

Accounting Roundup

Audit and Enterprise Risk Services

September 2005

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FASB Developments

FASB Issues Exposure Draft on Earnings per Share

The FASB has issued an Exposure Draft¹ that would amend FASB Statement No. 128, *Earnings per Share*, to clarify guidance for mandatorily convertible instruments, the treasury stock method, contracts that may be settled in cash or shares, and contingently issuable shares. This proposed Statement was originally exposed in December 2003, but is being reexposed due to the significance of the changes to the computational guidance applicable to the treasury stock method. The proposed Statement is part of the short-term international convergence efforts and would:

- Amend the computational guidance for calculating the number of incremental shares included in diluted shares when applying the treasury stock method. The number of incremental shares included in year-to-date diluted earnings per share (EPS) would be computed using the average market price of common shares for the year-to-date period, **independent of the quarterly computations**. Similarly, contingently issuable shares in the year-to-date computation would be computed independent of the quarterly computations.
- Further amend the treasury stock method to **treat the carrying amount of an extinguished liability upon issuance of shares as assumed proceeds**. The extinguished liability would be included in assumed proceeds at the carrying amount as of the end of the period for which EPS is measured. This would lead to dilution when the share price used to compute the end-of-period liability is lower than the average share price used in the treasury stock method.
- Eliminate the provision of Statement 128 that allows an entity to rebut the presumption that contracts that may be settled in either cash or shares will be settled in shares. **Share settlement must be assumed**, if dilutive, for the purpose of computing diluted EPS for an otherwise cash-settled instrument that contains a provision that requires or permits share settlement under certain circumstances.
- Define a mandatorily convertible instrument and clarify that shares that would be issued upon conversion of a mandatorily convertible instrument should be included in the weighted-average number of ordinary shares

¹ Proposed FASB Statement, *Earnings per Share* — an amendment of FASB Statement No. 128.

outstanding used in computing **basic EPS, whether the effect is dilutive or antidilutive**, from the date the future conversion becomes mandatory using the if-converted method.

- Eliminate the weighted-average computation for calculating contingently issuable shares and require that contingently issuable shares be included in diluted EPS from the **beginning of the period that the conditions for issuance are satisfied**, or the date of the contingent share arrangement, if later.

The proposed Statement would be effective for interim and annual periods ending after June 15, 2006. Retrospective application would be required for all changes to Statement 128, except that retrospective application would be prohibited for contracts that were either settled in cash prior to adoption or modified prior to adoption to require cash settlement. The [proposed Statement](#) is available on the FASB's Web site. Comments are due November 30, 2005.

FASB Issues Invitation to Comment on Assets and Liabilities With Uncertainties

The Board issued an Invitation to Comment² to solicit input for use in the next phase of the Conceptual Framework project. The next phase of the project will include assessing the **role of probability and uncertainty** in defining, recognizing, and measuring assets and liabilities. The FASB staff believes that the current FASB and IASB frameworks do not adequately address either probability or uncertainty in relation to assets and liabilities.

To some extent, either probability or uncertainty plays some role in defining, recognizing, and measuring assets and liabilities in both frameworks. However, that role is not always clear, and is at times inconsistent within or between frameworks. Issues regarding the treatment of probability and uncertainty exist at the standards level as well. Both the FASB and the IASB have a general standard relating to assets and liabilities with uncertainties (Statement 5³ and IAS 37,⁴ respectively). However, there are many differences between the two standards. The FASB's standard is also inconsistent with its framework, which was developed much later.

Another issue at the standards level is the change in the treatment of probability and uncertainty that has occurred in more recent standards. The FASB has increasingly favored the use of fair value measurement in its standards (e.g., Interpretation 45⁵ and Statement 143⁶). In such cases, the change in the measurement attribute has been accompanied

by a shift from the use of probability or uncertainty as a recognition criterion to its use in measuring the fair value of the item instead. The IASB standards are undergoing similar changes that would converge their standards with the recent FASB standards.

Among other issues, the FASB is seeking input on **eliminating the notions of contingent assets and contingent liabilities** and omitting the probability criterion for recognition of nonfinancial liabilities. Instead, according to the Invitation to Comment, companies would generally measure:

- Unconditional rights associated with conditional assets under the current recognition and measurement rules for intangible assets
- Stand-ready obligations associated with conditional liabilities at either (1) the amount they would rationally pay to settle the present obligation or to transfer it to a third party at the balance sheet date or (2) an estimate of such an amount using a discounted expected cash flow technique.

The [Invitation to Comment](#) is available on the FASB's Web site. Comments are due January 3, 2006.

FASB Issues Proposed FSP on Assessing Variability Under Interpretation 46(R)

Proposed FSP FIN 46(R)-c⁷ was issued to address current diversity in practice in the determination of variability to be considered when applying Interpretation 46(R).⁸ The variability that is considered in applying Interpretation 46(R) may affect (1) the determination as to whether the entity is a variable interest entity (VIE), (2) the determination of which interests are variable interests in the entity, (3) if necessary, the calculation of expected losses and residual returns of the entity, and (4) the determination of which party is the primary beneficiary of the VIE.

The proposed FSP requires that the variability considered when applying Interpretation 46(R) should be based on the **purpose for which the entity was created and the nature of the risks** that the entity was designed to create and pass along to the entity's interest holders (e.g., credit risk, interest rate risk, commodity price risk, and operations risk). In obtaining an understanding of the design of the entity, all relevant facts and circumstances should be considered, including, but not limited to, the following factors:

- Activities of the entity,

² FASB Invitation to Comment, *Selected Issues Relating to Assets and Liabilities With Uncertainties*.

