





To our clients, colleagues, and other friends:

Welcome to the quarterly edition of *Accounting Roundup*. During the second quarter of 2008, accounting standard setters and regulators issued a number of pronouncements (e.g., final FASB Statements, FSPs, EITF consensuses, SEC rules, PCAOB rules, IFRSs) affecting accounting, financial reporting, and corporate governance.

Accounting Roundup: Second Quarter in Review — 2008 presents brief descriptions of these pronouncements and outlines other second-quarter regulatory and professional developments. Events that occurred in June or that were not addressed in the [April](#) and [May](#) issues of *Accounting Roundup* are marked with an asterisk (*) in the article title. Events without asterisks have been covered in monthly issues. As usual, click any title in the table of contents to go directly to the article.

For additional information about a topic, click the hyperlinks, which are underlined in blue. Further details are also on the Web sites of the accounting standard setters and regulators, including the [FASB](#), [GASB](#), [SEC](#), [PCAOB](#), [AICPA](#), and [IASB](#). Be sure to monitor upcoming issues of *Accounting Roundup* for new developments. We value your feedback and would appreciate any comments you may have on *Accounting Roundup: Second Quarter in Review — 2008*. Take a moment to tell us what you think by sending us an e-mail at accountingstandards@deloitte.com.

Dbriefs for Financial Executives

We invite you to participate in *Dbriefs*, Deloitte's webcast series that delivers practical strategies you need to stay on top of important issues. Gain access to valuable ideas and critical information from webcasts presented each month.

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Click a link below for more information about any of these upcoming *Dbriefs* webcasts (all webcasts begin at 2:00 p.m. (EDT) unless otherwise noted):

- Wednesday, July 9, 2008: [Board-Shareholder Communications: Talking About Governance and Compensation](#).
- Wednesday, July 16, 2008: [Financial Fraud: Does an Economic Downturn Mean an Uptick?](#)
- Wednesday, July 23, 2008: [Sustainability: A New Era for Enterprise Value?](#)
- Monday, July 28, 2008: [Mergers and Acquisitions: Why Tax Accounting Will Never Be the Same Again](#).
- Thursday, July 31, 2008: [Managing Identity Risks: Is Your Enterprise Secure?](#)



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Leadership Changes

FAF: Teresa S. Polley has been named president and chief operating officer of the FAF.

FASB: Alicia A. Posta has been named executive director of advisory groups for the FASB. Russell Golden has been named technical director. Kevin Stoklosa and Peter Proestakes have been named assistant directors.

PCAOB: The SEC appointed Steve Harris as a new PCAOB board member.

SEC: Walter G. Ricciardi will retire as deputy director in the Division of Enforcement. George Curtis and Scott Friestad have been appointed the new deputy directors. Nancy Morris has stepped down as SEC secretary.

Newly Elected SEC Commissioners: The United States Senate has confirmed three nominees to the five-member U.S. Securities and Exchange Commission.

- Luis Aguilar, a partner in the law firm of McKenna Long & Aldridge (Democrat).
- Elisse Walter, a senior executive at the Financial Industry Regulatory Authority (Democrat).
- Troy Paredes, a professor at Washington University School of Law (Republican).

Upcoming Events

The SEC will host a roundtable regarding fair value accounting and the potential benefits and challenges to large and small public companies, investors, and auditors. According to SEC Chief Accountant Conrad Hewitt, "This roundtable will provide an excellent opportunity for investors, preparers, auditors, regulators, and other interested parties to provide the Commission and other observers with input into the usefulness of fair value accounting in the current marketplace."

The roundtable is open to the public; seating is on a first-come, first-serve basis. The event can also be viewed via a webcast on the SEC's [Web site](#).

When: July 9, 2008

Time: 9:00 a.m.

Where: Auditorium at the SEC's headquarters at 100 F Street, N.E., Washington, D.C.

Deloitte Publications

In response to a growing need for current information about IFRSs, Deloitte has issued [IFRS Insights](#), a newsletter detailing new IFRS developments and updates.

Deloitte has published the [results](#) of a 2008 IFRS survey completed by approximately 200 U.S.-company senior finance professionals. The purpose of the survey was to assess the level of corporate awareness of and interest in IFRSs.

FASB Developments

FASB Eliminates Inconsistencies in Financial Guarantee Insurance Contracts

AFFECTS: Insurance enterprises.

SUMMARY: On May 23, 2008, the FASB issued [Statement 163](#) to decrease the inconsistencies in Statement 60 in the accounting for financial guarantee insurance contracts by insurance companies. Statement 163 addresses the differing views in Statement 60 regarding the recognition and measurement of premium revenues and claim liabilities and enhances the disclosure requirements for insurance contracts. Statement 163 requires insurance enterprises that issue financial guarantee insurance contracts to initially recognize the premium received (or premiums expected to be received) for issuing the contract as unearned premium revenue and to recognize that premium revenue over the period in which the protection is provided and in proportion to it. Statement 163 also requires recognition of a claim liability before an event of default if there is evidence that credit deterioration of the guaranteed obligation has occurred. The FASB hopes that these changes will bring consistency to financial reporting for financial guarantee insurance contracts and will increase the comparability and quality of financial information.

NEXT STEPS: Statement 163 is effective for financial statements issued for fiscal years beginning after December 15, 2008 (and all interim periods within those fiscal years), except for some disclosures about the insurance enterprise's risk-management activities and claim liabilities. The Statement requires that disclosures about the risk-management activities of the insurance enterprise and its claim liabilities be effective for the first period (including interim periods) beginning after the Statement's issuance. Except for those disclosures, earlier application is not permitted. ●

FASB Issues Statement Establishing GAAP Hierarchy

AFFECTS: Nongovernmental entities presenting U.S. GAAP financial statements.

SUMMARY: On May 9, 2008, the FASB issued [Statement 162](#), which reorganizes the GAAP hierarchy. The purpose of the new standard is to improve financial reporting by providing a consistent framework for determining what accounting principles should be used when preparing U.S. GAAP financial statements. The Board believes that the previous GAAP hierarchy under SAS 69 was flawed because it (1) was directed to auditors, not entities, which are ultimately responsible for preparing U.S. GAAP financial statements; (2) was too complex; and (3) did not properly rank the accounting literature. Under this new Statement, the hierarchy is as follows:

Level A — FASB Statements of Financial Accounting Standards and Interpretations, FASB Statement 133 Implementation Issues, FASB Staff Positions, AICPA Accounting Research Bulletins and APB Opinions that are not superseded by actions of the FASB, and rules and interpretive releases of the SEC for SEC registrants.

Level B — FASB Technical Bulletins and, if cleared by the FASB, AICPA Industry Audit and Accounting Guides and Statements of Position.

Level C — AICPA Accounting Standards Executive Committee Practice Bulletins that have been cleared by the FASB, consensus positions of the EITF, and Topics discussed in Appendix D of *EITF Abstracts*.

Level D — Implementation Guides (Q&As) published by the FASB staff, AICPA Accounting Interpretations, AICPA Industry Audit and Accounting Guides and Statements of Position not cleared by the FASB, and practices that are widely recognized and prevalent either generally or in the industry.

NEXT STEPS: Statement 162 will be effective 60 days after the SEC's approval of the PCAOB's amendments to AU Section 411. ●

FASB Concludes That Certain Unvested Share-Based Payment Awards Are Participating Securities*

AFFECTS: Entities calculating earnings per share (EPS) under Statement 128.

SUMMARY: On June 16, 2008, the FASB issued [FSP EITF 03-6-1](#). The FSP addresses “whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing [EPS] under the two-class method”¹ The FSP affects entities that accrue cash dividends on share-based payment awards during the awards' service period when the dividends do not need to be returned if the employees forfeit the awards.

The FASB concluded that all outstanding unvested share-based payment awards that contain rights to **nonforfeitable** dividends participate in undistributed earnings with common shareholders. That is, awards that accrue cash dividends (whether paid or unpaid) any time the common shareholders receive dividends — when those dividends do not need to be returned to the entity if the employee forfeits the award — are considered participating securities. Because the awards are considered participating securities, the issuing entity is required to apply the two-class method of computing basic and diluted EPS. The FASB did not address forfeitable dividends in the FSP. Therefore, entities should continue to apply their existing accounting policy for unvested share-based payment awards that contain rights to forfeitable dividends.

NEXT STEPS: The FSP is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited.

OTHER RESOURCES: Deloitte's [June 17, 2008, Heads Up](#). ●

FASB Tightens Convertible Debt Accounting for Issuers

AFFECTS: Issuers of convertible debt securities.

SUMMARY: On May 9, 2008, the FASB issued [FSP APB 14-1](#), which addresses the accounting for convertible debt securities that, **upon conversion**, may be **settled by the issuer fully or partially in cash** (i.e., if the investor elects to convert, the issuer has the right to pay some or all of the conversion value in cash rather than to settle the conversion value fully in shares). Such securities have been popular in recent years because issuers have enjoyed lower interest expense and more favorable EPS than they have with other types of securities. Issue 90-19 includes examples of these instruments, describing them as Instruments B and C.

The FSP does not change the accounting for more traditional types of convertible debt securities that do not have a cash settlement feature. Also, the FSP does not apply if, under existing GAAP for derivatives, the embedded conversion feature must be accounted for separately from the rest of the instrument.

NEXT STEPS: The FSP is effective for fiscal years (and interim periods within these fiscal years) beginning after December 15, 2008 (i.e., January 1, 2009, for calendar-year-end entities). The FSP should be **applied retrospectively to all past periods presented** — even if the instrument has matured, has been converted, or has otherwise been extinguished as of the FSP's effective date. Early adoption is not permitted.

OTHER RESOURCES: Deloitte's [May 15, 2008, Heads Up](#). ●

¹ Paragraph 61 of Statement 128 states, “The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings.”

FASB Issues FSP on Consolidation and Equity Method Guidance for Not-for-Profit Organizations

AFFECTS: Not-for-profit organizations (NPOs).

SUMMARY: On May 19, 2008, the FASB issued [FSP SOP 94-3-1 and AAG HCO-1](#) to amend the guidance on consolidation and the equity method accounting in SOP 94-3 and the AICPA Audit and Accounting Guide *Health Care Organizations* (the “Health Care Guide”). The FSP’s provisions include:

- Eliminating the exception to consolidation when control is expected to be temporary.
- Amending the definition of control through a “majority voting interest in the board of another entity.”
- Conforming the concept of sole corporate membership in SOP 94-3 to that in the Health Care Guide.
- Confirming the applicability of consensus guidance in Issues 90-15, 96-21, and 97-1 if they are the lessees in transactions involving special-purpose entity lessors.
- Requiring NPOs to apply the equity method to certain investments in for-profit partnerships, limited liability companies, or similar entities.

NEXT STEPS: This FSP will apply to fiscal years beginning after June 15, 2008 (and to interim periods therein). The FSP should be applied prospectively to all relationships, arrangements, and interests that exist on the effective date. If the application of the FSP results in an NPO changing its accounting (e.g., a change from cost method to equity method accounting for an investment in a for-profit partnership), a cumulative change adjustment is required at adoption.

OTHER RESOURCES: Deloitte’s [June 5, 2008, Heads Up](#). ●

FASB Issues FSP Affecting Companies Emerging From Bankruptcy

AFFECTS: Entities emerging from bankruptcy.

SUMMARY: On April 24, 2008, the FASB issued [FSP SOP 90-7-1](#). The FSP amends paragraph 38 of SOP 90-7 to remove the requirement that an entity emerging from bankruptcy apply, in its “fresh-start” reporting, accounting principles that will be in effect within 12 months of the emergence date. Going forward, entities emerging from bankruptcy should only apply accounting principles that are in effect as of the date of emergence, including those that may be early adopted if the entity chooses to early adopt.

Example 1 — Accounting Standard That Does Not Permit Early Adoption

- Company A is in Chapter 11 bankruptcy as of September 30, 20X8.
- On October 15, 20X8, the FASB releases a new accounting standard that will be effective for fiscal years beginning on or after January 1, 20X9.
- The new accounting standard does not allow for early adoption.
- Company A will emerge from bankruptcy on December 15, 20X8.
- Company A cannot adopt the newly issued accounting standard in the fresh-start financial statements it publishes in connection with its emergence from bankruptcy on December 15, 20X8.

Example 2 — Accounting Standard That Permits Early Adoption

- Assume the same facts as in Example 1 except that the newly issued accounting standard allows for early adoption immediately upon its release.

Because the newly issued accounting standard may be adopted by entities before its mandatory effective date (January 1, 20X9), Company A may choose, but is not required, to early adopt the standard in the fresh-start financial statements it publishes in connection with its emergence from bankruptcy on December 15, 20X8.

NEXT STEPS: The FSP applies to financial statements issued after the FSP's issuance date (April 24, 2008).

OTHER RESOURCES: Deloitte's [April 25, 2008, Heads Up](#). ●

FASB Issues Guidance on Intangible Assets Subject to Renewal or Extension

AFFECTS: Entities with recognized intangible assets.

SUMMARY: On April 25, 2008, the FASB issued [FSP FAS 142-3](#), which amends the list of factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under Statement 142. The new guidance applies to (1) intangible assets that are acquired individually or with a group of other assets and (2) intangible assets acquired in both business combinations and asset acquisitions.

Under paragraph 11 of Statement 142, an entity must analyze all pertinent factors when determining the useful life of an acquired intangible asset. One such factor is whether an intangible asset's legal or contractual life can be renewed or extended. Statement 142 currently requires entities to consider whether the renewal or extension can be accomplished without substantial cost or material modifications of the existing terms and conditions associated with the asset. However, because there is no clear guidance on determining what constitutes substantial cost or material modifications, the Statement 142 assessment often results in a useful life that is shorter than the period of cash flows used to value the asset under Statement 141. The result is often an acceleration of amortization expense that does not reflect the "period over which the asset is expected to contribute directly or indirectly to the future cash flows" of the entity.

FSP FAS 142-3 removes the requirement of paragraph 11 of Statement 142 for an entity to consider whether an intangible asset can be renewed without substantial cost or material modifications to the existing terms and conditions. The FSP replaces the previous useful-life assessment criteria with a requirement that an entity consider its own experience in renewing similar arrangements. If the entity has no relevant experience, it would consider market participant assumptions regarding renewal, including (1) the highest and best use of the asset by market participants and (2) adjustments for other entity-specific factors included in paragraph 11 of Statement 142.

