for the first financial year starting on or after January 1, 2007.
Final Rule, *Amendment to Rule 4-01(a) of Regulation S-X Regarding the Compliance Date for Statement of Financial Accounting Standards No. 123 (revised 2004)*, Share-Based Payment	Effective for public entities (other than those filing as small business issuers) as of the first interim or annual reporting period of the registrant's first fiscal year that begins after June 15, 2005. Public entities that file as small business issuers will be required to apply Statement 123(R) in the first interim or annual reporting period of the registrant's first fiscal year that begins after December 15, 2005.
Final Rule, *Asset-Backed Securities*	Effective as of March 8, 2005.

Final Rule, *Management's Report on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports* (an extension of compliance date)	Effective for fiscal years ending on or after November 15, 2004, for certain "accelerated filers." Effective for fiscal years ending on or after July 15, 2006, for "nonaccelerated filers." Effective for fiscal years ending on or after July 15, 2006, for foreign private issuers that file annual reports on forms 20-F or 40-F. For accelerated filers with (i) public equity float of less than $700 million at the end of its second fiscal quarter in 2004; and (ii) fiscal years ending between November 15, 2004, and February 28, 2005, the filing date of management's report on internal control over financial reporting has been postponed 45 days.
SAB 107 (on the interaction between FASB Statement No. 123(R), *Share-Based Payment*, and certain SEC rules and regulations)	Effective upon the adoption of Statement 123(R).
SAB 106 (on the application of FASB Statement No. 143, *Accounting for Asset Retirement Obligations*, by oil- and gas-producing companies following the full cost accounting method)	Effective prospectively as of the beginning of the first fiscal quarter beginning after October 4, 2004.
Temporary Postponement of the Final Phase-In Period for Acceleration of Periodic Report Filing Dates	Effective as of December 23, 2004.
PCAOB	**Status**
Upcoming Adoption Dates	
Auditing Standard No. 4, *Reporting on Whether a Previously Reported Material Weakness Continues to Exist*	Effective upon approval by the SEC.
Auditing Standard No. 3, *Audit Documentation*	Effective for audits of financial statements with fiscal years ending on or after November 15, 2004.
Auditing Standard No. 2, *An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements*	Effective for audits of companies with fiscal years ending on or after November 15, 2004, for certain accelerated filers, or July 15, 2006, for other companies. For accelerated filers with (i) public equity float of less than $700 million at the end of its second fiscal quarter in 2004 and (ii) fiscal years ending between November 15, 2004, and February 28, 2005, the filing date of management's report on internal control over financial reporting has been postponed 45 days.
Conforming Amendments to PCAOB Interim Standards Resulting From the Adoption of PCAOB Auditing Standard No. 2, "An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements"	Effective for integrated audits of financial statements at the same time as Auditing Standard No. 2. Effective for audits of only financial statements for periods ending on or after July 15, 2005.
Rule 3501, *Definitions of Terms Employed in Section 3, Part 5 of the Rules;* Rule 3502, *Responsibility Not to Cause Violations;* Rule 3520, *Auditor Independence*	Effective 10 days after approval by the SEC.
Rule 3521, *Contingent Fees*	Effective for contingent fee arrangements that were not paid in their entirety, converted to fixed fee arrangements, or otherwise unwound before the later of December 31, 2005, or 10 days after approval by the SEC.
Rule 3522, *Tax Transactions*	Effective for tax services completed after the later of December 31, 2005, or 10 days after approval by the SEC.
Rule 3523, *Tax Services for Persons in Financial Reporting Oversight Roles*	Rule will not apply to tax services being provided pursuant to an engagement in process at the time the SEC approves the rules, provided that such services are completed on or before the later of June 30, 2006, or 10 days after approval by the SEC.