³ FASB Statement No. 5, *Accounting for Contingencies*.

⁴ IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

⁵ FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* — an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34.

⁶ FASB Statement No. 143, *Accounting for Asset Retirement Obligations*.

⁷ Proposed FASB Staff Position No. FIN 46(R)-c, "Determining the Variability to Be Considered in Applying FASB Interpretation No. 46(R)."

⁸ FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities* — an interpretation of ARB No. 51.

- Nature of the entity's interests issued,
- Terms of the entity's contracts, and
- How the entity's interests were marketed to potential investors.

Once finalized, this FSP would be effective **prospectively** for all entities an enterprise first becomes involved with after the date the final FSP is posted to the FASB's Web site. In addition, the guidance would be effective for all entities previously analyzed under Interpretation 46(R) for which a reconsideration event as to whether the entity is a VIE occurs after the effective date. Early application would be permitted for periods for which financial statements have not yet been issued. Retrospective application to the date of the initial application of Interpretation 46(R) would be permitted but not required. If elected, retrospective application must be completed no later than the first interim or annual reporting period ending after April 15, 2006.

The [proposed FSP](#), which is available on the FASB's Web site, contains numerous examples to illustrate how the process of assessing variability would be applied to specific transactions. The FASB approved the issuance of this proposed FSP at its September 7, 2005, meeting; [minutes](#) of that meeting are available on the FASB's Web site. Deloitte & Touche's *Heads Up* on the proposed FSP will be issued shortly. Comments are due November 30, 2005.

FASB Issues Proposed FSP on Calculating the APIC Pool Under Statement 123(R)

Statement 123(R)⁹ requires companies to calculate the pool of excess tax benefits available to absorb tax deficiencies recognized subsequent to the adoption of Statement 123(R) (the "APIC Pool"). In calculating the APIC pool, a company must include the net excess tax benefits that would have qualified as such had the entity originally adopted Statement 123¹⁰ for recognition purposes. Many companies have indicated that they do not have the relevant information or that there may be significant cost or complexities involved in determining the full historical APIC pool back to the original effective date of Statement 123.

As such, the FASB issued proposed FSP FAS 123(R)-c¹¹ to provide an **elective transition alternative** to calculating the transition APIC pool. Under this alternative, the beginning balance of a company's APIC pool should be calculated as follows:

- All increases of additional paid-in capital recognized in an entity's financial statements related to tax benefits from stock-based compensation during fiscal periods subsequent to the adoption of Statement 123 but prior to the adoption of Statement 123(R) less

- The cumulative gross compensation cost either (a) recognized pursuant to Statement 123 or (b) disclosed pursuant to the provisions of Statement 123, multiplied by the entity's current blended statutory tax rate.

Tax benefits realized in accordance with Statement 123(R) and recognized in equity subsequent to the adoption of Statement 123(R) that relate to an award that was fully vested prior to the adoption of Statement 123(R) should increase the APIC pool. The impact on the APIC pool of an award that is partially vested upon or granted after the adoption of Statement 123(R) should be determined in accordance with Statement 123(R).

Statement of Cash Flows — Under the FSP, tax benefits that are (1) realized in accordance with Statement 123(R), (2) recognized in equity subsequent to the adoption of Statement 123(R), and (3) related to an award that was fully vested prior to the adoption of Statement 123(R) should be included as a **cash inflow from financing** activities and **cash outflow from operating** activities. The cash flow impact of an award that is partially vested upon or granted after the adoption of Statement 123(R) should be determined in accordance with Statement 123(R).

Effective Date and Transition — The proposed FSP would be effective upon the date the final FSP is posted to the FASB's Web site. Companies that adopt Statement 123(R) using either modified retrospective or modified prospective application may make a one-time policy election to adopt either the elective transition alternative or the transition method described in paragraph 81 of Statement 123(R). A company may take up to one year from the later of its initial adoption of Statement 123(R) or the effective date of the final FSP to evaluate its available transition alternatives and finalize its election.

The [proposed FSP](#) is available on the FASB's Web site. Comments are due October 8, 2005.

FASB Issues Proposed FSP on Determining Grant Date Under Statement 123(R)

Under Statement 123(R), companies estimate the fair value of their share-based payment awards when the awards have been granted. One of the criteria for determining that a share-based payment award has been granted is that the employer and its employees have a mutual understanding of the key terms and conditions of the award. Under proposed FSP FAS 123(R)-b,¹² a **mutual understanding is presumed to exist** at the date the award is approved by the Board of Directors or management with relevant authority, if the following conditions are met:

⁹ FASB Statement No. 123 (revised 2004), *Share-Based Payment*.

¹⁰ FASB Statement No. 123, *Accounting for Stock-Based Compensation*.

¹¹ Proposed FASB Staff Position No. FAS 123(R)-c, "Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards."

¹² Proposed FASB Staff Position No. FAS 123(R)-b, "Practical Exception to the Application of Grant Date as Defined in FASB Statement No. 123(R)."

- The recipient does not have the ability to negotiate the key terms and conditions of the award,
- The key terms are expected to be communicated to all recipients within a reasonably short time period from the approval date, and
- All other criteria for determining the grant date have been met.