The FASB believes that removing the substantial cost and material modification assessments will lead to greater consistency between the useful life of recognized intangible assets under Statement 142 and the period of expected cash flows used to measure the fair value of such assets under Statement 141 and other U.S. GAAP. Therefore, amortization expense for finite-lived intangible assets will generally be recognized over the period in which the asset contributes directly or indirectly to the future cash flows of the entity. Removing the assessments may also result in more intangible assets being assigned an indefinite useful life.

The FSP requires entities to disclose information for recognized intangible assets that enables financial statement users to understand the extent to which expected future cash flows associated with intangible assets are affected by the entity's intent or ability to renew or extend the arrangement associated with the intangible asset.

The FSP also requires the following disclosures in addition to those required by Statement 142:

- a. The entity's accounting policy on the treatment of costs incurred to renew or extend the term of a recognized intangible asset
- b. In the period of acquisition or renewal, the weighted-average period prior to the next renewal or extension (both explicit and implicit), by major intangible asset class
- c. For an entity that capitalizes renewal or extension costs, the total amount of costs incurred in the period to renew or extend the term of a recognized intangible asset for each period for which a statement of financial position is presented, by major intangible asset class."

In addition, in determining whether additional disclosures about the intangible asset's estimated useful life are required, entities should refer to paragraph 13(b) of SOP 94-6. Generally, these additional disclosures would be required if a change in the useful life or expected renewal or extension of an intangible asset would be material to the financial statements.

NEXT STEPS: This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. While the guidance on determining the useful life of a recognized intangible asset must be applied prospectively only to intangible assets acquired after the FSP's effective date, the disclosure requirements of the FSP must be applied prospectively to all intangible assets recognized as of, and after, the FSP's effective date. Early adoption is prohibited.

OTHER RESOURCES: Deloitte's [April 29, 2008, Heads Up](#). ●

FASB Proposes Expanding Contingencies Disclosure*

AFFECTS: All entities.

SUMMARY: On June 5, 2008, the FASB issued an [Exposure Draft](#) of a proposed Statement that would enhance disclosures about loss contingencies (e.g., those that are pending or those involving threatened litigation), including loss contingencies assumed in a business combination. The proposal would change current disclosure requirements by (1) expanding loss contingency disclosures to include certain remote loss contingencies, (2) mandating the disclosure of certain quantitative and qualitative information about loss contingencies, and (3) requiring a tabular reconciliation of changes in amounts recognized for loss contingencies. If adopted, the proposed Statement will be effective for fiscal years ending after December 15, 2008, and interim and annual periods in subsequent fiscal years.

NEXT STEPS: Comments on the Exposure Draft are due by August 8, 2008. To ensure that the proposal receives broad input, the FASB plans to field-test the proposal with preparers and to hold one or more public roundtable meetings with investors, financial statement preparers, auditors, and others.

OTHER RESOURCES: Deloitte's [June 10, 2008, Heads Up](#). ●

FASB Proposes Changes to Accounting for Hedging Activities*

AFFECTS: All entities with hedging activities.

SUMMARY: On June 6, 2008, the FASB issued an [Exposure Draft](#) of a proposed Statement on accounting for hedging activities for public comment. The proposed Statement would amend Statement 133 to simplify hedge accounting requirements, help entities avoid restatements, and improve the transparency of hedging activities in entities' financial statements.

Proposed Changes at a Glance

Aspect	Current Practice	Proposed Statement
Hedgeable risks	Allows hedging by bifurcated risk. An entity can designate the risk of changes in overall fair value or cash flows, interest rate risk, credit risk, foreign exchange risk, or a combination of the above.	Essentially eliminates hedging by bifurcated risk. Generally, an entity can only designate the risk of changes in overall fair value or cash flows. Two exceptions are permitted: an entity may designate (1) only foreign exchange risk or (2) only certain risks at initial recognition of the entity's own debt.
Determination of amounts recorded in other comprehensive income for cash flow hedges	Lesser of the cumulative gain or loss on the hedging derivative or the portion of the cumulative gain or loss on the derivative necessary to offset the cumulative change in expected future cash flows on the hedged transaction from hedge inception.	Recorded at the amount necessary to offset the present value of the cumulative change in expected future cash flows on the hedged transaction from hedge inception.
Assumption that a hedge is perfectly effective	Entity may qualify for use of the shortcut method or critical terms matching.	Neither the shortcut method nor critical terms matching is permitted.
Frequency of hedge effectiveness assessments	At least quarterly (i.e., ongoing assessment required).	Inception only, unless a change in circumstances warrants reassessment.
Threshold for hedge accounting	Highly effective.	Reasonably effective.
Means of assessing effectiveness	Quantitative assessment is required.	Qualitative assessment is required at the inception of the hedging relationship; however, a quantitative assessment may be necessary in certain situations.
Dedesignating a hedging relationship	Entity can remove hedge designation at its discretion.	Entity cannot remove hedge designation after it has been established; however, entity may enter into an offsetting derivative to effectively terminate the hedge.

NEXT STEPS: Comments on the Exposure Draft are due by August 15, 2008. The FASB intends to issue a final Statement by the end of this year, with the amendments becoming effective for financial statements issued for fiscal years beginning after June 15, 2009, and interim periods within those fiscal years. Early application will not be permitted.

OTHER RESOURCES: Deloitte's [June 11, 2008, Heads Up](#). ●

FASB and IASB Issue Two Conceptual Framework Documents

AFFECTS: All entities.

SUMMARY: On May 29, 2008, the FASB and IASB [announced](#) that they are seeking views on two documents the FASB issued regarding an accounting standards conceptual framework: an [Exposure Draft](#) and a [Preliminary Views document](#). The FASB and IASB have been working together since October 2004 to create a single conceptual framework as a foundation for developing principles-based accounting standards.

The Exposure Draft includes two chapters of the conceptual framework:

- Chapter 1, “The Objective of Financial Reporting,” identifies the types of users of financial information, what information they find most useful, and what types of decisions they make on the basis of financial information.
- Chapter 2, “Qualitative Characteristics and Constraints of Decision-Useful Financial Reporting Information,” describes the qualitative characteristics that make financial information useful, including relevance, faithful representation, comparability, verifiability, timeliness, and understandability. This chapter also discusses the “pervasive constraints” (i.e., materiality and cost) on gathering such qualitative information. The IASB and FASB are requesting comments on the reasonableness of these characteristics and constraints.

The Preliminary Views document outlines the IASB’s and FASB’s perspectives on including a “reporting entity concept” in the conceptual framework. The views expressed include the following:

- The reporting entity is a level of operations (financial information) an investor would be interested in when making business decisions.
- A reporting entity can be determined on the basis of control.
- Consolidated financial statements should be prepared from the perspective of the reporting entity.

See the [related article](#) in the International Developments section.

NEXT STEPS: Comments on the Exposure Draft and Preliminary Views documents are due by September 29, 2008.

OTHER RESOURCES: Deloitte’s [June 17, 2008, Heads Up](#). ●

FASB Seeks Additional Comments on October 2006 Exposure Draft Addressing Mergers and Acquisitions of Not-for-Profit Organizations

AFFECTS: NPOs.

SUMMARY: On May 9, 2008, the FASB posted to its Web site a [request for additional comments](#) on its proposed Statement addressing mergers and acquisitions of NPOs. The FASB had concluded that both mergers and acquisitions of NPOs should be accounted for as acquisitions, since there is no substantive difference between the two types of transactions (net assets are acquired in both).

However, various respondents, as well as certain participants at the March 2007 FASB roundtable meeting, remarked that “true mergers” or “mergers of equals” for NPOs “occur with greater frequency [among NPOs] than they do among business entities” (i.e., under Statement 141). Therefore, these respondents argue, the accounting for NPOs should depend on whether the transaction is considered a merger of two NPOs or an acquisition of one NPO by another. On the basis of these comments, the FASB has proposed revisions to the proposed Statement and is seeking additional comments on whether criteria for distinguishing a merger from an acquisition can be established.

NEXT STEPS: Comments on the proposed Statement were due by July 8, 2008. In addition, the FASB is soliciting organizations that have recently merged to participate in field visits and interviews with the FASB staff. ●

FASB Proposes FSP on Credit Derivative and Guarantee Disclosures

- AFFECTS:** Entities that sell credit derivatives and provide guarantees.
- SUMMARY:** On May 30, 2008, the FASB issued proposed [FSP FAS 133-b and FIN 45-c](#) for public comment. The FSP would conform the disclosure requirements in Statement 133 and Interpretation 45 by requiring additional disclosures about credit-indexed derivatives (e.g., default swaps, credit spread options, and credit index products) under Statement 133 and the “current status of the payment/performance risk of a guarantee” under Interpretation 45. The proposed effective date would be for fiscal years and interim periods ending after November 15, 2008, with early adoption encouraged.
- NEXT STEPS:** Comments on the proposed FSP were due by June 30, 2008. The FASB expects to issue a final FSP in the third quarter of 2008.
- OTHER RESOURCES:** Deloitte’s [June 3, 2008, Heads Up](#). ●

FASB Proposes FSP on Fair Value Accounting for Trading Inventory

- AFFECTS:** Entities with trading inventory.
- SUMMARY:** On May 1, 2008, the FASB issued proposed [FSP ARB 43-a](#), which would amend ARB 43, Chapter 4, to address inconsistencies in accounting for inventory between this chapter and the AICPA Audit and Accounting Guides *Brokers and Dealers in Securities* and *Investment Companies*. Currently, inventory should be reported at the lower of cost or market under ARB 43 and at fair value under the two AICPA guides. The FSP proposes that all “inventories included in an entity’s trading activities” be initially and subsequently accounted for at fair value. Note that the FSP would change accounting only for trading inventories, not for nontrading inventories such as those in production, retail, wholesale, or distribution.
- The proposed FSP would be effective for statements issued for fiscal years (and interim periods) beginning after November 15, 2008. Early adoption would not be permitted.
- NEXT STEPS:** Comments on the proposed FSP were due by June 16, 2008. The FASB expects to issue a final FSP in the third quarter of 2008. ●

FASB Codification Updated for SEC Content

- AFFECTS:** Public entities.
- SUMMARY:** On April 3, 2008, the FASB issued an [update](#) to its [Accounting Standards Codification](#), which was released in January for a one-year verification by constituents. The April update includes certain portions of SEC rules and regulations and SEC staff content associated with a company’s basic financial statements (i.e., the content does not contain information that is outside a company’s basic financial statements, such as MD&A, auditing, or independence). The SEC content substantively remains the same but is reorganized into approximately 90 topics in line with the Codification’s organization. Note that because the Codification has not yet been approved, it is important to verify any information in it with authoritative resources.
- NEXT STEPS:** The FASB is expected to formally approve the Codification after addressing any issues raised during the verification phase. ●

FASB Updates Statement 133 Implementation Guidance

AFFECTS: Entities implementing Statement 133.

SUMMARY: On April 21, 2008, the FASB issued [updated guidance](#) regarding the implementation of Statement 133. Two Implementation Issues were amended:

- Statement 133 Implementation Issue No. I1, “Disclosures: Interaction of the Disclosure Requirements of Statement 133 and Statement 47.”
- Statement 133 Implementation Issue No. K4, “Miscellaneous: Income Statement Classification of Hedge Ineffectiveness and the Component of a Derivative’s Gain or Loss Excluded From the Assessment of Hedge Effectiveness.”

These Implementation Issues were revised to reflect disclosures amended by Statement 161.

OTHER RESOURCES: More information on Statement 161 is available in Deloitte’s [March 27, 2008, Heads Up](#). ●

FASB Decides to Eliminate QSPEs and Modify the Consolidation Model in Interpretation 46(R)*

AFFECTS: All entities.

SUMMARY: The FASB recently decided to remove the concept of a qualifying special-purpose entity (QSPE) from Statement 140 and the related scope exceptions from Interpretation 46(R). In addition, the FASB decided to (1) make certain changes to the derecognition provisions in Statement 140 and (2) modify the consolidation model in Interpretation 46(R). As a result, if these decisions become final, enterprises involved with QSPEs will no longer be exempt from applying Interpretation 46(R); thus, previously unconsolidated entities may have to be consolidated. Also, because of the potential modifications to the existing Interpretation 46(R) model, enterprises involved with variable interest entities (VIEs) (even VIEs that are not structured finance vehicles) will need to rethink their previous consolidation conclusions.

Other proposed amendments to Statement 140 and Interpretation 46(R) include:

Statement 140

- Legal isolation of transferred financial assets.
- Derecognition of a portion of a financial asset.
- Initial measurement of beneficial interests retained by the transferor.
- Elimination of special treatment for guaranteed mortgage securitizations.

Interpretation 46(R)

- Determination of the primary beneficiary of a VIE.
- Consideration of kickout rights.
- Reconsideration of VIE status and the primary beneficiary.

NEXT STEPS: The FASB is expected to issue an Exposure Draft for public comment on the amendments to Statement 140 and Interpretation 46(R) this summer. The FASB has proposed that the amendments be effective for all VIEs (except for certain existing QSPEs) and new transfers of financial assets for fiscal years beginning after November 15, 2008. A one-year deferral is proposed for existing QSPEs meeting certain criteria.

OTHER RESOURCES: For more information about the specific differences between the current U.S. GAAP requirements and the proposed amendments, see Deloitte’s [June 18, 2008, Heads Up](#). ●

Valuation Resource Group Discusses Four New Topics and Status of Prior Issues

AFFECTS: All entities.

SUMMARY: On May 8, 2008, the VRG² met to discuss various new implementation and application issues associated with Statement 157 and revisited certain topics discussed at its previous meetings.

New issues discussed at the meeting include the following:

- Observable versus unobservable fair value measurements in the current credit environment.
- Determining whether a discount should be applied for a restriction on sale.
- Employee benefit plans.
- Contingent liabilities.

The VRG revisited the following issues and came to the following conclusions:

Topics for Which No Standard Setting Should Be Planned

- Fair value of mortgage loans and unit of account — decomposition of an asset.
- How to factor liquidity into fair value measurements.
- Elements to consider when determining an “active market.”
- Determining a principal market.
- Assets acquired through an auction.
- Use of net asset value in fund-of-funds investments.
- Highest and best use — land example.
- Definition of “significant” in evaluating inputs for fair value hierarchy classification.
- Accounting for transaction costs in determining the fair value of an investment.
- Overlapping customer relationships.
- Use of the “current replacement cost” method for valuation of intangible assets.
- Meaning of “legally permissible” in assessing the highest and best use.
- Fair value of inventory.
- Allocation of portfolio-based credit adjustments for hedge effectiveness testing.

