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January 2009 Issue of News up to January 15, 2009

Global IFRS and Offerings Services

U.S. Reporting Newsletter for Non-U.S. Based Companies

Recent Developments

This newsletter reports recent developments in IFRS and U.S. GAAP Accounting and SEC that are of interest to non-U.S. companies.

In this Issue:

IFRS Matters

FASB and IASB Issue Discussion Paper on Revenue Recognition

On December 19, 2008, FASB and IASB issued a discussion paper setting out their joint approach for revenue recognition.

The Discussion Paper explains that the boards' objective is to improve the existing guidance in both IFRSs and U.S. GAAP by developing a single revenue model that can be applied consistently regardless of industry.

It introduces a proposed revenue recognition model, discusses its implications, and seeks views from interested parties to assist the boards in further developing that model into a draft standard for both IFRSs and U.S. GAAP. Comments on the Discussion Paper are due by June 19, 2009.

Click here to access the discussion paper available on FASB's Web site.

IFRIC Issues Guidance on Distribution of Non-Cash Assets to Owners

On November 27, 2008, the IFRIC issued IFRIC 17, *Distributions of Non-cash Assets to Owners*, to standardize the accounting treatment of distributions of non-cash assets to owners.

IFRIC 17 clarifies that:

- A dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity;
- An entity should measure the dividend payable at the fair value of the net assets to be distributed; and
- An entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.

IFRIC 17 also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation.

The interpretation applies to pro rata distributions of non-cash assets except for common control transactions. It is effective for annual periods beginning on or after July 1, 2009, while early adoption is permitted.

Click here to access the press release announcing the issue of this IFRIC available on IASB Web site.

IASB Issues Revised Standard on First-Time Adoption

On November 27, 2008, the IASB issued a revised version of IFRS 1, *First-time Adoption of International Financial Reporting Standards.* The objective of the revision is to improve the structure of the standard. No new or revised technical material has been introduced.

The standard is effective for annual periods beginning on or after July 1, 2009. Early application is permitted.

Click here to access the press release available on the IASB website.

Also click here to see the December 2008 — Special Edition of the IAS Plus newsletter which discusses the revisions.

Tips on Applying IFRS:

This section contains some tips and guidance on matters to look out for when preparing financial statements in accordance with IFRS. It is not intended to be an exhaustive list of all the requirements relevant in an area of accounting. Rather, it describes some of the commonly misunderstood items that we have seen in practice and also provides you with some tips on the best practices to adopt.

This edition continues with our focus on IFRS 2 Share-based payments, in particular its measurement considerations as it relates to the three most common option pricing models used in the application of IFRS 2 for equity-settled share-based payment transactions; the Black-Scholes model, Binomial model and the Monte Carlo model.

Tip #6: COMMONLY USED OPTION PRICING MODELS

In circumstances where market prices are not available for shares and share options, IFRS 2 requires an entity to estimate the fair value of the equity instruments using a valuation technique. IFRS 2 does not specify a preference for any particular valuation technique or model; however, it does require that the entity consider all factors that would be considered by knowledgeable and willing market participants when selecting a model. The terms and conditions of the share-based payment arrangement will also influence the model used.

This tip provides a brief description of the three most common option pricing models used in the application of IFRS 2, and the strengths and weaknesses of each of those models.

Black-Scholes model

Many companies with share option plans use the Black-Scholes model to compute the fair value of their share awards. The consistent use of this model also enhances the comparability between the entities. The formula required to calculate the fair value is straight-forward and can be easily included in spreadsheets. Application of the Black-Scholes model requires only six inputs. These are:

- share price at grant date;
- exercise price;
- dividend yield;
- expected life;
- risk-free interest rate; and
- volatility.

Pros of applying the Black-Scholes model:

- is simple to apply and a generally accepted method for valuing share options, with wide acceptance in the market; and
- for share options with relatively short contractual lives, or that must be exercised within a short period of time after vesting date, the Black-Sholes model may produce a value that is substantially the same as a more flexible option pricing model.

Cons of applying the Black-Scholes model:

- assumes that exercise of the option can only take place at one point in time;
- it requires an expected life assumption as to when the option is likely to be exercised and does not allow considering multiple exercise dates. Therefore, it may not be appropriate for use when valuing long-lived options which can be exercised before the end of their life; and
- it does not allow for the possibility that expected volatility and other model inputs might vary over the option's life.