Entities would apply the guidance in the proposed FSP upon initial adoption of Statement 123(R). Entities that adopt Statement 123(R) prior to issuance of the final FSP would apply the guidance in the first reporting period beginning after the date the final FSP is posted to the FASB's Web site. The proposed FSP is available on the FASB's Web site. Comments were due October 1, 2005.

Recent FASB Meetings

Fair Value Measurement Project (September 14)

- *Restricted Securities* — The definition of restricted securities in the Fair Value Measurements Exposure Draft will be modified to explicitly encompass securities with restrictions that both limit and prohibit sale.
- *Disclosures* — The Board decided to require disclosure of each major category of assets and liabilities remeasured at fair value during the period, segregated into three levels as follows:
 - o Level 1 — Estimates based on quoted prices in active markets for identical assets or liabilities,
 - o Levels 2–4 — Estimates based on other market inputs, whether directly observable or otherwise derived, and
 - o Level 5 — Estimates based on entity inputs.

This represents a change from the disclosure levels outlined in the Exposure Draft, which were Level 1, Levels 2 and 3 combined, and Levels 4 and 5 combined. In addition, the Board limited the requirement to disclose unrealized gains and losses to Level 5 estimates.

- *Timing* — The Fair Value Measurements Exposure Draft will not be reexposed, but a working draft of the standards section of the Statement will be posted to the FASB's Web site, concurrent with the Exposure Draft of the proposed FSP related to EITF Issue 02-3.¹³
- *Effective Date* — The disclosure provisions will be effective for fiscal years ending after December 15, 2006, and the remaining provisions will be effective for fiscal years beginning after December 15, 2006.

- *Transition* — The provisions of the Statement should be applied prospectively, except that the prohibition against using a blockage factor in valuing a large block of securities should be applied retrospectively.

Fair Value of Certain Derivative Contracts (September 14)

The Board is developing a proposed FSP relating to EITF Issue 02-3. The Board addressed the following topics related to that proposed FSP:

- *Proposed FSP Versus Implementation Issue B6*¹⁴ — The Board discussed an inconsistency between the proposed FSP and Implementation Issue B6 that might result in a difference in the way dealer profit is recognized if a derivative is embedded into a non-derivative host as opposed to issued as a freestanding instrument.

The Board agreed that Implementation Issue B6 should be amended to require that each component of the hybrid instrument be recorded at fair value. The difference between the transaction price and the sum of the component fair values (representing dealer profit) would be recognized separately as specified under the proposed FSP; that is, as either a deferred credit (Level 5) or as revenue (Levels 1–4).

- *Interaction Between the Proposed FSP and the Hybrid Instruments Exposure Draft*¹⁵ — The Board discussed the interaction between the proposed FSP and the Hybrid Instruments Exposure Draft, which would allow entities to record hybrid instruments at fair value. In particular, concerns have been raised regarding when to recognize dealer profit when a Level 5 derivative is embedded into a Level 3 non-derivative host.

At a future meeting, the Board will address how to determine the principal value driver under the Fair Value Measurements Exposure Draft, as this drives what level the estimate is based on and ultimately whether it is recognized in earnings (Levels 1–4) or deferred (Level 5).

- *Effective Date* — The proposed FSP would be effective for fiscal years beginning after December 15, 2006, consistent with the proposed effective date of the Statement on Fair Value Measurements. Earlier application would be encouraged, but only if the enterprise applies the Fair Value Measurements Statement concurrently.
- *Transition* — The application of this FSP would be a change in accounting principle that is separable from a change in estimate and should be accounted for under a limited retrospective transition.

¹³ EITF Issue No. 02-3, "Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities."

¹⁴ Statement 133 Implementation Issue No. B6, "Allocating the Basis of a Hybrid Instrument to the Host Contract and the Embedded Derivative."

¹⁵ Proposed FASB Statement, *Accounting for Certain Hybrid Financial Instruments* — an amendment of FASB Statements No. 133 and 140.

Financial Performance Reporting by Business Enterprises (August 31)

The Board decided that the following interim reporting issues should be addressed in the financial performance reporting project:

- Which financial statements, if any, should be required.
- Whether required financial statements could be presented in a condensed format and, if so, whether the Board should provide guidance related to how the information may be condensed.
- What comparative periods, if any, should be required or allowed and when, if ever, 12-months-to-date financial statements should be required or allowed.
- Whether guidance for private companies should differ from guidance for public companies.

The Board also decided that those issues should be addressed as a separate segment of the project to occur after or near the completion of Phase B of the project.

GAAP Hierarchy (August 24)

Based on comments raised by constituents, the Board reconsidered certain aspects of its Exposure Draft, *The Hierarchy of Generally Accepted Accounting Principles*. The Board affirmed its previous decisions that EITF consensuses should remain in category (c) in the GAAP hierarchy, that Technical Bulletins should remain in category (b), and that FASB Staff Positions and Statement 133 Implementation Issues should be classified in category (a).

However, the Board decided to make the following changes to the Exposure Draft as a result of comments received from constituents:

- AICPA *Industry Audit and Accounting Guides* that have not been cleared by the Board should be included in category (d) of the GAAP hierarchy.
- If the accounting treatment for a transaction or event is not specified by a pronouncement or practice described in categories (a)–(d), an enterprise shall first consider accounting principles for similar transactions or events within categories (a)–(d) and then other accounting literature. [Additions are underlined.]
- The effective date will coincide with the effective dates of the AICPA's amendments to Statement on Auditing Standards No. 69, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*, and similar guidance from the PCAOB.
- A change that occurs as a result of applying the new hierarchy should be accounted for as a change in accounting principle in accordance with Statement 154.¹⁶

Entities should disclose the accounting principle that was used both before and after the application of the new hierarchy and the reason why applying it resulted in a change in accounting principle.