Issue-Specific Conclusions Reached

- Highest and best use: defensive value and accounting for assets that the acquirer does not intend to use or intends to use in a way other than their highest and best use.
 - *Update:* The subsequent accounting for defensive value assets is new on the EITF’s agenda. Some VRG members indicated that they believe there will also be diversity in practice regarding the measurement of the asset. However, it was agreed that whether diversity exists will not be known until the adoption of Statement 141(R).

² The VRG was established to provide the FASB staff with information about implementation issues regarding fair value measurements used in financial reporting and the alternative viewpoints associated with those implementation issues. The VRG comprises a cross-section of industry representatives, including financial statement preparers, auditors, and valuation experts. VRG meetings are coordinated by the FASB staff and observed by the SEC, the AICPA, and the PCAOB. The VRG does not make authoritative decisions. Authoritative decisions are subject to the FASB’s normal, open due process, including open deliberation by the Board.

- Assets and liabilities without markets.
 - *Update:* The FASB staff indicated that this Issue is addressed by proposed FSP FAS 157-c, which was recently exposed for public comment and is being redeliberated by the FASB.
- Pension plan disclosures.
 - *Update:* The FASB staff indicated that the Board has concluded that the disclosures in Statement 157 do not apply to fair value measurements of the plan sponsor's plan assets. However, the Board directed the FASB staff to include in proposed FSP FAS 132(R)-a disclosure requirements about fair value measurements that are similar to those in Statement 157.
- Fair value of liability with third-party guarantees.
 - *Update:* This Issue has been added to the EITF's agenda and was discussed at the EITF meeting on June 12, 2008.

NEXT STEPS: The FASB staff has not yet scheduled the next VRG meeting; however, the VRG has met at least once a quarter since its inception in October 2007.

OTHER RESOURCES: Deloitte's [May 13, 2008, Heads Up](#). ●

Considerations of Credit Risk in Fair Value Hedge Effectiveness Assessments

AFFECTS: Entities with derivatives accounted for as fair value hedges.

SUMMARY: Recently, certain issues have been raised regarding the determination of the fair value of derivatives under Statement 157 and the effect on assessing hedge effectiveness of fair value hedges under Statement 133. Statement 157 indicates that credit risk (both the counterparty's and the entity's own) affects the determination of the fair value of derivatives and establishes, as a valuation premise, that derivatives (or aspects of derivatives) may be valued as a group. Statement 157 became effective for derivatives for calendar-year reporting entities on January 1, 2008.

Some reporting entities pool derivatives by counterparty to estimate the appropriate credit valuation adjustment in determining the fair value of that pool. At issue is whether and how that pooled credit adjustment affects the assessment of effectiveness of an individual designated derivative in a fair value hedge relationship. Specifically, constituents have questioned (1) whether credit risk must be considered in hedge effectiveness assessments and, if so, (2) whether credit risk can be considered separately through qualitative analysis. In recent conversations, the SEC staff clarified how reporting entities should treat credit risk in fair value hedge effectiveness assessments.

NEXT STEPS: The SEC staff provided relief to reporting entities that may not have followed the procedures in this article (i.e., to those entities that did not include credit risk in their prospective assessments of effectiveness). The staff indicated that it would not object to continued application of fair value hedge accounting if reporting entities consider the impact of credit risk (either qualitatively or quantitatively) before issuing their financial statements, provided that the other requirements for hedge accounting were met. Going forward, reporting entities would need to have contemporaneous documentation of the impact of credit risk on fair value hedge effectiveness assessments (as part of their prospective assessments) to qualify for hedge accounting.

Because of the complexity in applying hedge accounting, reporting entities and auditors are urged to consult with derivative accounting specialists.

OTHER RESOURCES: Deloitte's [April 15, 2008, Financial Reporting Alert](#). ●

FASB Authors Article About Fair Value

AFFECTS: All entities.

SUMMARY: On May 7, 2008, the FASB issued a [paper](#), “Understanding the Issues — Some Facts About Fair Value,” to answer questions about fair value. Topics covered in the paper include the definition of fair value, fair value’s current use in financial reporting, and the approach for developing fair value estimates. ●

FASB and China Accounting Standards Committee Sign Memorandum of Understanding

AFFECTS: All entities.

SUMMARY: In an April 28, 2008, [press release](#), the FASB announced its signing of a Memorandum of Understanding (MOU) with the China Accounting Standards Committee. The MOU outlines how the two standard setters will work together in advancing toward one high-quality set of global accounting standards. ●

FAF and FASB Host Global Accounting Standards Forum

AFFECTS: All entities.

SUMMARY: On June 16, 2008, at Baruch College in New York, the FAF and FASB hosted a forum, “High-Quality Global Accounting Standards: Issues and Implications for U.S. Financial Reporting,” to discuss the potential effects of the transition from U.S. GAAP to IFRSs on U.S. companies’ financial reporting. The forum panel included financial statement users, small and large public and private companies, auditors, regulators, educators, and other individuals affected by this transition. Topics discussed at the forum included:

- Should U.S. companies be able to use IFRSs for their financial reporting? If so, how and when?
- How should the United States prepare for the transition to IFRSs, and what should the time frame be?
- How should the United States educate its professionals, educators, and students about IFRSs?
- How should professional certifications be awarded?
- What are the implications for private companies and NPOs?
- What should the future role of the FASB be?

In general, participants supported moving to a single set of high-quality global accounting standards. However, participants acknowledged that implementation may take three to five years and that the SEC will need to address several items before companies can make the transition. In addition, many participants indicated that even though IFRS awareness is increasing, only a mandatory adoption date from the SEC will create the necessary demand for action and provide the momentum needed to focus on transition efforts.

OTHER RESOURCES: Deloitte’s [June 20, 2008, Heads Up](#) and the AICPA’s [International Financial Reporting Standards \(IFRS\) — An AICPA Backgrounder](#). ●

EITF Developments

EITF Issue No. 07-5, “Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity’s Own Stock”*

AFFECTS: Entities with (1) options or warrants on their own shares (not within the scope of Statement 150), including market-based employee stock option valuation instruments;³ (2) forward contracts on their own shares, including forward contracts entered into as part of an accelerated share repurchase program; and (3) convertible debt instruments and convertible preferred stock. Also affected are entities that issue equity-linked financial instruments (or financial instruments that contain embedded equity-linked features) with a strike price that is denominated in a foreign currency.

SUMMARY: The instruments affected by this Issue (see above) may contain contract terms that call into question whether the instrument or embedded feature is indexed to the entity’s own stock. A derivative instrument or embedded derivative feature that is deemed indexed to an entity’s own stock may be exempt from the requirements of Statement 133 for derivatives. In addition, a freestanding instrument that is indexed to a company’s own stock remains eligible for equity classification under Issue 00-19.

In June 2008, the Task Force **reached a consensus** on the following three issues:

- How an entity should evaluate whether an instrument (or embedded feature) is indexed to its own stock.
- How the currency in which the strike price of an equity-linked financial instrument (or embedded equity-linked feature) is denominated affects the determination of whether the instrument is indexed to an entity’s own stock.
- How an issuer should account for market-based employee stock option valuation instruments.

NEXT STEPS: The consensus was ratified by the FASB and is effective for fiscal years (and interim periods) beginning after December 15, 2008. The consensus must be applied to outstanding instruments as of the beginning of the fiscal year in which the Issue is adopted as a cumulative-effect adjustment to the opening balance of retained earnings for that fiscal year. Early application is not permitted.

OTHER RESOURCES: Deloitte’s [June 2008 EITF Snapshot](#). ●

EITF Issue No. 08-1, “Revenue Recognition for a Single Unit of Accounting”*

AFFECTS: Entities that enter into revenue arrangements that provide for multiple payment streams for a single deliverable or a single unit of accounting. This Issue is not limited to a particular industry.

SUMMARY: Before evaluating how to recognize revenue for transactions with multiple payment streams, entities should identify all the deliverables in an arrangement. Some arrangements may contain only one deliverable. If there are multiple deliverables, each deliverable must be evaluated to determine whether it should be treated separately or in combination with other deliverables (i.e., single unit of accounting) in accordance with Issue 00-21 or other applicable guidance. Thus, under Issue 00-21, an entity may be required to combine multiple deliverables into a single unit of accounting. At issue is whether, and under what circumstances, it is acceptable to use a multiple attribution model to account for a single unit of accounting consisting of (1) a single deliverable or (2) multiple deliverables.

³ For example, employee stock option appreciation rights securities (ESOARS). See additional discussion about ESOARS in Deloitte’s [October 24, 2007, Heads Up](#).

NEXT STEPS: The Task Force did not reach a consensus-for-exposure. The FASB staff and the Issue 08-1 Working Group will conduct additional research on various alternatives for addressing Issue 08-1; therefore, further deliberations by the Task Force are expected at its September 2008 meeting.

OTHER RESOURCES: Deloitte's [June 2008 EITF Snapshot](#). ●

EITF Issue No. 08-2, “Lessor Revenue Recognition for Maintenance Services”*

AFFECTS: Lessor entities, including, but not limited to, those in the airline, utility, and real estate industries, that are obligated under a lease arrangement to maintain a leased asset during the lease term. This includes arrangements that convey the right to use property, plant, or equipment, including those accounted for as leases under Issue 01-8 (e.g., certain power purchase agreements, airline capacity purchase arrangements, and take-or-pay contracts). However, this Issue does not apply to maintenance services within the scope of Technical Bulletin 90-1 (i.e., maintenance services that are under a separate, nonlease arrangement) or that are not related to a leased asset.

SUMMARY: At issue are the following:

- *Scope* — For maintenance services that are executory costs under Statement 13, whether the Issue's scope should include (1) **all** payments for maintenance services, (2) **only** payments for maintenance services that are “**planned major maintenance**,” or (3) only payments for maintenance services provided by a lessor to a lessee and **not** payments related to the **right to use** the leased asset.
- *Revenue recognition* — How a lessor should recognize revenue related to maintenance services that are included within the scope of this Issue.

NEXT STEPS: The Task Force voted to remove this Issue from its agenda because it does not believe the benefits to financial statement users outweigh the costs that would most likely be associated with the increased complexity of additional revenue recognition guidance. No further discussion is expected.

OTHER RESOURCES: Deloitte's [June 2008 EITF Snapshot](#). ●

EITF Issue No. 08-3, “Accounting by Lessees for Maintenance Deposits Under Lease Arrangements”*

AFFECTS: Lessees that make **nonrefundable** maintenance deposits.

SUMMARY: The Task Force **reached a consensus** that all nonrefundable maintenance deposits that are contractually and substantively related to maintenance of the leased asset are accounted for as deposit assets. The lessee's deposit asset is expensed or capitalized as part of a fixed asset (depending on the lessee's maintenance accounting policy) when the underlying maintenance is performed. When the lessee determines that it is less than probable that an amount on deposit will be returned to the lessee (and thus no longer meets the definition of an asset), the lessee must recognize an additional expense for that amount.

The Task Force decided not to include any revenue recognition guidance for lessors in Issue 08-3. The FASB staff indicated that it will perform further research on whether a separate agenda request related to the lessor's accounting for maintenance deposits made by lessees is necessary.

NEXT STEPS: The consensus was ratified by the FASB and is effective for fiscal years beginning after December 15, 2008, (and periods within those fiscal years) and must be applied by recognizing the cumulative effect of the change in accounting principle in the opening balance of retained earnings as of the beginning of the fiscal year in which this consensus is initially applied. Earlier application is not permitted.

OTHER RESOURCES: Deloitte's [June 2008 EITF Snapshot](#). ●

EITF Issue No. 08-4, “Transition Guidance for Conforming Changes to Issue No. 98-5”*

AFFECTS: Entities that have issued convertible debt with beneficial conversion features⁴ and that continue to follow certain guidance in Issue 98-5 that was nullified by Issue 00-27 or Statement 150.

SUMMARY: The Task Force **reached a consensus** that transition guidance for the conforming changes to Issue 98-5 (to be included in Exhibit 08-4A of Issue 08-4) that are a result of Issue 00-27 and Statement 150 should be provided.

NEXT STEPS: The consensus was ratified by the FASB and is effective for financial statements issued for fiscal years ending after December 15, 2008, with early application permitted. The impact of applying the conforming changes, if any, must be presented retrospectively for all periods presented, with a cumulative-effect adjustment to retained earnings as of the beginning of the first period presented.

OTHER RESOURCES: Deloitte's [June 2008 EITF Snapshot](#). ●

EITF Issue No. 08-5, “Issuer’s Accounting for Liabilities Measured at Fair Value With a Third-Party Guarantee”*

AFFECTS: Entities that incur liabilities (e.g., by issuing debt securities) that have inseparable third-party guarantees (or other third-party credit enhancements) when such a liability is measured at fair value or a fair value measurement is disclosed.

SUMMARY: At issue is whether an issuer of debt with a third-party guarantee (or other third-party credit enhancement) that is inseparable from the debt instrument should treat the debt and the guarantee as (1) one unit of accounting or (2) two units of accounting, when the measurement attribute for that debt is fair value.

The Task Force **reached a consensus-for-exposure** that an issuer of debt with a third-party guarantee (or other third-party credit enhancement) that is inseparable from the debt instrument must treat the debt and the guarantee as two units of accounting. Under the consensus-for-exposure, the fair value measurement of the debt does not include the effect of the third-party guarantee; therefore, changes in the issuer’s credit standing affect the fair value measurement of the issuer’s debt.

NEXT STEPS: A consensus would be effective beginning in the first reporting period after issuance. Entities would apply this Issue prospectively. The effect of initial application would be included in the change in fair value of the debt security in the period of adoption. Entities would be required to disclose any change in fair value measurement method that occurs as a result of the initial application of this Issue. Early adoption would not be permitted. The FASB ratified the consensus-for-exposure at its June 25, 2008, meeting, and the [draft abstract](#) is available on the FASB’s Web site. Comments are due by August 4, 2008.

OTHER RESOURCES: Deloitte's [June 2008 EITF Snapshot](#). ●

⁴ Beneficial conversion features are “in-the-money” conversion options as of the commitment date for the issuance of the convertible debt.