Binomial model

The binomial model breaks down the time to expiration into potentially a large number of time intervals or steps. To implement the binomial model, a tree of share prices is initially produced working forward from the present time to expiration of the option. At each step it is assumed that the share price will move up or down by an amount calculated using the volatility assumption and the length of each time interval. The probabilities of upwards and downward movements are calculated using riskneutral probabilities derived from the size of the upward and downward steps and the risk-free rate of return. This produces a binomial distribution, or tree, of underlying share prices.

The tree represents all possible paths that the share price could take during the life of the option. Factors that affect the share price, such as dividends, are adjusted for in the binomial tree as they are paid during the contractual life. At the end of the tree – that is, the expiration of the option – all the terminal option payoffs for each of the final possible share prices are known as they simply equal their intrinsic values.

Next, the option values at each step of the tree are calculated working back from expiration to the present. The option values at each step are used to derive the option values at the preceding step of the tree using a risk-neutral valuation. This risk-neutral valuation uses the riskfree rate of interest as a discount factor and risk-neutral probabilities of the share price moving up or down. Certain adjustments to option prices (e.g. market-based vesting features) can be worked into the calculations at the required point in time (although not all market-based conditions can be incorporated), meaning that another approach, e.g. Monte Carlo, may be required. At the start of the tree, the option's fair value is obtained.

If the inputs and assumptions used in the Black-Scholes and the binomial models were the same, the results would be similar. However, generally, the longer the term of the option and the higher the dividend yield, the greater any difference will be.

Pros of applying the binomial model include:

- that it is an 'open form solution' as it can incorporate different values for variables (such as volatility) over the term of the option. Therefore, many believe the inputs into the model are better reflective of an option with a longer term. In particular, it can take account of exercise on multiple dates, whereas the Black-Scholes model assumes any exercise takes place at one particular date; and
- the model can be adjusted to take account of market conditions and other factors.

Cons of applying the binomial model include:

- it may be more time consuming and costly to implement as it requires a considerably more complex spreadsheet or program to calculate the option value; and
- it is necessary to make a number of judgmental decisions as to how various factors (e.g. employee exercise behavior) are taken into account.

Monte Carlo model

The Monte Carlo model is generally used for the valuation of more complex share option schemes. A Monte Carlo model works by simulating a large number of projected random outcomes for how the share price may move in the future. The relevant share price may be that of the entity and, if applicable, those of comparator entities (for example, where there are market-based performance conditions based on relative Total Shareholder Return rankings). Based on each simulated share price (or set of comparator entity share prices), the proportion of awards that would vest and the resultant pay-off is determined. This is then discounted back to the valuation date at the risk-free interest rate. The procedure is then repeated a large number of times (thousands or even millions) to determine the expected (average) value of the award at the valuation date.

Pros of applying the Monte Carlo model include:

- it is the most flexible of the models described. It can take account of complex market-based vesting conditions, exercise behaviors and factors;
- it may be easier to explain/understand the results; and
- it can be used to look at the distribution of payoffs.

Cons of applying the Monte Carlo model include:

- it requires the acquisition of specialized software to calculate the option value; and
- it may be more time consuming and costly to implement. For example, it may require in excess of 10,000 simulations or more to obtain a sufficiently accurate answer. Depending on the features of the model, this can require a large amount of computer processing time and as such it would generally be used only where it is not possible or appropriate to use other methods.

IFRS Tools

IAS Plus Website

Deloitte's IAS Plus is a comprehensive resource that discusses current and future developments in the IFRS environment. Deloitte is pleased to offer e-Learning training materials for IFRS free of charge on IAS Plus.