Other-Than-Temporary Impairment (September 7, September 14)

The Board anticipated that constituents might inappropriately interpret forthcoming FSP FAS 115-1¹⁷ as eliminating the ability to place debt securities on a nonaccrual basis. As such, the Board will retain the paragraph pertaining to the accounting for debt securities subsequent to an other-than-temporary impairment, but add a footnote clarifying that this FSP does not address when a security should be placed on a nonaccrual status.

The FSP will be effective for fiscal years beginning after December 15, 2005. Prospective transition will be provided for debt securities subsequent to an other-than-temporary impairment.

Risk Transfer in Insurance and Reinsurance Contracts (September 14)

The scope of this project will be limited to determining whether enough insurance risk has been transferred to account for the contract as insurance, as opposed to a deposit or a derivative. The focus of this project will be the accounting for finite risk transfer. At a future meeting, the board will discuss the bifurcation of contracts into insurance components and noninsurance or derivative components.

The Board agreed to use the definitions of insurance contracts, insurance risk, and related terms in Appendices A and B of IFRS 4, *Insurance Contracts*, as working definitions that will serve as a starting point for the Board's risk transfer project. Starting with the same basic definitions provides an early opportunity for a limited convergence effort with the IASB's insurance contracts project. The FASB plans to make Phase II of the IASB's project a modified joint project.

The Board believes that the FASB's definitions should also incorporate the existing definitions and guidance in FASB Statement No. 113, *Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts*, to the extent they are superior to IFRS 4. Although Statement 113 only addresses reinsurance contracts, the FASB project will apply to both insurance and reinsurance contracts. The IASB project addresses insurance contracts and reinsurance contracts irrespective of the issuer's industry, whereas the FASB project will apply only to contracts written by insurance enterprises.

¹⁶ FASB Statement No. 154, *Accounting Changes and Error Corrections* — a replacement of APB Opinion No. 20 and FASB Statement No. 3.

¹⁷ FASB Staff Position No. FAS 115-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments."

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, Interpretation, or FASB Staff Position.

AICPA Developments

AICPA Issues Proposed Auditing Standard on Communication of Internal Control Matters

The AICPA has issued a proposed Statement on Auditing Standards¹⁸ designed to enhance the auditor's ability to **identify and communicate significant deficiencies and material weaknesses** in internal control identified in a financial statement audit. This document was previously exposed in 2003, but is being reexposed because significant changes have been made to address constituent comments and reflect certain definitions and guidance in PCAOB Auditing Standard 2.¹⁹ The proposed SAS would supersede AICPA Statement on Auditing Standards No. 60, *Communication of Internal Control Related Matters Noted in an Audit*. Among other items addressed, the proposed SAS:

- Incorporates the definitions of the terms *control deficiency* and *material weakness* used in PCAOB Auditing Standard 2, and replaces the term *reportable condition* with the term *significant deficiency* and its related definition in PCAOB Auditing Standard 2.
- Requires the auditor to communicate significant deficiencies and material weaknesses in internal control, in writing, to management and those charged with governance. These matters should be communicated even if they were previously communicated in connection with previous audits. Communications must occur no later than **60 days** following the report release date.
- Provides guidance to the auditor in evaluating deviations and the severity of deficiencies.
- Identifies specified control deficiencies that ordinarily would be considered at least significant deficiencies.

- Identifies specified circumstances that should be regarded as at least a significant deficiency and a strong indicator of a material weakness.
- Presents revised illustrative written communications.

The [proposed SAS](#) is effective for audits of financial statements for periods ending on or after December 15, 2006, and may be viewed in its entirety on the AICPA's Web site. Comments are due October 31, 2005.

AICPA Issues Two TPAs on Accounting and Disclosure Requirements for Employee Benefit Plans

The AICPA has issued two TPAs that provide guidance on whether the effects of the federal subsidies from the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Act) to sponsors of certain retiree health care benefit plans should be reflected in the financial statements of health and welfare plans. The first TPA addresses single-employer plans and the second addresses multiemployer plans.

- AICPA Technical Practice Aids TIS Section 6930.09, "[Accounting and Disclosure Requirements for **Single-Employer Employee Benefit Plans** Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003,](#)" indicates that a single-employer health and welfare **benefit plan should not consider the effects of the subsidy** when calculating the plan's postretirement benefit obligation. Therefore, the postretirement benefit obligation recorded in the plan's financial statements is not reduced by any potential subsidy and should differ from that recorded in the plan sponsor's financial statements.
- AICPA Technical Practice Aids TIS Section 6930.10, "[Accounting and Disclosure Requirements for **Multiemployer Employee Benefit Plans** Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003,](#)" indicates that a multiemployer plan's financial statements **should consider the effects of the subsidy** when calculating the plan's postretirement benefit obligation.

The difference occurs because for a single-employer plan, the subsidy is a benefit paid directly to the plan sponsor, and not to the plan (i.e., the plan sponsor is not obligated to contribute the subsidy to the plan). For a multiemployer plan, however, the trust and not the plan sponsor (i.e., the contributing employers) receives the subsidy directly.