EITF Administrative Matters — Revisions to Topic D-98 (Updated)*

- AFFECTS:** Public entities with noncontrolling (minority) interests.
- SUMMARY:** At the March EITF meeting, the SEC observer announced revisions to Topic D-98. The revisions primarily address the SEC staff's views regarding the interaction between Topic D-98 and Statement 160. The revisions also reflect other clarifications to Topic D-98 that are unrelated to Statement 160. The revised Topic D-98 will indicate that the classification, measurement, and earnings-per-share guidance applies to noncontrolling interests (e.g., when the noncontrolling interest is redeemable at a fixed price by the holder or upon the occurrence of an event that is not solely within the control of the issuer). This includes noncontrolling interests redeemable at fair value.
- NEXT STEPS:** The revisions to Topic D-98 that are specific to accounting for noncontrolling interests should be applied no later than the effective date of Statement 160. Statement 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. ●

AICPA Developments

AICPA Adopts New Ethics Standard*

- AFFECTS:** AICPA members.
- SUMMARY:** On June 3, 2008, the AICPA's Professional Ethics Executive Committee [announced](#) its adoption of a new [interpretation](#) that would limit the use of indemnification and limitation-of-liability clauses in agreements for audit or attest services. Under the new interpretation, an AICPA member reporting under more restrictive regulators such as the SEC, state insurance commissions, and federal banking agencies will have to comply with the indemnification and limitation-of-liability provisions of those regulators. An AICPA member that does not comply with these provisions will have committed an "act discreditable to the profession."
- NEXT STEPS:** The new interpretation will be effective on July 31, 2008. ●

AICPA Issues Two Exposure Drafts on Internal Controls*

- AFFECTS:** Public accounting firms of nonissuers.
- SUMMARY:** On June 12, 2008, the AICPA issued two Exposure Drafts for public comment. The first [Exposure Draft](#) is of a proposed SSAE that would converge the requirements outlined in PCAOB Auditing Standard 5 for integrated audits of financial statements with the AICPA's standards on internal control over financial reporting for nonissuers. The SSAE would (1) revise the scope of AT Section 501 and the definitions of "significant deficiency" and "material weakness," (2) provide guidance on using the work of others, (3) contain an illustration of a written communication to management and those charged with governance regarding significant deficiencies and material weaknesses, (4) discuss how to identify significant accounts and likely sources of misstatements, and (5) introduce the concept of a "top-down approach" for applying the standard. The proposed SSAE would supersede AT Section 501 and would be effective for integrated audits for dates or periods ending on or after December 15, 2008.
- The second [Exposure Draft](#) is of a proposed SAS that would conform the internal control definitions in AU Section 325 with the new definitions and related guidance outlined in the SSAE Exposure Draft discussed above. The SAS would amend AU Section 325

and would be effective for integrated audits of financial statements for dates or periods ending on or after December 15, 2009.

NEXT STEPS: Comments on both proposals are due by August 12, 2008. ●

AICPA Issues Two Proposed Redrafted Statements on Auditing Standards

AFFECTS: Entities and their auditors.

SUMMARY: The AICPA has issued two proposed redrafted SASs, [SAS 114 \(Redrafted\)](#) and [SAS 103 \(Redrafted\)](#), which would supersede SAS 114 and SAS 103, respectively. These proposed SASs are in response to the AICPA's March 2007 discussion paper, "[Improving the Clarity of ASB Standards](#)," which discussed the AICPA's concerns with the existing ASB standards and outlined "clarity drafting conventions" in which it planned to revise all SASs. Drafting conventions include:

- Establishing SAS objectives.
- Including a definitions section in each SAS.
- Separating required procedures from explanatory material.
- Enhancing readability.
- Scaling the material for smaller, less complex entities as well as larger corporations.

These new SASs were drafted to converge with the standards of the International Auditing and Assurance Standards Board (IAASB). International Standard on Auditing (ISA) 260 was used to redraft SAS 114, and ISA 230 was used to redraft SAS 103. Exhibit B of each SAS explains any significant differences between the SAS and its respective ISA.

Each proposed SAS would not be effective for audits of financial statements until after December 15, 2010.

NEXT STEPS: Comments on the two SASs were due by June 30, 2008. The AICPA asked respondents to focus on certain issues, including the following:

- SAS 114 — *Communication of the risks of material misstatements*. In addition to the planned scope and timing of the audit, should issues of risk and materiality be required to be communicated to those charged with governance?
- SAS 103 — *Definition of experienced auditor*. The definition of an experienced auditor has changed to conform with the definition outlined in ISA 230. This definition change will not amend any documentation requirements under U.S. GAAS; however, it does indicate that the documentation requirements under U.S. GAAS and ISA 230 will now be the same. ●

AICPA Recognizes IASB as Standard Setter

AFFECTS: All entities.

SUMMARY: On May 18, 2008, the AICPA [announced](#) that it will now recognize the IASB as "an accounting body for purposes of establishing international financial accounting and reporting principles." Specifically, the AICPA will amend Appendix A of Rules 202 and 203 of the AICPA's Code of Ethics to state that the IASB will now be among the AICPA's accepted standard setters. As a result, AICPA members can elect to use IFRSs instead of U.S. GAAP in fulfilling their professional responsibilities. Because IFRSs are gaining acceptance in the United States, the AICPA thought that these amendments would enable its members to perform better service for their clients and the public.

The AICPA has also partnered with CPA2Biz to create a Web site, IFRS.com, to educate members about IFRS regulations and requirements.

NEXT STEPS: These changes are effective immediately. The ASB and ARSC are creating clarifying language on how audit, review, and compilation reports can be modified when reporting on financial statements prepared in accordance with IFRSs. ●

SEC Developments

SEC Approves One-Year Deferral of Section 404 Requirement for Smaller Public Companies*

AFFECTS: Nonaccelerated filers.

SUMMARY: On June 26, 2008, the SEC issued a [final rule](#) that will allow nonaccelerated filers (public companies with a public float of less than \$75 million) a one-year deferral (from December 15, 2008, to December 15, 2009) from complying with SEC rules issued in response to Section 404(b) of the Sarbanes-Oxley Act of 2002 that require these filers' annual reports to include an auditor's attestation report on management's assessment of internal controls. The SEC also announced that it will conduct a cost-benefit study of whether this new requirement would help small businesses implement Section 404(b) and PCAOB Auditing Standard 5. The results of the cost-benefit study are expected to become available within the next year.

NEXT STEPS: The final rule will become effective on September 2, 2008, with certain exceptions (see the "Effective Dates" section in the final rule). ●

SEC Expands the Definition of Eligible Portfolio Companies Under the Investment Company Act of 1940

AFFECTS: Investment companies.

SUMMARY: On May 15, 2008, the SEC issued a [final rule](#) to "more closely align the definition of eligible portfolio company, and the investment activities of business development companies ('BDCs'), with the purpose that Congress intended."⁵ Under the new definition, eligible portfolio companies include companies listed on the national securities exchange that have less than \$250 million in market capitalization. Previously, companies whose securities were listed on the exchange were not included in the definition.

NEXT STEPS: The final rule will become effective on July 21, 2008. ●

SEC Adopts Amendments to Form S-11

AFFECTS: Real estate entities.

SUMMARY: On April 10, 2008, the SEC issued a [final rule](#) amending Form S-11, which is used by real estate entities to register offerings under the Securities Act of 1933. The amendments permit an entity that has filed its current-year annual report, and that is in good standing with its reporting obligations under the Securities Exchange Act of 1934, to incorporate by reference information from its previously filed reports and documents.

⁵ In 1980, BDCs were established as a "new category of closed-end investment companies" to make capital more readily available to companies that invested at least 70 percent of their assets in "eligible portfolio company" and other securities.

NEXT STEPS: The amendments to Form S-11 were effective on April 15, 2008. ●

SEC Updates EDGAR*

AFFECTS: Public entities.

SUMMARY: The SEC recently adopted two final rules ([Release Nos. 33-8922](#) and [33-8926](#)) updating the EDGAR filing system. Updates include:

- Removal of the deleted EDGAR submission types S-4EF/A, F-4EF/A, N-14AE, and N-14AE/A.
- Addition of “XBRL Standard Taxonomies,” including links to the U.S. GAAP XBRL taxonomies.
- Corrections to EDGARLite Form TA-1 and Form TA-2.
- Incorporation of small-business amended rules and forms previously adopted by the SEC.

NEXT STEPS: The updates were effective on June 12, 2008. ●

SEC Proposes Rule to Define “Annuity Contract” and “Optional Annuity Contract”*

AFFECTS: Insurance companies and entities with annuities.

SUMMARY: On June 25, 2008, the SEC issued a [proposed rule](#) that redefines the terms “annuity contract” and “optional annuity contract” as used in Section 3(a)(8) of the Securities Act of 1933. The proposed rule (1) excludes certain indexed annuities from the scope of the 1933 Act and (2) exempts insurance companies with indexed annuities and other securities registered under the Securities Exchange Act of 1934 from the 1934 Act’s reporting requirements, “provided that the securities are regulated under state insurance law, the issuing insurance company and its financial condition are subject to supervision and examination by a state insurance regulator, and the securities are not publicly traded.” The proposed rule would apply prospectively (i.e., to contracts issued on or after its effective date).

NEXT STEPS: Comments on the proposed rule are due by September 10, 2008. ●

SEC Proposes Reforms to Credit Rating Process*

AFFECTS: Credit rating agencies and entities with instruments rated by credit rating agencies.

SUMMARY: On June 16, 2008, the SEC issued [proposed rules](#) that would affect how credit rating agencies evaluate and rate instruments issued by entities. The proposed rules would regulate credit rating agencies’ conflicts of interest, internal policies, disclosures, and business practices. According to SEC Chairman Christopher Cox, “This package of proposed rules would foster increased transparency, accountability, and competition in the credit rating agency industry for the benefit of investors.” The proposed rules are divided into three parts:

[Part one](#) would prohibit:

- A credit rating agency from “issuing a rating on a structured product” unless the underlying information for that product is also available.
- A credit rating agency from “structuring the same products that [it] rates.”
- Those who participate in “determining a credit rating from negotiating the fee that the issuer pays for it.”
- Gifts, in any amount more than \$25, “from those who receive ratings to those who rate them.”

In addition, part one would require credit rating agencies to:

- Make “all of their ratings and subsequent rating actions publicly available.”
- Publish “performance statistics for 1, 3, and 10 years within each rating category.”
- Disclose the “way they rely on the due diligence of others to verify the assets underlying a structured product.”
- Disclose “how frequently credit ratings are reviewed; whether different models are used for ratings surveillance than for initial ratings; and whether changes made to models are applied retroactively to existing ratings.”
- Annually report “the number of ratings actions they took in each ratings class, and require the maintenance of an XBRL database of all rating actions on the rating agency’s Web site.”
- Disclose information used to determine a rating on “a structured product, including information on the underlying assets.”
- Document the “rationale for any significant out-of-model adjustments.”

[Part two](#) would require that different symbols or identifiers be used for structured products and bonds.

Part three ([Release Nos. 34-58070](#), [33-8940](#), and [IC-28327](#)) is currently in the design phase, but is expected to include additional recommendations to “ensure that the role the SEC has assigned to ratings in its rules is consistent with the objective of having investors make an independent judgment of risks and of making it clear to investors the limits and purposes of credit ratings for structured products.”

NEXT STEPS: Comments on the first and second parts of the proposed rules are due by July 25, 2008. Comments on the third part of the proposed rules are due by September 5, 2008. ●

SEC Proposes Changes to Oil and Gas Reporting Requirements*

AFFECTS: Public oil and gas companies.

SUMMARY: On June 26, 2008, the SEC issued a [proposed rule](#) that updates the reporting requirements for oil and gas companies to reflect the significant changes that have occurred in the industry over the past 25 years. The proposal reflects comments received from constituents regarding the SEC’s [December 12, 2007, concept release](#).

NEXT STEPS: Comments on the proposed rule are due by September 8, 2008. ●

SEC Proposes Rule Regarding Foreign Broker-Dealers*

- AFFECTS:** Foreign broker-dealers.
- SUMMARY:** On June 25, 2008, the SEC issued a [proposed rule](#) that would increase the types of services foreign broker-dealers could offer in the United States without being “chaperoned” by a person registered with a U.S. broker-dealer. The proposed rule is meant to increase the efficiency of the markets, while maintaining regulations that protect the public interest.
- NEXT STEPS:** Comments on the proposed rule are due by September 8, 2008. ●

SEC Proposes Rule on Interactive Data

- AFFECTS:** Public entities.
- SUMMARY:** On May 30, 2008, the SEC issued a [proposed rule](#) on interactive data for improving financial reporting. The new rule would require domestic and foreign companies that prepare their financial statements in accordance with U.S. GAAP and IFRSs (as issued by the IASB) to use XBRL when submitting their financial information for periods ending on or after December 15, 2008, for the largest companies and within the following two years for smaller companies. The SEC believes that the new XBRL format will enable investors to more quickly and easily (1) download the financial information, (2) compare the information of one company to that of another company, and (3) analyze the information. In addition, the SEC hopes that the XBRL format will help automate the regulatory and business information filing process and eventually reduce the costs of financial reporting.
- NEXT STEPS:** Comments on the proposed rule are due by August 1, 2008.
- OTHER RESOURCES:** Deloitte’s [June 5, 2008, Heads Up](#) and Deloitte’s [XBRL FAQ document](#), which answers common questions about XBRL financial reporting. ●

SEC Proposes Rule on Cross-Border Transactions

- AFFECTS:** Public entities.
- SUMMARY:** On May 6, 2008, the SEC issued a [proposed rule](#) that would expand and enhance the use of current exemptions for cross-border business combinations to encourage offerors and issuers to enter into cross-border transactions. The rule’s proposals include the following:
- Refining tests to determine who is eligible to rely on cross-border exemptions during a transaction.
 - Expanding relief for transactions not eligible under the cross-border exemptions.
 - Amending Tier II to:
 - o Extend the relief to tender offers not subject to Section 13(e) or 14(d) of the Securities Exchange Act of 1934.
 - o Eliminate recurring conflicts between U.S. and foreign law.
 - Codifying existing interpretive positions and exemptive orders.
 - Permitting foreign institutions to report on Schedule 13G, without individual no-action relief.
- NEXT STEPS:** Comments on the proposed rule were due by June 23, 2008. ●