IAS Plus Special Edition Newsletters

The special edition newsletters are issued from time to time, summarizing key IASB and IFRIC proposals and pronouncements. The Special Edition newsletters issued in December 2008 and January 2009 were on the following topics

- Proposals for a New Standard on Consolidation
- Proposed Amendments Regarding the Assessment of Embedded Derivatives on Reclassification
- Additional Disclosures Proposed for Investments in Debt Instruments
- Closing out 2008: High level overview of new and revised Standards and Interpretations that are effective for December 2008 and later accounting periods
- Revised Exposure Draft (ED) on Disclosure of Relationships with the State
- Revisions to IFRS 1 on First-time Adoption of IFRSs
- IFRIC 17: New Interpretation on Non-cash Distributions

Click here to access the latest special edition and update newsletters on the IAS Plus website.

IFRS Resource Library

As IFRS continue to gain acceptance around the world, more U.S. companies are inquiring about what IFRS means for them. IFRS Resource Library includes a collection of Deloitte IFRS materials and resources, including Industry white papers and publications mentioned in this newsletter that further explores the many aspects of this evolving issue. Deloitte is committed to providing the latest information and support on IFRS for companies, schools and the finance profession.

Click here to access publications available on IFRS Resource Library.

IFRS Insights

Developed by the IFRS Solutions Center, IFRS Insights responds to the growing need among U.S. companies for current information on IFRS developments and the increasing demand for insights on IFRS implementation. Each issue of the newsletter will draw on news and perspectives from our network of experienced IFRS professionals to cover relevant topics for CFOs and senior financial executives. The January 2009 issue includes the following topics:

- A Q&A with Sir David Tweedie, the chairman of the International Accounting Standards Board (IASB)
- An article about IFRS and state taxes
- A brief overview of International Accounting Standard (IAS) 36: Impairment of Assets
- Featured results from a recent IFRS poll

Click here to access the latest publication of the newsletter.

U.S. GAAP Matters

FASB Issues Staff Position FIN 48-3, Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises

The Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) FIN 48-3, Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises on December 30,2008. The FSP defers the effective date of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, for certain nonpublic enterprises, including nonpublic not-for-profit organizations, for fiscal years beginning after December 15, 2008.

Click here to access the proposed FSP available on FASB’s Web site.

FASB Issues Staff Position FAS 132(R)-1, Employers’ Disclosures about Postretirement Benefit Plan Assets

The FASB issued FSP FAS 132(R)-1, Employers' Disclosures About Postretirement Benefit Plan Assets on December 30,2008.

The FSP amends FASB Statement No. 132 (R), Employers’ Disclosures about Pensions and Other Postretirement Benefits, to provide guidance on an employer’s disclosures about plan assets of a defined benefit pension or other postretirement plan. This FSP also includes a technical amendment to Statement 132(R) that requires a nonpublic entity to disclose net periodic benefit cost for each annual period for which a statement of income is presented.

Click here to access the FSP available on FASB’s Web site.

Also click here to access Deloitte’s Heads up on the topic.

FASB Proposes Guidance to Improve Financial Instrument Disclosures

On December 24, 2008, the FASB issued proposed FSP FAS 107-a, *Disclosures about Certain Financial Assets: An Amendment of FASB Statement No. 107*.

The proposed FSP would amend the disclosure requirements of SFAS 107, *Disclosures about Fair Value of Financial Instruments*, to increase the comparability of information about certain financial assets that have related economic characteristics but have different measurement attributes. The proposed FSP would apply to certain financial assets such as (a) debt securities classified as held-to-maturity and available-for-sale and (b) loans and long-term receivables that are not measured at fair value with changes in the fair value recognized through earnings.

Comments on the proposed FSP were due by January 15, 2009.

Click here to access the proposed FSP available on FASB’s Web site.

FASB Issues Guidance on Other-than-temporary Impairments

On January 12, 2009, the FASB issued FSP EITF 99-20-1, Amendments to the Impairment Guidance of EITF Issue No. 99-20.

This FSP amends the impairment guidance in EITF Issue No. 99-20, *"Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets,"* to achieve more consistent determination of whether an other-than-temporary impairment has occurred. The FSP also retains and emphasizes the objective of an otherthan-temporary impairment assessment and the related disclosure requirements in FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, and other related guidance.

The FSP is effective for interim and annual reporting periods ending after December 15, 2008 and shall be applied prospectively. Retrospective application to a prior interim or annual reporting period is not permitted.

Click here to access the FSP available on FASB's Web site.

Also click here to access Deloitte's Heads Up on this topic.