The TPAs also include disclosure requirements related to the effect the subsidy had on the plan's accumulated postretirement benefit obligation as well as disclosure requirements for plans that have not yet determined actuarial equivalence to Medicare Part D.

¹⁸ Proposed AICPA Statement on Auditing Standards, *Communication of Internal Control Related Matters Noted in an Audit*.

¹⁹ PCAOB Auditing Standard No. 2, *An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements*.

If the effects of the subsidy were previously accounted for differently than what is provided for in the TPAs, the resultant change should be recognized as a change in accounting principle.

AICPA Issues TPA on Losses From Natural Disasters

In the wake of Hurricane Katrina, the AICPA issued Technical Practice Aids TIS Section 5400.05, "Accounting and Disclosures Guidance for Losses from Natural Disasters — Nongovernmental Entities," to address issues that may arise in accounting for losses from natural disasters and to identify relevant accounting literature. The TPA provides guidance on the following matters:

- Income statement classification of losses (i.e., ordinary versus extraordinary);
- Recognition of impairment losses;
- Recognition of non-impairment losses and costs;
- Accounting for insurance recoveries, including business interruption insurance; and
- Required disclosures.

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

SEC Developments

SEC Proposes Amendments to Filing Deadlines and Definition of Accelerated Filer

The proposed amendments would create a new category of companies called "large accelerated filers" for companies that have a public float of \$700 million or more and meet the other conditions that apply to accelerated filers. "Accelerated filers" would be redefined as companies that have at least \$75 million, but less than \$700 million in public float. The other conditions for qualifying as an accelerated filer (e.g., the issuer previously has filed at least one annual report) remain unchanged.

The proposal, if adopted, would include the following **deadlines for Form 10-K** annual reports:

Large accelerated filers	60 days after year end
Other accelerated filers	75 days after year end
Nonaccelerated filers	90 days after year end

The filing deadline for all accelerated filers would remain at **40 days for quarterly reports on Form 10-Q**.

The proposed amendments would also ease restrictions on the process for exiting accelerated filer status by allowing an accelerated filer whose public float drops below \$25 million to file an annual report on a nonaccelerated basis for the same fiscal year that the determination of public float is made. Large accelerated filers will be allowed to exit that status once their public float has dropped below \$75 million.

The [proposed amendments](#) are available on the SEC's Web site. Comments are due October 31, 2005.

SEC Extends Sarbanes-Oxley Compliance Date for Nonaccelerated Filers

The SEC has voted to extend the compliance date for internal control reporting requirements for an additional year for nonaccelerated filers. Nonaccelerated filers, including foreign private issuers that are not accelerated filers, must begin to comply with the Sarbanes-Oxley Section 404 requirements in the first fiscal year ending on or after **July 15, 2007**. Foreign private issuers that are accelerated filers and file annual reports on Form 20-F or 40-F must begin to comply in the first fiscal year ending on or after July 15, 2006.

The extension is in response to recent recommendations by the SEC Advisory Committee on Smaller Public Companies and ongoing efforts to develop an enhanced COSO Framework for smaller public companies.

The SEC is also soliciting public comment on questions regarding the application of the internal control reporting requirements, including questions about the amount of time and expense that nonaccelerated filers have already incurred to prepare for compliance with the internal control reporting requirements. Comments are due October 31, 2005.

The [full text](#) of this release is available on the SEC's Web site.

SEC Releases Statement on Valuing Employee Stock Options

The SEC has issued informal staff progress reports on the ongoing Commission evaluation of proposals to value employee stock options for financial reporting purposes. SEC Chairman Christopher Cox issued a statement encouraging the private sector's efforts to design market instruments that have the potential to accurately measure the cost of employee stock option grants. Statement 123(R) indicates that the fair value of a stock option should be based on the observable market price of an option with the same or similar terms and conditions, if available.

The Office of Economic Analysis performed an evaluation of different market-based approaches to valuing stock options. Instruments designed under a "terms and conditions approach," which try to replicate the attributes of an

employee stock option (such as non-transferability), are viewed as not producing values that are consistent with the principles of Statement 123(R).

However, instruments designed under a **“tracking approach” appear likely to produce a reasonable estimate** of the fair value of employee stock options. Under the tracking approach, a company issues an instrument that incorporates rights to future payouts that are identical to the future flows of net receipts by employees or net obligations of the company under the grant. When willing buyers and sellers trade a tracking instrument, they devote resources to estimating a value of the instrument, and reveal this information through the market price. In order to replicate the fair value of an employee stock option, no restriction can be imposed on the ability of the holder to trade or hedge the instrument, even though employees likely face such restrictions.

In addition, two other elements must be contained in any market-based approach: (1) the presence of an **information plan** to help investors properly value the instrument and (2) **market pricing mechanisms** through which an instrument can be traded to generate a price.

SEC Chief Accountant Donald Nicolaisen further stated that even if a company designs an acceptable instrument and the actual transaction price proved to be significantly different from the price expected based on widely used modeling techniques, the company must be able to sufficiently resolve questions surrounding that difference.

SEC Chairman Christopher Cox's statement, SEC Chief Accountant Donald Nicolaisen's statement, and the Office of Economic Analysis' evaluation are all available on the SEC's Web site.

SEC Approves Regulatory Relief for Companies Affected by Hurricane Katrina

The SEC has issued an [exemptive order](#) providing emergency regulatory relief to investors, companies, and securities firms affected by Hurricane Katrina. Exchange Act **filing requirements** for the period from August 29 to October 14, 2005, have been **extended to October 17, 2005**, for affected companies.