SEC Launches Web Page to Facilitate Mutual Fund Comparisons*

- AFFECTS:** All mutual funds and investors.
- SUMMARY:** The SEC recently launched a [Web page](#) to help investors research and compare mutual funds. The Web page uses XBRL to analyze data submitted voluntarily by mutual funds to the SEC, including data about cost, risk, investment objectives and strategies, and historical performance. To date, about 20 funds have submitted information.
- In addition, on June 10, 2008, the SEC issued a [proposed rule](#) that requires all mutual funds to supply “risk/return summary information” in XBRL format, including “key information about fees, performance, and strategies through interactive data.” The proposal would allow investors to more easily compare and analyze mutual fund data. Mutual funds would be required to provide this data beginning with registration statement filings that become effective after December 31, 2009.
- NEXT STEPS:** Comments on the proposed rule are due by August 1, 2008.
- OTHER RESOURCES:** Deloitte’s [June 5, 2008, Heads Up](#). ●

SEC Staff Explains the Filing Review and Comment Letter Process*

- AFFECTS:** Public entities.
- SUMMARY:** The staff of the SEC’s Division of Corporation Finance (the “Division”) recently posted to its Web site an [overview](#) designed to “increase the transparency” of the Division’s filing review and comment letter process.
- The overview is divided into two main sections:
- “Filing Review Process”* — This section includes background on the different types (required and selective) and levels of review and covers the comment process, indicating that “[m]uch of the Division’s review [process] involves reviewing the disclosure from a potential investor’s perspective and asking questions that an investor might ask when reading the document.” The section also addresses how to respond to SEC staff comments and how to close a filing review.
- “Reconsideration Process”* — Although emphasizing that companies do not need to follow a “formal protocol” when requesting that the staff “reconsider a comment it has issued or reconsider a staff member’s view of the company’s response to a comment,” this section outlines the typical steps in the reconsideration process.
- OTHER RESOURCES:** Deloitte’s [June 12, 2008, Heads Up](#). ●

SEC Publishes Small-Entity Compliance Guide on Internet Availability of Proxy Materials

- AFFECTS:** Nonaccelerated filers.
- SUMMARY:** The SEC has issued a small-entity compliance guide, [Shareholder Choice Regarding Internet Availability of Proxy Materials](#), on its adopted proxy rule amendments. The guide outlines two options for providing proxy materials to a company’s shareholders: the “notice only” option or the “full set delivery” option. Under the notice only option, a company must (1) post its proxy materials on an Internet Web site, (2) send a Notice of Internet Availability of Proxy Materials to its shareholders, and (3) provide paper or electronic copies of the proxy materials to a shareholder, if requested, before future shareholder meetings. Under the full set delivery option, a company must deliver a full

set of proxy materials to shareholders along with the Notice of Internet Availability of Proxy Materials. Steps 2 and 3 under the notice only option are not required under the full set delivery option because the company has already sent a full set of proxy materials to a shareholder.

NEXT STEPS: Smaller entities (entities that are not large accelerated filers) must comply with the proxy requirements for proxy solicitations that commence on or after January 1, 2009. ●

SEC Financial Reporting Advisory Committee Releases Updated Progress Reports

AFFECTS: All entities.

SUMMARY: On May 15, 2008, the SEC Advisory Committee on Improvements to Financial Reporting (CIFIR) released four updated subcommittee [progress reports](#) summarizing the progress made toward reducing the complexity in financial reporting and increasing the usefulness of financial information provided to investors.

The subcommittees are as follows:

- Substantive Complexity.
- Standard-Setting.
- Audit Process and Compliance.
- Delivering Financial Information.

NEXT STEPS: Comments on the reports were due by June 23, 2008.

OTHER RESOURCES: See Deloitte's [Accounting Roundup: First Quarter in Review — 2008](#) for CIFIR's proposals (released on February 14, 2008). ●

SEC Begins to Rethink Information-Gathering Process*

AFFECTS: Public entities.

SUMMARY: On June 24, 2008, the SEC [announced](#) that it is beginning to rethink the way it gathers and distributes information from public companies, as well as "mutual funds, brokers, and other regulated entities." The study, known as the "21st Century Disclosure Initiative," represents the SEC's effort to (1) improve the timeliness of information provided to investors and disclosures to the SEC and (2) decrease the redundancy of information requested from companies.

NEXT STEPS: Dr. William D. Lutz of Rutgers University will lead the study. The first phase is expected to be completed by the end of 2008. ●

PCAOB Developments

PCAOB Adopts Rules for Annual and Special Reporting*

AFFECTS: Accounting firms registered with the PCAOB.

SUMMARY: On June 10, 2008, the PCAOB adopted a [rule](#) requiring public accounting firms registered with the PCAOB to submit information annually and when significant events occur. This information should include the following:

- *Annual reporting* — Basic information about the registered firm, including information about firm-issued audit reports, fees billed to issuer audit clients, and disciplinary actions associated with firm personnel.
- *Special-events reporting* — Within 30 days, firms must report certain events, including changes in the firm's name, certain legal proceedings, and disciplinary actions taken against the firm or its employees.

These reports will be available to the public and will enable the PCAOB to maintain current and accurate records for registered accounting firms.

NEXT STEPS: The rule will be effective 60 days after its approval by the SEC. On this date, the special reporting requirements will apply; the earliest possible deadline for special reporting will be 90 days after SEC approval. The first annual reports will be due by June 30, 2009, for the 12-month period ending on March 31, 2009. ●

PCAOB Adopts New Independence and Ethics Rules

AFFECTS: Public companies and their auditors.

SUMMARY: In an April 22, 2008, [press release](#), the PCAOB announced that it has [adopted](#) Rule 3526 and an amendment to Rule 3523.

Rule 3526 facilitates independence discussions between auditors and audit committees. The new rule requires an accounting firm to communicate all relationships between the firm, the potential client (including any affiliates), and the potential client's personnel (in a financial reporting oversight role)⁶ that may affect the accounting firm's independence. The communication should be made in writing to the audit committee and the effects of the reported items should be discussed with the audit committee of a potential new audit client **before** the firm can be appointed as the company's auditor. Discussions between the audit committee and the accounting firm should be documented. This documentation should illustrate that the audit committee was well informed about the accounting firm's independence before the firm was hired as the company's auditor.

Once an accounting firm has been appointed as the company's auditor, a similar communication is required annually to reconfirm that no independence-impairing relationships exist between the accounting firm and audit client.

Rule 3523 currently states that an accounting firm would not be independent of an audit client if it provided tax services to the client's personnel in a financial reporting oversight role, or any of their immediate family members, during the audit **and** professional engagement periods. In this context, the audit period is the period covered by the financial statements being audited (i.e., the entity's fiscal year) and the professional engagement period is the period that begins when the firm signs the engagement letter to perform an audit under PCAOB standards or begins audit procedures under that engagement letter (whichever comes first).

In evaluating this rule, the PCAOB concluded that providing tax services to a person in a financial reporting oversight role, or to any of his or her immediate family members, before the beginning of the professional engagement period for a new audit client or an audit client in an "initial public offering" would not necessarily impair the accounting firm's independence; therefore, the PCAOB decided to remove "audit period" from the tax rule.

NEXT STEPS: Rule 3526 will supersede the Board's interim requirement, [Independence Standards Board Standard 1](#), and will be effective, if approved by the SEC, on the later of September 30, 2008, or 30 days after SEC approval. The amendment to Rule 3523 will

⁶ PCAOB Rule 3501 defines financial reporting oversight role as "a role in which a person is in a position to or does exercise influence over the contents of the financial statements or anyone who prepares them, such as when the person is a member of the board of directors or similar management or governing body, chief executive officer, president, chief financial officer, chief operating officer, general counsel, chief accounting officer, controller, director of internal audit, director of financial reporting, treasurer, or any equivalent position."

be effective immediately once approved by the SEC; however, this rule will not apply to tax services provided on or before December 31, 2008, when the services are provided during the audit period and completed before the beginning of the professional engagement period.

OTHER RESOURCES: Deloitte's [April 30, 2008, Heads Up](#). ●

PCAOB Announces 2008 Forums on Auditing in the Small-Business Environment

AFFECTS: Small-business public entities.

SUMMARY: In an April 3, 2008, [press release](#), the PCAOB announced its 2008 series of its "Forums on Auditing in the Small Business Environment," which began in Santa Monica, California, on April 28, 2008. Public accounting firms and small public companies are invited to participate. The forums will address the following topics:

- Quality-control policies and procedures.
- Accounting and auditing issues.
- Application of auditing standards.
- PCAOB inspection process.
- PCAOB Auditing Standard 5.

NEXT STEPS: The next meeting is scheduled for September 30 to October 1, 2008, in Chicago, Illinois. For [more information](#) about the 2008 forum series, visit the PCAOB's Web site. ●

GASB Developments

GASB Issues Statement on Derivative Instruments*

AFFECTS: State and local government issuers.

SUMMARY: On June 30, 2008, the GASB issued Statement 53, which clarifies that state and local governments preparing their financial statements under the accrual basis of accounting should measure derivative instruments at fair value. Statement 53 also provides guidance on hedge accounting requirements, including when a derivative instrument results in an effective hedge, when changes in fair value for a hedged item should be reported, and how fair value changes should be presented in the financial statements. The Statement also improves derivative instrument disclosures, requiring a summary of the issuer's derivative instrument activity, its objectives for entering into the derivative instruments, and their significant terms and risks.

According to GASB Chairman Robert Attmore, "By requiring the fair values of derivative instruments to be reported on the face of financial statements prepared using the accrual basis of accounting, Statement 53 brings additional transparency to those transactions." In addition, "the application of the financial reporting standards required by this Statement gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed."

NEXT STEPS: Statement 53 is effective for financial statements for reporting periods beginning after June 15, 2009. Early adoption is encouraged.

OTHER RESOURCES: The GASB's [Question and Answer Fact Sheet](#) and [Plain English Article](#). ●

GASB Proposes Changes to Concepts Statement 2

AFFECTS: State and local government agencies.

SUMMARY: On April 4, 2008, the GASB issued an [Exposure Draft](#) that would amend Concepts Statement 2 to reflect developments in service efforts and accomplishments (SEA) reporting that have occurred since the Concepts Statement's issuance in 1994. The Exposure Draft would affect the following five sections of Concepts Statement 2:

Purpose and Scope — Paragraphs 1 and 3 are amended; paragraphs 2, 6, and 7 are superseded. As stated in paragraph 2, "It is beyond the scope of the GASB to establish the goals and objectives of state and local government services, to develop specific nonfinancial measures or indicators of service performance, or to set standards for service performance."

The Elements of SEA Reporting — Terminology is updated and certain provisions are changed to (1) "separate the elements of SEA performance measurement from related factors" and (2) "focus on the three different types of SEA performance measures — measures of service efforts (costs), measures of service accomplishments, and measures that relate service efforts to service accomplishments."

Limitations of SEA Information — The list of types of limitations associated with "using SEA performance information" in paragraph 67 is amended.

Enhancing the Usefulness of SEA Information — The list of factors enhancing the "usefulness of reported SEA performance information" in paragraph 68 is amended.

Developing Reporting Standards of SEA Information — This section is deleted.

The GASB hopes that these changes will "enhance users' understanding of the elements, characteristics, limitations, and methods of communicating SEA performance information."

NEXT STEPS: Comments on the Exposure Draft were due by July 3, 2008. A public hearing will be held on Tuesday, July 29, 2008 (in conjunction with the Association of Government Accountants' Professional Development Conference), at 9:00 a.m. at the Hilton Hotel in Atlanta, Georgia, to discuss the proposed changes to the Statement. Interested parties are encouraged to participate. See the GASB's Web site for [more information](#). ●

GASB Adds New Projects to Agenda

AFFECTS: Government entities and their auditors.

SUMMARY: The GASB will be busy this summer with projects on the following [topics](#):

Agenda Projects

- Fund balance reporting and governmental-fund-type definitions.
- Derivatives.
- Conceptual framework — recognition and measurement attributes.
- SEA reporting.

New Agenda Projects

- Postemployment benefits accounting and financial reporting.
- Public/private partnerships.
- Reporting unit presentations/Statement 14 reexamination.

Practice Issues

- Comprehensive implementation guide.

New Practice Issues

- The AICPA omnibus.
- The ARC adjustment — technical bulletin.
- Derivative instruments implementation guide.

Research Projects

- Economic condition reporting.
- Electronic financial reporting.

New Research Projects

- Codification of FASB pronouncements issued before November 30, 1989.
- Fair value measurement.

OTHER RESOURCES: For a summary or full plan of the above projects, see the article [“GASB Releases Technical Plan for the Second-Third of 2008.”](#) and the GASB’s [“Approved Technical Plan for the Second-Third of 2008.”](#) respectively. ●

International Developments

IASB Issues Annual Improvements to International Standards

AFFECTS: Entities reporting under IFRSs.

SUMMARY: On May 22, 2008, the IASB issued [Improvements to IFRSs](#) — a collection of amendments to IFRSs. The new standard reflects the results of the IASB’s project, beginning in 2007, to perform annual reviews of IFRSs and address standards that require nonurgent, minor amendments. The IASB selected standards that were not included in current projects and that would not otherwise be reviewed. The document is divided into two parts:

- *Part I* — Amendments that result in accounting changes for presentation, recognition, or measurement purposes.
- *Part II* — Amendments that are terminology or editorial changes only, which the IASB expects will have no or minimal effect on accounting.

Some of the amendments that are likely to significantly change current practice include the following:

- Held-for-sale classification of the assets and liabilities of a subsidiary in which the parent is committed to a plan to sell its controlling interest but intends to retain a noncontrolling interest (IFRS 5).

- The reclassification to inventories of property, plant, and equipment previously held for rental when the assets cease to be rented and are held for sale, and the recognition of the proceeds of disposal of such assets as revenue (IAS 16).
- The recognition of advertising and promotional expenditure as an asset is not permitted beyond the point at which the entity has the right to access the goods purchased or, in the case of services, the point at which the services are received (IAS 38).

The IASB also published [amendments to IFRS 1 and IAS 27](#) that address the measurement of the cost of investments in subsidiaries, jointly controlled entities, and associates when an entity adopts IFRSs for the first time. The IASB made these amendments because of concerns that retrospectively determining cost and applying the cost method in accordance with IAS 27 could not, in some circumstances, be achieved without undue cost or effort for first-time adopters.

NEXT STEPS: Most of the improvements are effective for annual periods beginning on or after January 1, 2009, with early adoption permitted. They should be applied retrospectively.