FASB Proposes to Amend Statement 141(R)'s Guidance on Contingencies

On December 15, 2008, the FASB issued a proposed FSP FAS 141(R)-a, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise From Contingencies.*

The proposal would amend Statement 141(R)'s guidance related to applying fair value recognition and measurement principles to assets acquired and liabilities assumed in a business combination that arise from contingencies.

Comments on the proposed FSP are due by January 15, 2009. A final FSP is expected to be issued by the end of March 2009 and would have the same effective date as Statement 141(R) (i.e., effective for business combinations whose acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008).

Click here to access the proposed FSP available on FASB's Web site.

Also, click here to access Deloitte's Heads Up on this topic.

FASB Issues FSP on Enhanced Disclosures for Certain Financial Assets and Variable Interest Entities

On December 11, 2008, the FASB issued a new staff position, FSP FAS 140-4 and FIN 46(R)-8, *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities.*

The FSP accelerates the requirement for public companies to provide disclosures that are similar to those proposed in the pending amendments to Statement 140 and Interpretation 46(R). This disclosure-only FSP improves the transparency of transfers of financial assets and an enterprise's involvement with variable interest entities (VIEs), including qualifying special-purpose entities (QSPEs). The FSP introduces disclosure objectives that financial statement preparers must consider when preparing their disclosures. These disclosure objectives are supplemented with specific disclosure requirements.

The FASB has stated that the current economic environment has created an urgent need for additional disclosures. Accordingly, public companies are required to provide the additional disclosures in their first reporting period (interim or annual) that ends after December 15, 2008. Calendar year-end public companies must provide the required disclosures in their December 31, 2008, annual filings, and public companies with non-calendar year-ends must provide the disclosures in their quarterly filings for their first quarterly period ending after December 15, 2008. The disclosures are required in all subsequent annual and quarterly financial statements

Click here to access the FSP available on FASB's Web site.

Also, click here to access Deloitte's Heads Up on this topic.

EITF Meeting Highlights

The EITF met on November 13, 2008 to discuss various pending issues. Following is the summary of conclusions reached and status of the issues discussed.

Click here to access Deloitte's November 2008 EITF Snapshot.

Issue 08-6, Equity Method Investment Accounting Considerations

Status: Final consensus.

The Task Force reached a consensus on various accounting issues related to equity method investments as follows:

- An entity should determine the initial carrying value of an equity method investment by applying the cost accumulation model described in paragraphs D3– D7 of Appendix D of Statement 141(R), *Business Combinations.*
- An entity should use the other-than-temporary impairment model of Opinion 18, not some other method that disaggregates the investment into the individual assets of the investee, when testing equity method investments for impairment. However, investors should adjust any impairment recorded by an investee for existing differences between the investor's basis and the underlying investee's basis in such impaired assets.
- Share issuances by the investee should be accounted for as if the equity method investor had sold a proportionate share of its investment (i.e., any gain or loss is recognized in earnings).
- When an investment is no longer within the scope of equity method accounting and instead is within the scope of cost method accounting or Statement 115, the investor should prospectively apply the provisions of Opinion 18 or Statement 115 and use the current carrying amount of the investment as its initial cost.

The Task Force did not reach any conclusion on one issue that relates to how to allocate the difference between the investor's carrying value and the underlying equity of the investee to the underlying assets and liabilities of the investee. The Task Force discussed some different approaches to that issue but ultimately decided not to provide explicit guidance.

To coincide with the effective dates of Statements 141(R) and 160, the consensus is effective for transactions occurring in fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Early adoption is not permitted.

Issue 08-7, Accounting for Defensive Intangible Assets

Status: Final consensus.

The Task Force re-deliberated the consensus-for-exposure and reached a consensus that (1) an acquired defensive asset should be accounted for as a separate unit of accounting (i.e., an asset separate from other assets of the acquirer), (2) an acquired research and development asset is outside this Issue's scope and should be accounted for pursuant to paragraph 16 of Statement 142, and (3) the useful life assigned to an acquired defensive asset should be based on the period during which the asset would diminish in value. The Task Force also reached a consensus that it would be rare for an entity to conclude that a defensive asset has an indefinite life. The Issue also includes examples illustrating how to determine the amortization period.