The order also provides for a 90-day exemption on the requirement to deliver statutory prospectuses, annual reports, and semi-annual reports provided that certain conditions are met. Additional exemptions are provided for proxy and information statement delivery requirements, transfer agent compliance rules, and auditor independence rules. The auditor independence exception is limited to reconstruction of previously existing accounting records that were lost or

destroyed as a result of the hurricane, and such services must cease as soon as the client's lost or destroyed records are reconstructed, its financial systems are fully operational, and the client can effect an orderly and efficient transition to management or other service provider. These services are still subject to pre-approval by the issuer's audit committee.

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

International Developments

IFRIC Issues Interpretation on Electronic Waste Liabilities

The IFRIC has issued IFRIC 6,²⁰ an Interpretation providing guidance on accounting for liabilities for waste management costs. The Interpretation is in response to questions arising from the European Union's Directive on Waste Electrical and Electronic Equipment. The Interpretation applies only to waste from the sales of historical household equipment (i.e., household products sold before August 13, 2005).

The IFRIC concluded that the event giving rise to the liability for costs of such historical waste is **participation in the market** during a measurement period (i.e., a period in which market shares are determined for the purposes of allocating waste management costs). It is this date, rather than the date of production or sale of the equipment, that is the **triggering event for liability recognition**.

The Interpretation is effective for annual periods beginning on or after December 1, 2005. Earlier application is encouraged. A [press release](#) summarizing IFRIC 6 is available on the IASB's Web site.

IASB Issues Proposed Amendments to IAS 21 for Net Investments in Foreign Operations

The IASB issued DTC 12¹ to address concerns raised by constituents resulting from the 2003 amendments to IAS 21. A principle in IAS 21 is that exchange differences arising on a monetary item that is, in substance, part of the reporting entity's net investment in a foreign operation are initially recognized in a separate component of equity in the consolidated financial statements of the reporting entity. Among the revisions to IAS 21 made in 2003 was that the monetary item be denominated in the functional currency of either the reporting entity or the foreign operation. If the monetary item was denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, the exchange differences were recognized in profit or loss.

²⁰ IFRIC Interpretation 6, *Liabilities Arising From Participating in a Specific Market — Waste Electrical and Electronic Equipment*.

²¹ Draft Technical Correction 1, "Proposed Amendments to IAS 21, *The Effects of Changes in Foreign Exchange Rates — Net Investment in a Foreign Operation*"

The Board concluded that the accounting treatment in the consolidated financial statements should not be dependent upon the currency in which the monetary item is denominated or which entity in the group transacts with the foreign operation. Therefore, the proposed amendment in DTC 1 requires exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation to be recognized initially in a separate component of equity in the consolidated financial statements. This requirement applies **irrespective of the currency of the monetary item** and irrespective of whether the monetary item results from a transaction with the parent or with any of its subsidiaries.

The Board also decided to clarify that an investment by an associate of the reporting entity in a foreign operation is not part of the reporting entity's net investment in that foreign operation. Because the reporting entity does not control the associate's investment, it generally has no ability to control the terms and conditions of settlement of the associate's investment in a group entity.

The [proposed amendments](#) are available on the IASB's Web site. Comments are due October 31, 2005.

Recent IASB Meeting

The International Accounting Standards Board met in London from September 20–22, 2005, and discussed the following topics:

- Draft Technical Correction 1
- Financial Instruments Puttable at Fair Value
- Revenue Recognition
- Classification of Contracts Settled in Own Equity Denominated in a Foreign Currency
- Consolidation, Including SPEs
- Short-term Convergence: Income Taxes
- Short-term Convergence: Segment Reporting
- Short-term Convergence: Earnings per Share
- Disaggregation of Changes in Fair Value of Financial Instruments
- Conceptual Framework
- Education Session: Introduction to International Valuation Standards
- Agenda Proposal: Emission Rights

- Agenda Proposal: Fair Value Measurement
- Technical Plan

Recent IFRIC Meeting

The International Financial Reporting Interpretations Committee met in London from September 1–2, 2005, and discussed the following topics:

- Service Concession Arrangements
- Employee Benefits — Minimum Funding Requirements and the Asset Ceiling
- Tentative Agenda Decisions

[Summaries](#) of the meetings, the [observer notes](#), and [IASB staff presentations](#) made at the meetings are available on the IASB's Web site. [Summaries](#) of the IASB meeting decisions and discussions also are available on Deloitte's IAS Plus Web site. [Summaries](#) of the IFRIC meeting decisions and discussions are also available on the IASB Web site.