OTHER RESOURCES: For more information, see the May 2008 — Special Edition of Deloitte Touche Tohmatsu's [IAS Plus newsletter](#), which discusses the amendments and categorizes them in two tables. (Table I lists amendments that affect the standards; Table II lists amendments with more minor wording changes that are not necessarily expected to affect accounting practice.) See also the May 2008 — Special Edition of Deloitte Touche Tohmatsu's [IAS Plus newsletter](#), which discusses the amendments to IFRS 1 and IAS 27. ●

IASB and FASB Issue Two Conceptual Framework Documents

AFFECTS: All entities.

SUMMARY: The IASB and FASB recently published for public comment two documents on their joint conceptual framework project. The [Exposure Draft](#) seeks views on (1) an improved objective of financial reporting, (2) the qualitative characteristics of information provided by financial reporting, and (3) constraints on the provision of that information. The [Discussion Paper](#) sets out the boards' initial perspectives on the reporting entity concept and related issues. See the [related article](#) in the FASB Developments section.

NEXT STEPS: Comments on the IASB's Exposure Draft and Discussion Paper are due by September 29, 2008.

OTHER RESOURCES: Deloitte's [June 17, 2008, Heads Up](#). ●

IASC Foundation Publishes 2008 IFRS Taxonomy*

AFFECTS: Entities reporting under IFRSs.

SUMMARY: On June 24, 2008, the International Accounting Standards Committee (IASC) Foundation published the final [2008 IFRS Taxonomy](#). The taxonomy consists of IFRSs, as published in IFRS Bound Volume 2008, translated into XBRL language. The taxonomy's objectives are to (1) help users analyze and compare a company's financial data and (2) reduce the complexity of the filing process. ●

IASB Forms Advisory Panel for Financial Instruments*

- AFFECTS:** Entities reporting under IFRSs.
- SUMMARY:** On June 3, 2008, in response to feedback received from the Financial Stability Forum, the IASB [announced](#) that it is forming an [expert panel](#) to assist in (1) reviewing best practices for valuation techniques and (2) creating additional disclosures and guidance for valuing financial instruments when markets are, or become, inactive. The expert advisory panel comprises financial statement preparers and users, regulators, credit rating agencies, and auditors.
- NEXT STEPS:** The first meeting was on June 13, 2008. Before the meeting, panel participants submitted for discussion issues associated with valuation and disclosure of financial instruments. ●

IASC Foundation Constitution Review

- AFFECTS:** International entities.
- SUMMARY:** On April 8, 2008, the trustees of the IASC Foundation, the “legal entity under which the IASB operates,” [announced](#) the process for the second five-yearly Constitution Review. The review is expected to be complete by the end of 2009. The Foundation also announced that two issues would be addressed sooner: (1) the creation of a Monitoring Group to enhance the Foundation’s governance and (2) the composition of the IASB.
- *Creation of a Monitoring Group* — This group would comprise representatives of securities regulators, who would approve trustee appointments and review trustee oversight activities, including the adequacy of the annual funding arrangements and the overall budget.
 - *Expansion of the IASB to 16 Members From the Present 14* — The trustees will maintain the existing constitutional criteria for selecting IASB members, but will consider whether the constitution should ensure a minimum geographical balance. The balance they are currently considering is four members from Europe, four from North America, four from Asia-Oceania, and the remaining four from any area (provided that overall geographical balance is maintained). ●

Other Developments

COSO Issues Exposure Draft on Internal Control*

- AFFECTS:** Public entities.
- SUMMARY:** On June 4, 2008, COSO [announced](#), on the basis of comments received on its September 2007 release, the issuance of an Exposure Draft that provides public entities with guidance on monitoring internal control systems. The Exposure Draft is divided into three sections: (1) [Executive Summary](#), (2) [Guidance](#), and (3) [Application Techniques](#). Topics discussed include the following:
- Principles regarding effective internal control over financial reporting that were previously issued by COSO in 2006.
 - Examples of effective monitoring systems.

- Practical application guidance.
- Case studies.
- Clarification of the concept of monitoring internal control.

NEXT STEPS: [Comments](#) on the Exposure Draft are due by August 15, 2008. A final release is expected in the fall of 2008. ●

CAQ SEC Regulations Committee Meets With SEC Staff

AFFECTS: All entities.

SUMMARY: On April 9, 2008, the CAQ SEC Regulations Committee held its first meeting of the year with the SEC staff. The Regulations Committee is composed of representatives from various public accounting firms, industry, and academia, and meets periodically with the SEC staff to discuss emerging technical accounting and reporting issues relating to SEC rules and regulations. The following topics were discussed at the April meeting:

- Impacts of Statements 141(R) and 160 on existing SEC accounting and disclosure requirements.
- Credit market and subprime issues and risks in the current environment.
- Fair value concerns.
- Application of new accounting standards to nonpublic companies in connection with an IPO.
- Periods for pro forma MD&A and income statement disclosures.
- IFRS developments.
- Materiality.
- XBRL.
- Staff communications and personnel changes.

NEXT STEPS: Meeting highlights will be posted to the [CAQ SEC Regulations Committee Web page](#) when they are finalized and approved by the SEC staff.

OTHER RESOURCES: Deloitte's [May 20, 2008, Heads Up](#). ●

Appendix A: Recent Meetings

Recent FASB Meetings

To jump to the minutes of a FASB meeting, click a date or link below.

June 4, 2008

The Board discussed the following topics:

- [Statement 140 Implementation: Transfers of Financial Assets.](#)
- [Statement 140 and Interpretation 46\(R\) — Disclosures.](#)
- [Not-for-Profit Endowments and UPMIFA.](#)

June 11, 2008

The Board discussed the following topics:

- [Not-for-Profit Mergers and Acquisitions.](#)
- [Interpretation 46\(R\) Considerations.](#)
- [Statement 140 Implementation: Transfers of Financial Assets.](#)
- [Statement 140 and Interpretation 46\(R\) — Comment Period, Effective Date, and Transition.](#)

June 18, 2008

The Board discussed the following topics:

- [Earnings per Share.](#)
- [Financial Statement Presentation.](#)

June 25, 2008

The Board discussed the following topics:

- [Conceptual Framework: Elements and Recognition.](#)
- [FASB Ratification of EITF Consensuses and Tentative Conclusions.](#)

No Board meetings were planned for the weeks of June 30, 2008, and July 7, 2008. The next Board meeting is scheduled for Wednesday, July 16, 2008.

FASB Project Summaries and Meeting Minutes

[Project summaries](#), [handouts](#) distributed at each meeting, [FASB meeting minutes](#), and [summaries](#) of FASB meetings and recent actions are available on the FASB's Web site.

Recent EITF Meetings

June 12, 2008

The EITF discussed the following topics:

- EITF Issue No. 07-5, “Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity’s Own Stock.”
- EITF Issue No. 08-1, “Revenue Recognition for a Single Unit of Accounting.”
- EITF Issue No. 08-2, “Lessor Revenue Recognition for Maintenance Services.”
- EITF Issue No. 08-3, “Accounting by Lessees for Maintenance Deposits Under Lease Arrangements.”
- EITF Issue No. 08-4, “Transition Guidance for Conforming Changes to Issue No. 98-5.”
- EITF Issue No. 08-5, “Issuer’s Accounting for Liabilities Measured at Fair Value With a Third-Party Guarantee.”

The [minutes](#) are available on the FASB’s Web site.

The next meeting is scheduled for September 10, 2008.

Recent ASB Meetings

No ASB meeting was held in June 2008. The next meeting is scheduled for July 28–31, 2008.

Recent AcSEC Meetings

No AcSEC meeting was held in June 2008. The next meeting is scheduled for July 15–16, 2008.

Recent FASAB Meetings

June 18–19, 2008

The FASAB discussed the following topics:

- [Update on Federal Entity](#).
- [Fiscal Sustainability Reporting](#).
- [Social Insurance](#).
- [PP&E Valuation](#).
- [Reporting Gains and Losses From Changes in Assumptions and Selection of Discount Rates and Valuation Dates](#).
- [Conceptual Framework: Measurement Attributes for Financial Statements](#).
- [Natural Resources: Oil and Gas](#).
- [The Financial Reporting Model](#).
- [Technical Agenda Setting](#).

The [agenda](#) is available on the FASAB’s Web site.

Recent GASB Meetings

June 12, 2008

The GASB discussed the following topics:

- Derivative Instruments.
- Conceptual Framework — Recognition and Measurement Attributes.

The [agenda](#) is available on the GASB's Web site.

The next meeting is scheduled for July 8–10, 2008. The [agenda](#) is now available on the GASB's Web site.

Recent IASB Meetings

June 16–20, 2008

The IASB discussed the following topics:

- Amendments to IFRS 5.
- Annual Improvements.
- Conceptual Framework — Elements: Definition of a Liability.
- Extractive Activities Research Project.
- Fair Value Measurement.
- Financial Statement Presentation.
- Hedge Accounting: FASB Exposure Draft.
- IFRIC — Ratification of Interpretations.
- IFRSs for Private Entities (Small and Medium-Sized Entities, or SMEs).
- Technical Plan.
- Valuing Financial Instruments That Are No Longer Active.

The [agenda](#) is available on the IASB's Web site. See the IASB's [June 2008 IASB Update](#) on the IASB's Web site.

Recent IFRIC Meetings

No IFRIC meeting was held in June 2008. The next meeting is scheduled for July 21–25, 2008.

Appendix B: Significant Adoption Dates and Deadlines

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

FASB	Status
Significant Adoption Dates	
Statement 163, <i>Accounting for Financial Guarantee Insurance Contracts</i> — an interpretation of FASB Statement No. 60	Effective for financial statements issued for fiscal years beginning after December 15, 2008 (and all interim periods within those fiscal years), except for some disclosures about the insurance enterprise's risk-management activities and claim liabilities. Requires that disclosures about the risk-management activities of the insurance enterprise and its claim liabilities be effective for the first period (including interim periods) beginning after the Statement's issuance. Except for those disclosures, earlier application is not permitted.
Statement 162, <i>The Hierarchy of Generally Accepted Accounting Principles</i>	Effective 60 days following the SEC's approval of the PCAOB's amendments to AU Section 411, <i>The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles</i> .
Statement 161, <i>Disclosures About Derivative Instruments and Hedging Activities</i> — an amendment of FASB Statement No. 133	Effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. Accordingly, an entity must provide the disclosures required by Statement 161 in its first set of financial statements issued for a reporting period that begins after November 15, 2008, regardless of whether that reporting period is the first interim period in the entity's fiscal year.
Statement 160, <i>Noncontrolling Interests in Consolidated Financial Statements</i> — an amendment of ARB No. 51	Effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The standard should be applied prospectively. Presentation and disclosure requirements should be applied retrospectively to comparative financial statements. Earlier adoption is prohibited.
Statement 159, <i>The Fair Value Option for Financial Assets and Financial Liabilities</i> — including an amendment of FASB Statement No. 115	Effective as of the beginning of the entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided that the entity (1) also adopts the requirements of Statement 157 concurrently with or prior to the adoption of this Statement, (2) makes that choice within 120 days of the beginning of the fiscal year of adoption, and (3) at the time the entity chooses to early adopt, the entity has not yet issued financial statements, including required notes to those financial statements, for any interim period of the fiscal year that included the early adoption date.
Statement 158, <i>Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans</i> — an amendment of FASB Statements No. 87, 88, 106, and 132(R)	Recognition of the asset and liability related to funded status of a plan and disclosures: <ul style="list-style-type: none"> For entities with publicly traded equity securities, effective for fiscal years ending after December 15, 2006. For all other entities, effective for fiscal years ending after June 15, 2007. For all entities, change in measurement date is effective for fiscal years ending after December 15, 2008.
Statement 157, <i>Fair Value Measurements</i>	Effective for fiscal years beginning after November 15, 2007, and interim periods within those years. Earlier adoption is permitted, provided that no financial statements have yet been issued within that fiscal year. FSP FAS 157-2 defers the Statement's effective date for certain nonfinancial assets and liabilities to fiscal years beginning after November 15, 2008, and interim periods within those years.
Statement 141(R), <i>Business Combinations</i>	Effective prospectively for fiscal years beginning on or after December 15, 2008. Earlier adoption is prohibited.
Interpretation 48, <i>Accounting for Uncertainty in Income Taxes</i> — an interpretation of FASB Statement No. 109	For public entities, effective for fiscal years beginning after December 15, 2006. For all other entities, FSP FIN 48-2 defers the effective date until fiscal years beginning after December 15, 2007.
FSP FAS 158-1, "Conforming Amendments to the Illustrations in FASB Statements No. 87, No. 88, and No. 106 and to the Related Staff Implementation Guides"	Effective concurrently with the requirements of Statement 158.
FSP FAS 157-2, "Effective Date of FASB Statement No. 157"	Effective February 12, 2008.
FSP FAS 157-1, "Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement Under Statement 13"	Effective upon the initial adoption of Statement 157.