To coincide with the effective date of Statement 141(R), the consensus is effective for defensive intangible assets acquired in fiscal years beginning on or after December 15, 2008.

Issue 08-8, Accounting for an Instrument (or an Embedded Feature) With a Settlement Amount That Is Based on the Stock of an Entity's Consolidated Subsidiary

Status: Final consensus.

The Task Force re-deliberated its consensus-for-exposure and reached a consensus that freestanding financial instruments (or embedded features) that are indexed to, in whole or in part, the stock of a consolidated subsidiary are considered indexed to the entity's own stock in the consolidated financial statements if (1) the requirements of Issue 07-5 are met and (2) the subsidiary is a substantive entity. This Issue requires that any subsidiary referenced in the freestanding instrument (or embedded feature) be substantive to ensure that entities cannot receive equity classification for a financial instrument referenced to a subsidiary that has no business purpose (e.g., the subsidiary was formed to hold a derivative instrument or a commodity).

The Task Force also reached a consensus that an equity-classified instrument (including an embedded feature that is separately recorded in equity) within the scope of this Issue should be presented as a component of noncontrolling interest in the consolidated financial statements in a manner consistent with the conclusions in Statement 160. However, if an equity-classified instrument within the scope of this Issue is entered into by the parent and expires without being exercised, the carrying amount of the instrument at expiration would be reclassified from noncontrolling interest to controlling interest.

To coincide with the effective date of Statement 160, the consensus is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. At transition, the carrying value of the instrument (or separated embedded feature) previously classified as a liability will be reclassified to noncontrolling interest. Early adoption is not permitted.

Issue 08-1, Revenue Arrangements With Multiple Deliverables

Status: Consensus-for-exposure.

The Task Force reached a consensus-for-exposure to revise the fair value threshold for separation in Issue 00-21. For arrangements with multiple deliverables, the delivered item or items are considered a separate unit or units of accounting if certain criteria in paragraph 9 of Issue 00-21 are met; one of those criteria requires objective and reliable evidence of fair value for the undelivered item(s). The Task Force reached a consensus-for-exposure to eliminate this criterion. Issue 00-21 will also be amended to include a hierarchy for an entity to use when estimating the selling price of deliverables that meet the other conditions for separation in paragraph 9 of Issue 00-21 (i.e., an entity must use the selling price that is highest in the hierarchy). As a result, deliverables are expected to meet the separation criteria more frequently. The draft abstract is expected to include examples that clarify how to estimate the selling price if objective and reliable evidence of the selling price is not available.

The Task Force also discussed circumstances in which an entity estimates the selling price for undelivered items. It also agreed to require certain qualitative and quantitative disclosures about an entity's methods and inputs used to estimate selling price.

A consensus would be effective for fiscal years beginning after December 15, 2009. Entities would have to apply this Issue prospectively to new or modified arrangements after the Issue's effective date. Early application as of the beginning of an entity's fiscal year would be permitted.

Issue 08-10, Selected Statement 160 Implementation Questions

Status: Consensus-for-exposure.

The Task Force reached a consensus-for-exposure that an entity should (1) continue to apply accounting guidance specific to the sales of real estate (e.g., Statement 66 or SOP 78-9) to sales of ownership interests in a subsidiary that is in-substance real estate and that results in deconsolidation of a previously consolidated subsidiary, (2) recognize gains or losses, if any, by applying Statement 160 to the transfer of an ownership interest to an equity method investee that results in deconsolidation of a previously consolidated subsidiary, and (3) apply Statement 160 to the transfer of an ownership interest in exchange for a joint venture interest that results in deconsolidation of a previously consolidated subsidiary.

The Task Force also reached a consensus-for-exposure that gain or loss recognition is only appropriate when the subsidiary being deconsolidated is a "substantive entity."

To coincide with the effective date of Statement 160, a consensus would be effective for transactions occurring in fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Early adoption would not be permitted.

Issue 08-9, Milestone Method of Revenue Recognition

Status: Tentative conclusion reached.

The Task Force reached a tentative conclusion that the milestone method is an appropriate proportional performance method of revenue recognition for entities that enter into arrangements containing consideration that is contingent upon the achievement of substantive milestones.