Further information about IASB and 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, <i>Accounting Changes and Error Corrections</i> — 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, <i>Exchanges of Nonmonetary Assets</i> — an amendment of APB Opinion No. 29	Effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005.
Statement 152, <i>Accounting for Real Estate Time-Sharing Transactions</i> — an amendment of FASB Statements No. 66 and 67	Effective for fiscal years beginning after June 15, 2005.
Statement 151, <i>Inventory Costs</i> — an amendment of ARB No. 43, Chapter 4	Effective for inventory costs incurred during fiscal years beginning after June 15, 2005.
Statement 123(R), <i>Share-Based Payment</i> , (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, <i>Accounting for Conditional Asset Retirement Obligations</i> — an interpretation of FASB Statement No. 143	Effective as of the end of fiscal years ending after December 15, 2005.
Interpretation 46(R), <i>Consolidation of Variable Interest Entities</i> — an interpretation of ARB No. 51	<p>Public companies that are not small business issuers:</p> <ul style="list-style-type: none"> – Provisions of Interpretation 46(R) currently are effective. <p>Small Business Issuers:</p> <ul style="list-style-type: none"> – 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. <p>Nonpublic Entities:</p> <ul style="list-style-type: none"> – Interpretation 46(R) must be applied by the beginning of the first annual period beginning after December 15, 2004. <p>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.</p>
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, <i>Accounting for Certain Financial Instruments With Characteristics of Both Liabilities and Equity</i> "	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 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, <i>Accounting for Income Taxes</i> , 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), <i>Consolidation of Variable Interest Entities</i> "	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), <i>Consolidation of Variable Interest Entities</i> , 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), <i>Consolidation of Variable Interest Entities</i> "	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), <i>Consolidation of Variable Interest Entities</i> "	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), <i>Consolidation of Variable Interest Entities</i> "	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 FSP FAS 123(R)-c, "Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards"	Comments due October 8, 2005.
Proposed Statement, <i>Accounting for Transfers of Financial Assets</i> — an amendment of FASB Statement No. 140	Comments due October 10, 2005.
Proposed Statement, <i>Accounting for Servicing of Financial Assets</i> — an amendment of FASB Statement No. 140	Comments due October 10, 2005.
Proposed Statement, <i>Accounting for Certain Hybrid Financial Instruments</i> — an amendment of FASB Statements No. 133 and 140	Comments due October 10, 2005.
Proposed Statement, <i>Business Combinations</i> — a replacement of FASB Statement No. 141	Comments due October 28, 2005.

Proposed Statement, <i>Consolidated Financial Statements, Including Accounting and Reporting of Noncontrolling Interests in Subsidiaries</i> — a replacement of ARB No. 51	Comments due October 28, 2005.
Proposed Statement, <i>Earnings per Share</i> — an amendment of FASB Statement No. 128	Comments due November 30, 2005.
Proposed FSP FIN 46(R)-c, "Determining the Variability to Be Considered in Applying FASB Interpretation No. 46(R)"	Comments due November 30, 2005.
Invitation to Comment, <i>Selected Issues Relating to Assets and Liabilities With Uncertainties</i>	Comments due January 3, 2006.
EITF	Status
Upcoming Adoption Dates	
Issue 05-8, "Income Tax Consequence of Issuing Convertible Debt With a Beneficial Conversion Feature"	Effective for the first interim or annual reporting period beginning after December 15, 2005.
Issue 05-7, "Accounting for Modifications to Conversion Options Embedded in Debt Instruments and Related Issues"	Effective for future modifications of debt instruments that occur in all interim and annual reporting periods beginning after December 15, 2005. Public companies should also consider the remarks of the SEC Staff at the December 2004 AICPA Conference on Current SEC and PCAOB Developments stating that public companies should include the change in fair value of a modified conversion option in their Issue 96-16 cash flow analysis.
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 04-13, "Accounting for Purchases and Sales of Inventory With the Same Counterparty"	Effective for new inventory arrangements entered into, or modifications or renewals of existing inventory arrangements occurring, in interim or annual reporting periods beginning after March 15, 2006.
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, <i>Accounting for the Impairment or Disposal of Long-Lived Assets</i> , 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.
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.
Topic D-98, "Classification and Measurement of Redeemable Securities"	Effective for the first fiscal quarter ending after December 15, 2001, except that paragraph 19 is effective for the first fiscal period beginning after September 15, 2005.
GASB	Status
Upcoming Adoption Dates	
GASB Statement No. 47, <i>Accounting for Termination Benefits</i>	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, <i>Net Assets Restricted by Enabling Legislation</i> — an amendment of GASB Statement No. 34	Effective for fiscal periods beginning after June 15, 2005.
GASB Statement No. 45, <i>Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions</i>	Effective in three phases based on a government's total annual revenues.
GASB Statement No. 44, <i>Economic Condition Reporting: The Statistical Section</i> — an amendment of NCGA Statement 1	Effective for statistical sections prepared for periods beginning after June 15, 2005.
GASB Statement No. 43, <i>Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans</i>	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, <i>Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries</i>	Effective for fiscal periods beginning after December 15, 2004.
GASB Technical Bulletin No. 2004-2, <i>Recognition of Pension and Other Postemployment Benefit (OPEB) Expenditures/Expense and Liabilities by Cost-Sharing Employers</i>	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, <i>Accounting for Real Estate Time-Sharing Transactions</i>	Effective for fiscal years beginning after June 15, 2005.