FSP FAS 142-3, "Determination of the Useful Life of Intangible Assets"	Effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The guidance on determining the useful life of a recognized intangible asset must be applied prospectively only to intangible assets acquired after the FSP's effective date. Disclosure requirements are applied prospectively.
FSP FAS 140-3, "Accounting for Transfers of Financial Assets and Repurchase Financing Transactions"	Effective for financial statements issued for fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. Earlier application is not permitted.
FSP FIN 48-2, "Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises"	Effective February 1, 2008.
FSP FIN 48-1, "Definition of <i>Settlement</i> in FASB Interpretation No. 48"	Effective upon the initial adoption of Interpretation 48.
FSP FIN 46(R)-7, "Application of FASB Interpretation No. 46(R) to Investment Companies"	The effective date for applying the provisions of Interpretation 46 or Interpretation 46(R) is deferred for investment companies that are not subject to SEC Regulation S-X, Rule 6-03(c)(1), but that are currently accounting for their investments in accordance with the specialized accounting guidance in the AICPA Audit and Accounting Guide, <i>Investment Companies</i> , until the date that the investment company initially adopts AICPA Statement of Position 07-1, <i>Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies</i> . An entity that is required to discontinue application of the specialized accounting in the Guide as a result of adoption of SOP 07-1 is subject to the provisions of Interpretation 46(R) at that time. Paragraph 4(e) of FASB Interpretation No. 46(R), <i>Consolidation of Variable Interest Entities</i> , states that "[i]nvestments accounted for at fair value in accordance with the specialized accounting guidance in the AICPA Audit and Accounting Guide, <i>Investment Companies</i> , are not subject to consolidation according to the requirements of this Interpretation." [Footnote omitted] Accordingly, an entity that meets the definition of an investment company after adoption of SOP 07-1 should continue to apply the specialized accounting in the Guide to its investments.
FSP FIN 39-1, "Amendment of FASB Interpretation No. 39"	Effective for fiscal years beginning after November 15, 2007.
FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities"	Effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is not permitted.
FSP APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)"	Effective for financial statements issued for fiscal years (and interim periods) beginning after December 15, 2008. Early adoption is not permitted. The FSP should be applied retrospectively to all past periods presented — even if the instrument has matured, has been converted, or has otherwise been extinguished.
FSP SOP 07-1-1, "Effective Date of AICPA Statement of Position 07-1"	Effective as of December 15, 2007.
FSP SOP 94-3-1 and AAG HCO-1, "Omnibus Changes to Consolidation and Equity Method Guidance for Not-for-Profit Organizations"	Effective for fiscal years beginning after June 15, 2008, and for interim periods therein. The FSP should be applied prospectively to all relationships, arrangements, and interests that exist on the effective date. If the application of the FSP results in an NPO's changing its accounting (e.g., a change from cost method to equity method accounting for an investment in a for-profit partnership), a cumulative-effect adjustment is required at adoption.
FSP SOP 90-7-1, "An Amendment of AICPA Statement of Position 90-7"	Effective for financial statements issued after the FSP's issuance date (April 24, 2008).
Implementation Issue E23, "Issues Involving the Application of the Shortcut Method Under Paragraph 68"	Effective for hedging relationships designated on or after January 1, 2008.
Projects in Request-for-Comment Stage	
Exposure Draft, <i>Disclosure of Certain Loss Contingencies</i> — an amendment of FASB Statements No. 5 and 141(R)	Comments due August 8, 2008.
Exposure Draft, <i>Accounting for Hedging Activities</i> — an amendment of FASB Statement No. 133	Comments due August 15, 2008.
Invitation to Comment, <i>Reducing Complexity in Reporting Financial Instruments</i>	Comments due September 19, 2008.
Proposed Statement, <i>Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics and Constraints of Decision-Useful Financial Reporting Information</i>	Comments due September 29, 2008.
Preliminary Views, <i>Conceptual Framework for Financial Reporting: The Reporting Entity</i>	Comments due September 29, 2008.

EITF	Status
Significant Adoption Dates	
Issue 08-4, "Transition Guidance for Conforming Changes to Issue No. 98-5"	Effective for financial statements issued for fiscal years ending after December 15, 2008, with early adoption permitted. The impact of applying the conforming changes, if any, must be presented retrospectively for all periods presented, with a cumulative-effect adjustment to retained earnings as of the beginning of the first period presented.
Issue 08-3, "Accounting by Lessees for Maintenance Deposits Under Lease Arrangements"	Effective for fiscal years beginning after December 15, 2008. The Issue must be applied by recognizing the cumulative effect of the change in accounting principle in the opening balance of retained earnings as of the beginning of the fiscal year in which the Issue is initially applied. Earlier application is not permitted.
Issue 07-6, "Accounting for the Sale of Real Estate Subject to the Requirements of FASB Statement No. 66, Accounting for Sales of Real Estate, When the Agreement Includes a Buy-Sell Clause"	This Issue should be applied prospectively to new arrangements entered into, and assessments performed, in fiscal years beginning after December 15, 2007, and interim periods within those fiscal years.
Issue 07-5, "Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity's Own Stock"	Effective for fiscal years beginning after December 15, 2008. The Issue must be applied to outstanding instruments as of the beginning of the fiscal year in which the Issue is adopted as a cumulative-effect adjustment to the opening balance of retained earnings for that fiscal year. Earlier application is not permitted.
Issue 07-4, "Application of the Two-Class Method Under FASB Statement No. 128, <i>Earnings per Share</i> , to Master Limited Partnerships"	Effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Earlier application is not permitted. This Issue should be applied retrospectively for all financial statements presented.
Issue 07-3, "Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities"	Effective for fiscal years beginning after December 15, 2007, and interim periods within those fiscal years. Apply prospectively to new contracts entered into on, or after, the effective date.
Issue 07-1, "Accounting for Collaborative Arrangements"	This Issue is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years.
Issue 06-11, "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards"	Apply prospectively to the income tax benefits of dividends declared on affected securities in fiscal years beginning after December 15, 2007, and interim periods within those fiscal years.
Issue 06-10, "Accounting for Collateral Assignment Split-Dollar Life Insurance Arrangements"	Effective for fiscal years beginning after December 15, 2007, including interim periods within those fiscal years.
Issue 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements"	Effective for fiscal years beginning after December 15, 2007.
Project in Request-for-Comment Stage	
Issue 08-5, "Issuer's Accounting for Liabilities Measured at Fair Value With a Third-Party Guarantee"	Comments due August 4, 2008.
AICPA/AcSEC	
Significant Adoption Dates	
Ethics Interpretation No. 501-8, "Failure to Follow Requirements of Governmental Bodies, Commissions, or Other Regulatory Agencies on Indemnification and Limitation of Liability Provisions in Connection With Audit and Other Attest Services"	Effective July 31, 2008.
SOP 07-1, <i>Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies</i>	FSP SOP 07-1-1 indefinitely delays the effective date of SOP 07-1.
SSARS 17, <i>Omnibus Statement on Standards of Accounting and Review Services — 2008</i>	Effective for compilations and reviews for periods ending on or after December 15, 2008, with early adoption permitted.
SSARS 16, <i>Defining Professional Requirements in Statements on Standards for Accounting and Review Services</i>	Effective December 18, 2007.
SSARS 15, <i>Elimination of Certain References to Statements on Auditing Standards and Incorporation of Appropriate Guidance Into Statements on Standards for Accounting and Review Services</i>	Effective for periods ending on or after December 15, 2007.
SSVS 1, <i>Valuation of a Business, Business Ownership Interest, Security, or Intangible Asset</i>	Effective for engagements accepted on or after January 1, 2008.
Projects in Request-for-Comment Stage	
Proposed SAS, <i>Communicating Internal Control Related matters Identified in an Audit</i>	Comments due August 12, 2008.
Proposed SSAE, <i>An Examination of an Entity's Internal Control Over Financial Reporting That Is Integrated With an Audit of Its Financial Statements</i>	Comments due August 12, 2008.

SEC	Status
Significant Adoption Dates	
SAB 110, codified as part of SAB Topic 14.D.2, "Share-Based Payment: Certain Assumptions Used in Valuation Methods — Expected Term"	Effective January 1, 2008.
SAB 109, <i>Written Loan Commitments Recorded at Fair Value Through Earnings</i>	Apply prospectively to commitments issued or modified in fiscal quarters beginning after December 15, 2007.
Final Rule, <i>Extension of Interactive Data Voluntary Reporting Program on the EDGAR System to Include Mutual Fund Risk/Return Summary Information</i>	Effective August 20, 2007.
Final Rule, <i>Adoption of Updated EDGAR Filer Manual</i>	Effective August 20, 2007.
Final Rule, <i>Amendments to Rules Regarding Management's Report on Internal Control Over Financial Reporting</i>	Effective August 27, 2007, except the amendment to Section 210.2-02T, which is effective from August 27, 2007, until June 30, 2009.
Final Rule, <i>Prohibition of Fraud by Advisers to Certain Pooled Investment Vehicles</i>	Effective September 10, 2007.
Final Rule, <i>Definition of the Term Significant Deficiency</i>	Effective September 10, 2007.
Final Rule, <i>Shareholder Choice Regarding Proxy Materials</i>	Effective January 1, 2008, except Sections 240.14a-16(d)(3) and 240.14a-16(j)(3), which were effective October 1, 2007.
Final Rule, <i>Acceptance From Foreign Private Issuers of Financial Statements Prepared in Accordance With International Financial Reporting Standards Without Reconciliation to U.S. GAAP</i>	Effective March 4, 2008. Foreign private issuers filing under IFRSs that have a fiscal year ending after November 15, 2007, and that want to exclude U.S. GAAP information from their filing, should contact the SEC staff in the Division of Corporation Finance if they want to file before the March 4, 2008, effective date.
Final Rule, <i>Internal Control Over Financial Reporting in Exchange Act Periodic Reports of Non-Accelerated Filers and Newly Public Companies</i>	For nonaccelerated filers, auditor's attestation report on internal control over financial reporting must be included with annual reports for fiscal years ending on or after December 15, 2008. Management's report is required for fiscal years ending on or after December 15, 2007. For a newly public company, the requirement to provide either a management assessment of internal control over financial reporting or an auditor attestation report will be effective when the company files its second annual report with the SEC.
Final Rule, <i>Revisions to the Eligibility Requirements for Primary Securities Offerings on Forms S-3 and F-3</i>	The amendments to Forms S-3 and F-3 became effective January 28, 2008. The phase-in period for Form D electronic filing will begin on September 15, 2008, and will become mandatory on March 16, 2009.
Final Rule, <i>Delegation of Authority to the Director of the Division of Corporation Finance</i>	Effective February 7, 2008.
Final Rule, <i>Electronic Shareholder Forums</i>	Effective February 25, 2008.
Final Rule, <i>Internet Availability of Proxy Materials; Regulation of Takeovers and Security Holder Communications; Cross-Border Tender and Exchange Offers, Business Combinations, and Rights Offerings; Certain Other Related Rule Corrections</i>	Effective April 1, 2008.
Final Rule, <i>Revisions to Form S-11 to Permit Historical Incorporation by Reference</i>	Effective April 15, 2008.
Final Rule, <i>Proposed Rule Changes of Self-Regulatory Organizations</i>	Effective April 28, 2008.
Final Rule, <i>Disclosure of Divestment by Registered Investment Companies in Accordance With Sudan Accountability and Divestment Act of 2007</i>	Effective April 30, 2008.
Final Rule, <i>Adoption of Updated EDGAR Filer Manual</i>	Effective as of June 12, 2008.
Final Rule, <i>Definition of Eligible Portfolio Company Under Investment Company Act of 1940</i>	Effective July 21, 2008.
Final Rule, <i>Internal Control Over Financial Reporting in Exchange Act Periodic Reports of Non-Accelerated Filers</i>	Effective September 2, 2008; however, see "Effective Dates" section of rule for exceptions.
Final Rule, <i>Electronic Filing and Revision of Form D Information</i>	Effective September 15, 2008.
Projects in Request-for-Comment Stage	
Proposed Rule, <i>Proposed Rules for National Recognized Statistical Rating Organizations</i>	Comments due July 25, 2008.
Proposed Rule, <i>Interactive Data For Mutual Fund Risk/Return Summary</i>	Comments due August 1, 2008.
Proposed Rule, <i>Interactive Data to Improve Financial Reporting</i>	Comments due August 1, 2008.
Proposed Rule, <i>References to Ratings of Nationally Recognized Statistical Rating Organizations</i>	Comments due September 5, 2008.

Proposed Rule, <i>Security Ratings</i>	Comments due September 5, 2008.
Proposed Rule (IC-28327), <i>References to Ratings of Nationally Recognized Statistical Organizations</i>	Comments due September 5, 2008.
Proposed Rule, <i>Modernization of the Oil and Gas Reporting Requirements</i>	Comments due September 8, 2008.
Proposed Rule, <i>Exemption of Certain Foreign Brokers or Dealers</i>	Comments due September 8, 2008.
Proposed Rule, <i>Indexed Annuities and Certain Other Insurance Contracts</i>	Comments due September 10, 2008.
PCAOB	Status
Significant Adoption Dates	
PCAOB Rule Release, <i>Rules on Periodic Reporting by Registered Public Accounting Firms</i>	The rule will be submitted for SEC approval and will be effective 60 days after SEC approval. The firms will be subject to the special reporting obligations 90 days after SEC approval, and the first annual reporting requirements will be due by June 30, 2009, for the 12-month period ending March 31, 2009.
Auditing Standard 6, <i>Evaluating Consistency of Financial Statements</i>	If approved by the SEC, Auditing Standard 6 will become effective 60 days after the date of the Commission's approval.
Auditing Standard 5, <i>An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements</i>	Effective for audits of fiscal years ending on or after November 15, 2007. Earlier adoption is permitted. Auditors who elect to comply with Auditing Standard 5 before its effective date must also comply, at the same time, with PCAOB Rule 3525 and other PCAOB standards as amended by this release.
Rule 3526, <i>Communication With Audit Committees Concerning Independence</i>	Effective, if approved by the SEC, on the later of September 30, 2008, or 30 days after SEC approval.
Rule 3525, <i>Audit Committee Pre-Approval of Non-Audit Services Related to Internal Control Over Financial Reporting</i>	Effective for audits of internal control for periods ending on or after November 15, 2007.
Rule 3523, <i>Tax Services for Persons in Financial Reporting Oversight Roles</i>	Rule will not apply to tax services being provided during the professional engagement period pursuant to an engagement in process as of April 19, 2006, as long as such services are completed on or before October 31, 2006. Rule will not apply to tax services being provided on or before July 31, 2007, as long as those services were performed during the audit period and completed before the beginning of the professional engagement period.
An amendment to Rule 3523, <i>Tax Services for Persons in Financial Reporting Oversight Roles</i>	Effective immediately once approved by the SEC; however, this Rule will not apply to tax services provided on or before December 31, 2008, when the services are provided during the audit period and completed before the beginning of the professional engagement period.
Document, <i>Order Approving Proposed Rule Change and Amendment No. 1 Thereto Relating to Inspections</i>	Effective November 2, 2007.
GASB/GAO	Status
Significant Adoption Dates	
Statement 53, <i>Accounting and Financial Reporting for Derivative Instruments</i>	Effective for periods beginning after June 15, 2009.
Statement 52, <i>Land and Other Real Estate Held as Investments by Endowments</i>	Effective for periods beginning after June 15, 2008. Early adoption is encouraged.
Statement 51, <i>Accounting and Financial Reporting for Intangible Assets</i>	Effective for periods beginning after June 15, 2009.
Statement 49, <i>Accounting and Financial Reporting for Pollution Remediation Obligations</i>	Effective for financial statements for periods beginning after December 15, 2007.
Statement 45, <i>Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions</i>	Effective for: <ul style="list-style-type: none"> • Phase 1 governments in periods beginning after December 15, 2006. • Phase 2 governments in periods beginning after December 15, 2007. • Phase 3 governments in periods beginning after December 15, 2008.
Statement 43, <i>Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans</i>	Effective one year before the effective date of GASB Statement 45 for the employer in a single-employer plan or the largest participating employer in a multiple-employer plan.
Project in Request-for-Comment Stage	
Exposure Draft, <i>Service Efforts and Accomplishments Reporting</i> — an amendment of GASB Concepts Statement No. 2	Written comments were due July 3, 2008. A public hearing is scheduled for July 29, 2008.