The Task Force acknowledged that the milestone method is only one acceptable revenue attribution model for such arrangements and that entities should apply the revenue recognition model that is most appropriate in the facts and circumstances. Entities within the scope of this Issue will have to determine whether the milestone method is appropriate for a particular arrangement by first identifying all milestones in the arrangement and then assessing whether those milestones are substantive. The Issue defines a milestone and provides guidance on when milestones are considered substantive. For arrangement consideration not within the scope of this Issue, entities must apply other revenue recognition guidance.

The Task Force has also tentatively decided that this Issue will include examples to help entities apply this guidance. For material milestone arrangements, the Task Force discussed potential disclosures, including (1) a description of the overall arrangement, (2) a description of the underlying milestones and related contingent consideration, (3) a list of factors considered by the entity in assessing whether milestones are substantive, and (4) the amount of milestone consideration earned during the period.

Further deliberations by the Task Force are expected at a future meeting.

January 2009 Meeting — The Task Force held a meeting in January 2009. The next issue of this newsletter will provide further details of the meeting, including tentative conclusions reached on Issue 08-10, Selected Statement 160 Implementation Questions.

Deloitte Issues Guidance on Impact of Statement 141(R) on Income Tax Accounting

Deloitte LLP has issued a Financial Reporting Alert 08-18, *Effect of Statement 141(R) on Income Tax Accounting.*

The Financial Reporting Alert serves as a reminder that upon an entity's adoption of FASB Statement No. 141(R), *Business Combinations*, any subsequent changes to the entity's acquired uncertain tax positions and valuation allowances associated with acquired deferred tax assets will no longer be applied to goodwill, regardless of the acquisition date of the associated business combination. Rather, such changes will typically be recognized as an adjustment to income tax expense. The Alert also highlights other changes to income tax accounting resulting from the issuance of Statement 141(R).

Click here to access the financial reporting alert on Deloitte’s Web site.

SEC Issues Compliance and Disclosure Interpretations

On November 26, 2008, the SEC’s Division of Corporation Finance issued several new and revised Compliance and Disclosure Interpretations (C&DIs) on Securities Act Sections. Among the C&DIs, new Question 141.01 indicates that a registration statement that describes or includes an investment banker’s fairness opinion must also include the banker's consent to being named in the registration statement. New Question 141.02 addresses whether a registrant that chooses to refer to a third-party expert must name the third party and obtain the third-party’s consent, and makes a distinction between statements of the registrant, which do not require a consent, and statements attributed to a third-party expert, which would require a consent.

Click here to access the interpretations available on SEC’s Web site.

Deloitte Issues Guidance on Impact of Current Market Environment on Employee Benefits

Deloitte LLP has issued a Financial Reporting Alert 08-19, *Pension and Other Postretirement Benefits Affected by Turmoil in the Credit Markets.*

The financial reporting alert provides an analysis of the impact of the current market environment on pension and other postretirement benefits liabilities in entities’ financial statements and how should entities consider the same in preparing the financial statements this year-end. It evaluates the impact of market crisis on various components and underlying assumptions used in computation of such liability such as, discount rate, expected long-term rate of return and measurement date for plan assets and benefit obligations.

Click here to access the financial reporting alert available on Deloitte’s Web site.

Deloitte Issues Guidance on Certain Equity-Linked Financial Instruments

Deloitte LLP has issued a Heads Up, *Issue 07-5 Affects Issuers of Equity-Linked Financial Instruments (Including Debt With Embedded Conversion Options).*

The Heads Up highlights certain reporting implications of EITF Issue No. 07-5, *Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock*. This Issue’s “fixed-for-fixed, plus fair value inputs” model is believed to be largely consistent with current interpretations of the phrase “indexed to an entity’s own stock.” However, in certain circumstances, Issue 07-5 may result in changes to those accounting interpretations. This Heads Up focuses on those changes by discussing the impact of Issue 07-5 on issuers of equity-linked financial instruments (e.g., options or forward contracts) or instruments containing embedded features (e.g., embedded conversion options in a convertible instrument) that have (1) exercise or settlement contingency provisions, (2) a strike price that is subject to adjustment, or (3) a strike price that is denominated in a currency other than the entity’s functional currency.