SOP 03-3, <i>Accounting for Certain Loans or Debt Securities Acquired in a Transfer</i>	Effective for loans acquired in fiscal years beginning after December 15, 2004.
Projects in Exposure Draft Stage	
Proposed Statement on Auditing Standards, <i>Communication of Internal Control Related Matters Noted in an Audit</i>	Comments due October 31, 2005.
SEC	Status
Upcoming Adoption Dates	
Final Rule, <i>Use of Form S-8, Form 8-K, and Form 20-F by Shell Companies</i>	Effective August 22, 2005, except that Form 8-K, Item 5.06 is effective November 7, 2005.
Final Rule, <i>First-Time Application of International Financial Reporting Standards</i> (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, <i>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</i>	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
Final Rule, <i>Asset-Backed Securities</i>	Effective as of March 8, 2005.
Final Rule, <i>Management's Report on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports</i> (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, 2007, for "nonaccelerated filers," including foreign private issuers that are not accelerated filers. Effective for fiscal years ending on or after July 15, 2006, for foreign private issuers that are accelerated filers and 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
SAB 107 (on the interaction between FASB Statement No. 123(R), <i>Share-Based Payment</i> , and certain SEC rules and regulations)	Effective upon the adoption of Statement 123(R).
SAB 106 (on the application of FASB Statement No. 143, <i>Accounting for Asset Retirement Obligations</i> , 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.
Projects in Request for Comment Stage	
Proposed Rule, <i>Revisions to Accelerated Filer Definition and Accelerated Deadlines for Filing Periodic Reports</i>	Comments due October 31, 2005.
Request for Comment, <i>Management's Report on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports of Companies That Are Not Accelerated Filers</i>	Comments due October 31, 2005.

PCAOB	Status
Upcoming Adoption Dates	
Auditing Standard No. 4, <i>Reporting on Whether a Previously Reported Material Weakness Continues to Exist</i>	Effective upon approval by the SEC.
Auditing Standard No. 3, <i>Audit Documentation</i>	Effective for audits of financial statements with fiscal years ending on or after November 15, 2004.
Auditing Standard No. 2, <i>An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements</i>	Effective for audits of companies with fiscal years ending on or after November 15, 2004, for certain accelerated filers, or July 15, 2007, 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.
<i>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"</i>	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, <i>Definitions of Terms Employed in Section 3, Part 5 of the Rules</i> ; Rule 3502, <i>Responsibility Not to Cause Violations</i> ; Rule 3520, <i>Auditor Independence</i>	Effective 10 days after approval by the SEC.
Rule 3521, <i>Contingent Fees</i>	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, <i>Tax Transactions</i>	Effective for tax services completed after the later of December 31, 2005, or 10 days after approval by the SEC.
Rule 3523, <i>Tax Services for Persons in Financial Reporting Oversight Roles</i>	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, <i>Audit Committee Pre-approval of Certain Tax Services</i>	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, <i>Financial Instruments: Disclosures</i>	Effective for annual periods beginning on or after January 1, 2007.
IFRS 6, <i>Exploration for and Evaluation of Mineral Resources</i>	Effective for annual periods beginning on or after January 1, 2006.
IFRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Effective for annual periods beginning on or after January 1, 2005.
IFRS 4, <i>Insurance Contracts</i>	Effective for annual periods beginning on or after January 1, 2005.

IFRS 2, <i>Share-based Payment</i>	Effective for annual periods beginning on or after January 1, 2005.
Amendment to IFRS 1, <i>First-time Adoption of International Financial Reporting Standards</i> , and IFRS 6, <i>Exploration for and</i>	Effective June 30, 2005.
Amendment to IAS 39, <i>Financial Instruments: Recognition and Measurement</i> , and IFRS 4, <i>Insurance Contracts</i>	Effective for annual periods beginning on or after January 1, 2006.
Amendment to IAS 39, <i>Financial Instruments: Recognition and Measurement — The Fair Value Option</i>	Effective for annual periods beginning on or after January 1, 2006.
Amendment to IAS 39, <i>Financial Instruments: Recognition and Measurement — Cash Flow Hedge Accounting of Forecast Intragroup Transactions</i>	Effective for annual periods beginning on or after January 1, 2006.
Amendment to IAS 39, <i>Financial Instruments: Recognition and Measurement — Transition and Initial Recognition of Financial Assets and Financial Liabilities</i>	Effective for annual periods beginning on or after January 1, 2005.
Amendment to IAS 32, <i>Financial Instruments: Disclosure and Presentation</i>	Effective for annual periods beginning on or after January 1, 2005.
Amendment to IAS 19, <i>Employee Benefits</i>	Effective for annual periods beginning on or after January 1, 2006.
Amendment to IAS 1, <i>Presentation of Financial Statements — Capital Disclosures</i>	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, <i>Consolidation — Special Purpose Entities</i>	Effective for annual periods beginning on or after January 1, 2005.
IFRIC Interpretation 6, <i>Liabilities Arising From Participating in a Specific Market — Waste Electrical and Electronic Equipment</i>	Effective for annual periods beginning on or after December 1, 2005.
IFRIC Interpretation 5, <i>Rights to Interests Arising From Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	Effective for annual periods beginning on or after January 1, 2006.
IFRIC Interpretation 4, <i>Determining Whether an Arrangement Contains a Lease</i>	Effective for annual periods beginning on or after January 1, 2006.
IFRIC Interpretation 2, <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	Effective for annual periods beginning on or after January 1, 2005.
IFRIC Interpretation 1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	Effective for annual periods beginning on or after September 1, 2004.
Projects in Exposure Draft Stage	
Proposed Amendments to IAS 37, <i>Provisions, Contingent Liabilities and Contingent Assets</i> , and IAS 19, <i>Employee Benefits</i>	Comments due October 28, 2005.
Proposed Amendments to IAS 27, <i>Consolidated and Separate Financial Statements</i>	Comments due October 28, 2005.
Proposed Amendments to IFRS 3, <i>Business Combinations</i>	Comments due October 28, 2005.
Draft Technical Correction, "Proposed Amendments to IAS 21, <i>The Effects of Changes in Foreign Exchange Rates — Net Investment in a Foreign Operation</i> "	Comments due October 31, 2005.

Appendix B: Abbreviations

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

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