FASAB	Status
Significant Adoption Dates	
Technical Bulletin 2006-1, <i>Recognition and Measurement of Asbestos-Related Cleanup Costs</i>	Effective for periods beginning after September 30, 2009.
Statement 31, <i>Accounting for Fiduciary Activities</i>	Effective for periods beginning after September 30, 2008.
Technical Release 9, <i>Implementation Guide for Statement for FASAB 29: Heritage Assets and Stewardship Land</i>	Effective for reporting periods beginning after September 30, 2008, with early adoption permitted.
Technical Release 8, <i>Clarification of Standard Relating to Inter-Entity Costs</i>	Effective for reporting periods beginning after September 30, 2008, with early adoption permitted.
Concepts Statement 5, <i>Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements</i>	Effective December 26, 2007.
IASB/IFRIC	Status
Significant Adoption Dates	
<i>Improvements to IFRSs</i> — a collection of amendments to International Financial Reporting Standards	Most improvements are effective for annual periods beginning on or after January 1, 2009, with early adoption permitted. They should be applied retrospectively.
IFRS 8, <i>Operating Segments</i>	Effective for annual periods beginning on or after January 1, 2009.
IFRS 3 (revised), <i>Business Combinations</i>	Effective for business combinations in annual financial statements beginning on or after July 1, 2009. Early adoption is permitted provided that the standard is applied with IAS 27 (revised); the revised IFRS 3 is not applied in an accounting period beginning before June 30, 2007; and early adoption is disclosed.
Amendments to IFRS 2, <i>Share-based Payment</i> — Vesting Conditions and Cancellations	Effective for annual periods beginning on or after January 1, 2009.
Amendments to IAS 32, <i>Financial Instruments: Presentation</i> , and IAS 1, <i>Presentation of Financial Statements</i>	Effective for annual periods beginning on or after January 1, 2009, with early adoption permitted.
IAS 27 (revised), <i>Consolidated and Separate Financial Statements</i>	Effective for annual periods beginning on or after July 1, 2009. Early adoption is permitted provided that the standard is applied with IFRS 3 (revised); the revised IFRS 3 is not applied in an accounting period beginning before June 30, 2007; and early adoption is disclosed.
Amendment to IAS 23, <i>Borrowing Costs</i>	Effective for annual periods beginning on or after January 1, 2009.
IFRIC Interpretation 14, <i>IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction</i>	Effective for annual periods beginning on or after January 1, 2008.
IFRIC Interpretation 13, <i>Customer Loyalty Programmes</i>	Effective for annual periods beginning on or after July 1, 2008.
IFRIC Interpretation 12, <i>Service Concession Arrangements</i>	Effective for annual periods beginning on or after January 1, 2008.
Projects in Request-for-Comment Stage	
Discussion Paper, <i>Financial Instruments With Characteristics of Equity</i>	Comments due September 5, 2008.
Discussion Paper, <i>Reducing Complexity in Reporting Financial Instruments</i>	Comments due September 19, 2008.
Discussion Paper, <i>Preliminary Views on Amendments to IAS 19, Employee Benefits</i>	Comments due September 26, 2008.
Exposure Draft, <i>An Improved Conceptual Framework for Financial Reporting: Chapter 1, The Objective of Financial Reporting, and Chapter 2, Qualitative Characteristics and Constraints of Decision-useful Financial Reporting Information</i>	Comments due September 29, 2008.
Discussion Paper, <i>Preliminary Views on an Improved Conceptual Framework for Financial Reporting: The Reporting Entity</i>	Comments due September 29, 2008.

Appendix C: Glossary of Standards

FASB Statement No. 163, *Accounting for Financial Guarantee Insurance Contracts* — an amendment of FASB Statement No. 60

FASB Statement No. 162, *The Hierarchy of Generally Accepted Accounting Principles*

FASB Statement No. 161, *Disclosures About Derivative Instruments and Hedging Activities* — an amendment of FASB Statement No. 133

FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements* — an amendment of ARB No. 51

FASB Statement No. 157, *Fair Value Measurements*

FASB Statement No. 150, *Accounting for Certain Financial Instruments With Characteristics of Both Liabilities and Equity*

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

FASB Statement No. 141, *Business Combinations*

FASB Statement No. 141(R), *Business Combinations*

FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* — a replacement of FASB Statement No. 125

FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*

FASB Statement No. 128, *Earnings per Share*

FASB Statement No. 125, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*

FASB Statement No. 107, *Disclosures About Fair Value of Financial Instruments*

FASB Statement No. 60, *Accounting and Reporting by Insurance Enterprises*

FASB Statement No. 57, *Related Party Disclosures*

FASB Statement No. 47, *Disclosure of Long-Term Obligations*

FASB Statement No. 14 (Superseded), *Financial Reporting for Segments of a Business Enterprise*

FASB Statement No. 13, *Accounting for Leases*

FASB Statement No. 5, *Accounting for Contingencies*

FASB Exposure Draft, *Not-for-Profit Organizations: Mergers and Acquisitions*

FASB Exposure Draft, *Accounting for Hedging Activities* — an amendment of FASB Statement No. 133

FASB Exposure Draft, *Disclosure of Certain Loss Contingencies* — an amendment of FASB Statements No. 5 and 141(R).

FASB Exposure Draft, *Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics and Constraints of Decision-Useful Financial Reporting Information*

FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities* — an interpretation of ARB No. 51

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 a rescission of FASB Interpretation No. 34

FASB Interpretation No. 34 (Superseded), *Disclosure of Indirect Guarantees of Indebtedness of Others* — an interpretation of FASB Statement No. 5

FASB Staff Position No. FAS 142-3, “Determination of the Useful Life of Intangible Assets”

FASB Staff Position No. EITF 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities”

FASB Staff Position No. APB 14-1, “Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)”

FASB Staff Position No. SOP 94-3-1 and AAG HCO-1, “Omnibus Changes to Consolidation and Equity Method Guidance for Not-for-Profit Organizations”

FASB Staff Position No. SOP 90-7-1, “An Amendment of AICPA Statement of Position 90-7”

Proposed FASB Staff Position No. FAS 157-c, “Measuring Liabilities Under FASB Statement No. 157”

Proposed FASB Staff Position No. FAS 133-b and FIN 45-c, “Disclosures About Credit Derivatives and Certain Guarantees” — an amendment of FASB Statement No. 133 and FASB Interpretation No. 45

Proposed FASB Staff Position No. FAS 132(R)-a, “Employers’ Disclosures About Postretirement Benefit Plan Assets”

Proposed FASB Staff Position No. ARB 43-a, “Amendment of the Inventory Provisions of Chapter 4 of ARB No. 43

Statement 133 Implementation Issue No. K4, “Miscellaneous: Income Statement Classification of Hedge Ineffectiveness and the Component of a Derivative’s Gain or Loss Excluded From the Assessment of Hedge Effectiveness”

Statement 133 Implementation Issue No. I1, “Interaction of the Disclosure Requirements of Statement 133 and Statement 47”

FASB Technical Bulletin No. 90-1, “Accounting for Separately Priced Extended Warranty and Product Maintenance Contracts”

FASB Preliminary Views, *Conceptual Framework for Financial Reporting: The Reporting Entity*

EITF Issue No. 08-5, “Issuer’s Accounting for Liabilities Measured at Fair Value With a Third-Party Guarantee”

EITF Issue No. 08-4, “Transition Guidance for Conforming Changes to Issue No. 98-5”

EITF Issue No. 08-3, “Accounting by Lessees for Maintenance Deposits Under Lease Arrangements”

EITF Issue No. 08-2, “Lessor Revenue Recognition for Maintenance Services”

EITF Issue No. 08-1, “Revenue Recognition for a Single Unit of Accounting”

EITF Issue No. 07-5, “Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity’s Own Stock”

EITF Issue No. 01-8, “Determining Whether an Arrangement Contains a Lease”

EITF Issue No. 00-27, “Application of Issue No. 98-5 to Certain Convertible Instruments”

EITF Issue No. 00-21, “Revenue Arrangements with Multiple Deliverables”

EITF Issue No. 00-19, “Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company’s Own Stock”

EITF Issue No. 98-5, "Accounting for Convertible Securities With Beneficial Conversion Features or Contingently Adjustable Conversion Ratios"

EITF Issue No. 97-1, "Implementation Issues in Accounting for Leasing Transactions, Including Those Involving Special-Purpose Entities"

EITF Issue No. 96-21, "Implementation Issues in Accounting for Leasing Transactions Involving Special-Purpose Entities"

EITF Issue No. 90-19, "Convertible Bonds With Issuer Option to Settle for Cash Upon Conversion"

EITF Issue No. 90-15, "Impact of Nonsubstantive Lessors, Residual Value Guarantees, and Other Provisions in Leasing Transactions"

EITF Topic No. D-98, "Classification and Measurement of Redeemable Securities"

Accounting Research Bulletin No. 51, *Consolidated Financial Statements*

Accounting Research Bulletin No. 43, Chapter 4, "Inventory Pricing"

AICPA Statement of Position 94-6, *Disclosure of Certain Significant Risks and Uncertainties*

AICPA Statement of Position 94-3, *Reporting of Related Entities by Not-for-Profit Organizations*

AICPA Statement of Position 90-7, *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code*

AICPA Audit and Accounting Guide, *Health Care Organizations*

AICPA Audit and Accounting Guide, *Investment Companies*

AICPA Audit and Accounting Guide, *Brokers and Dealers in Securities*

AICPA Statement on Auditing Standards No. 114, *The Auditor's Communication With Those Charged With Governance*

AICPA Statement on Auditing Standards No. 103, *Audit Documentation*

AICPA Statement on Auditing Standards No. 69 (AU Section 411), *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*

AICPA *Professional Standards*, AU Section 325, "Communicating Internal Control Related Matters Identified in an Audit"

AICPA *Professional Standards*, AT Section 501, "Reporting on an Entity's Internal Control Over Financial Reporting"

AICPA *Professional Standards*, ET Section 9501, "Failure to Follow Requirements of Governmental Bodies, Commissions, or Other Regulatory Agencies on Indemnification and Limitation of Liability Provisions in Connection With Audit and Other Attest Services: Auditing Interpretations of Section 501"

AICPA Proposed Statement on Auditing Standards No. 114 (Redrafted), *The Auditor's Communication With Those Charged With Governance*

AICPA Proposed Statement on Auditing Standards No. 103 (Redrafted), *Audit Documentation*

AICPA Proposed Statement on Auditing Standards, *Communicating Internal Control Related Matters Identified in an Audit*

AICPA Proposed Statement on Standards for Attestation Engagements, *An Examination of an Entity's Internal Control Over Financial Reporting That Is Integrated With an Audit of Its Financial Statements*

AICPA Code of Professional Conduct Rule 203, "Accounting Principles"

AICPA Code of Professional Conduct Rule 202, "Compliance With Standards"

AICPA Discussion Paper, *Improving the Clarity of ASB Standards*

SEC Final Rule Release No. 33-8934, *Internal Control Over Financial Reporting in Exchange Act Periodic Reports of Non-Accelerated Filers*

SEC Final Rule Release No. 33-8926, *Adoption of Updated EDGAR Filing Manual*

SEC Final Rule Release No. 33-8922, *Adoption of Updated EDGAR Filing Manual*

SEC Final Rule Release No. 33-8909, *Revisions to Form S-11 to Permit Historical Incorporation by Reference*

SEC Final Rule Release No. IC-28266, *Definition of Eligible Portfolio Company Under the Investment Company Act of 1940*

SEC Proposed Rule Release No. 34-58070, *References to Ratings of Nationally Recognized Statistical Rating Organizations*

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Appendix D: Abbreviations

AAG	AICPA Audit and Accounting Guide	FASAB	Federal Accounting Standards Advisory Board
AcSEC	Accounting Standards Executive Committee	FASB	Financial Accounting Standards Board
AICPA	American Institute of Certified Public Accountants	FIN	FASB Interpretation
APB	Accounting Principles Board	FSP	FASB Staff Position
ARB	Accounting Research Bulletin	GAAP	generally accepted accounting principles
ARC	annual required contribution	GAAS	generally accepted auditing standards
ARSC	Accounting and Review Services Committee	GASB	Governmental Accounting Standards Board
ASB	Auditing Standards Board	HCO	health care organization
AT	Attestation Standards	IAASB	International Auditing and Assurance Standards Board
AU	U.S. Auditing Standards	IAS	International Accounting Standard
BDC	business development company	IASB	International Accounting Standards Board
CAQ	Center for Audit Quality	IASC	International Accounting Standards Committee
CIFIR	SEC Advisory Committee on Improvements to Financial Reporting	IFRIC	International Financial Reporting Interpretations Committee
COSO	Committee of Sponsoring Organizations of the Treadway Commission	IPO	initial public offering
CPE	continuing professional education	IFRS	International Financial Reporting Standard
EDGAR	Electronic Data Gathering, Analysis, and Retrieval System	ISA	International Standard on Auditing
EITF	Emerging Issues Task Force	MD&A	Management's Discussion and Analysis
EPS	earnings per share	MOU	Memorandum of Understanding
ESOARS	employee stock option appreciation rights securities	NPO	not-for-profit organization
ET	Code of Professional Conduct	PCAOB	Public Company Accounting Oversight Board
FAF	Financial Accounting Foundation	PP&E	property, plant, and equipment
FAS	Financial Accounting Standard		

Q&A	question and answer	SSARS	Statement on Standards for Accounting and Review Services
QSPE	qualifying special-purpose entity	SSVS	Statement on Standards for Valuation Services
SAB	Staff Accounting Bulletin	UPMIFA	Uniform Prudent Management of Institutional Funds Act of 2006
SAS	Statement on Auditing Standards	VIE	variable interest entity
SEA	service efforts and accomplishments	VRG	Valuation Resource Group
SEC	Securities and Exchange Commission	XBRL	extensible business reporting language
SMEs	small and medium-sized entities		
SOP	Statement of Position		
SSAE	Statement on Standards for Attestation Engagements		

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