Rule 3524, *Audit Committee Pre-approval of Certain Tax Services*	Rule will not apply to any tax service pre-approved before the later of December 31, 2005, or 10 days after approval by the SEC, or, in the case of an issuer that pre-approves non-audit services by policies and procedures, the rule will not apply to any tax service provided by March 31, 2006.
IASB/IFRIC	**Status**
Upcoming Adoption Dates	
IFRS 7, *Financial Instruments: Disclosures*	Effective for annual periods beginning on or after January 1, 2007.
IFRS 6, *Exploration for and Evaluation of Mineral Resources*	Effective for annual periods beginning on or after January 1, 2006.
IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*	Effective for annual periods beginning on or after January 1, 2005.
IFRS 4, *Insurance Contracts*	Effective for annual periods beginning on or after January 1, 2005.
IFRS 2, *Share-based Payment*	Effective for annual periods beginning on or after January 1, 2005.
Amendment to IFRS 1, *First-time Adoption of International Financial Reporting Standards*, and IFRS 6, *Exploration for and Evaluation of Mineral Resources*	Effective June 30, 2005.
Amendment to IAS 39, *Financial Instruments: Recognition and Measurement,* and IFRS 4, *Insurance Contracts*	Effective for annual periods beginning on or after January 1, 2006.
Amendment to IAS 39, *Financial Instruments: Recognition and Measurement — The Fair Value Option*	Effective for annual periods beginning on or after January 1, 2006.
Amendment to IAS 39, *Financial Instruments: Recognition and Measurement — Cash Flow Hedge Accounting of Forecast Intragroup Transactions*	Effective for annual periods beginning on or after January 1, 2006.
Amendment to IAS 39, *Financial Instruments: Recognition and Measurement — Transition and Initial Recognition of Financial Assets and Financial Liabilities*	Effective for annual periods beginning on or after January 1, 2005.
Amendment to IAS 32, *Financial Instruments: Disclosure and Presentation*	Effective for annual periods beginning on or after January 1, 2005.
Amendment to IAS 19, *Employee Benefits*	Effective for annual periods beginning on or after January 1, 2006.
Amendment to IAS 1, *Presentation of Financial Statements — Capital Disclosures*	Effective for annual periods beginning on or after January 1, 2007.
Improvements to International Accounting Standards	Effective for annual periods beginning on or after January 1, 2005.

Amendment to SIC-12, *Consolidation — Special Purpose Entities*	Effective for annual periods beginning on or after January 1, 2005.
IFRIC Interpretation 5, *Rights to Interests Arising From Decommissioning, Restoration and Environmental Rehabilitation Funds*	Effective for annual periods beginning on or after January 1, 2006.
IFRIC Interpretation 4, *Determining Whether an Arrangement Contains a Lease*	Effective for annual periods beginning on or after January 1, 2006.
IFRIC Interpretation 2, *Members' Shares in Co-operative Entities and Similar Instruments*	Effective for annual periods beginning on or after January 1, 2005.
IFRIC Interpretation 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*	Effective for annual periods beginning on or after September 1, 2004.
Projects in Exposure Draft Stage	
Proposed Policy on Technical Corrections	Comments due September 30, 2005.
Proposed Amendments to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and IAS 19, *Employee Benefits*	Comments due October 28, 2005.
Proposed Amendments to IAS 27, *Consolidated and Separate Financial Statements*	Comments due October 28, 2005.
Proposed Amendments to IFRS 3, *Business Combinations*	Comments due October 28, 2005.

Appendix B: Abbreviations

AcSEC	Accounting Standards Executive Committee
AICPA	American Institute of Certified Public Accountants
APB	Accounting Principles Board
ARB	Accounting Research Bulletin
ASB	Auditing Standards Board
DIG	Derivatives Implementation Group
EITF	Emerging Issues Task Force
FAS	Financial Accounting Standard
FASB	Financial Accounting Standards Board
FIN	FASB Interpretation
FSP	FASB Staff Position
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFAC	International Federation of Accountants
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
MD&A	Management's Discussion & Analysis
NCGA	National Council on Governmental Accounting
PCAOB	Public Company Accounting Oversight Board
SAB	Staff Accounting Bulletin
SAS	Statement on Auditing Standards
SEC	Securities and Exchange Commission
SOP	Statement of Position
TPA	Technical Practice Aid

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