Issue 07-5 will be effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2008 (January 1, 2009, for calendar year-end entities). Early adoption is not permitted for entities that have previously applied an alternative accounting policy.

Click here to access the Heads Up available on Deloitte’s Web site.

SEC Issues New Financial Reporting Manual

On December 9, the SEC's Division of Corporation Finance released a Financial Reporting Manual. The new manual supersedes the Division of Corporation Finance's Accounting Disclosure Rules and Practices: An Overview (also known as the "SEC Staff Training Manual"), which had not been updated since 2000. The Financial Reporting Manual provides helpful insight into how the SEC staff applies SEC rules and regulations covering, for example, SEC registrants' and acquired business' financial statements, pro forma financial statements, managements' discussion and analysis, and non GAAP measures.

Click here to access the manual available on SEC's Web site.

SEC Issues Report on Mark-to-Market Accounting

The SEC recently submitted a report on mark-to-market (MtM) accounting to Congress on December 30, 2008, in compliance with the congressional mandate in Section 133 of the Emergency Economic Stabilization Act of 2008. The report concludes that existing MtM or fair value accounting requirements should not be suspended and recommends measures to improve the application of such requirements. It also recommends that the FASB reassess the current accounting model for financial asset impairments.

Click here to access Deloitte's Heads Up on the topic.

Regulatory Matters

The 2008 AICPA National Conference on Current SEC and PCAOB Developments

The 2008 AICPA National Conference on Current SEC and PCAOB Developments was held in the first week of December 2008. During the Conference, the SEC, PCAOB, FASB, IASB, and others provide financial professionals with updates on new developments, regulations, and current priorities.

Nearly 26 hours of material was presented during this annual conference hosted by the AICPA. The conference features speeches by, and question-and-answer sessions with, members of the SEC, PCAOB, FASB, and IASB, and professionals from various industries.

Click here to access Deloitte's Heads Up on the Conference. This Heads Up focuses on experts' views on topics such as accounting and disclosure issues related to the troubled credit markets, use of fair value, goodwill impairments, and the release of the Division of Corporation Finance Financial Reporting Manual on the SEC's Web site.

SEC Issues Final Rules to Require Registrants to Furnish Interactive Data with Certain SEC Filings

On December 17, 2008, the SEC has issued two final rules to require registrants to furnish interactive or XBRL-tagged data as an exhibit to certain filings.

The rules that were adopted by the SEC at its December 17, 2008, open meeting will require registrants (other than investment companies) and mutual funds to provide financial information and risk/return summary information, respectively, in an interactive data format in certain filings with the SEC. Such information will be made interactive through use of eXtensible Business Reporting Language (XBRL). Adoption is phased-in, and would require large accelerated filers with a worldwide float above $5 billion to use XBRL in 2009.

Click here to access Deloitte's Heads Up on this topic.

Highlights of the July 2008 Meeting of the SEC Regulations Committee

The SEC's Center for Audit Quality (CAQ) has released highlights of the July 8, 2008, SEC Regulations Committee Meeting. The highlights include, among other items, an SEC staff clarification on the requirement for updated financial statements in Form S-8 filings for certain changes occurring after a registrant files its 10-K that require retrospective application (i.e., a material discontinued operation, a change in reportable segments, and certain accounting changes).

Click here to access the highlights available on CAQ's Web site.

Other SEC Publications and Releases

The SEC staff recently issued the following publications:

- Overview of the Legal and Regulatory Policy Offices — This document gives information about the seven support offices of the Division of Corporation Finance that provide guidance regarding statutes and regulations to current and prospective registrants and the public. The document covers the process entities should use to submit pre-clearance letters to the SEC staff on the form and content of financial statements required in SEC filings. **Click here** to access the document on the SEC Web site
- SEC Staff Presentation on the Review of Common Financial Reporting Issues Facing Smaller Issuers — This slide presentation covers, among other items, the SEC staff's review process and frequent issues raised in the comment letter process. Although the title refers to "smaller issuers," the guidance in this document may apply to any registrant. **Click here** to access the presentation on the SEC Web site
- Staff Guidance for Financial Institutions Filing Proxy Statements in Connection With the TARP Capital Purchase Program — This guidance gives samples of comments issued by the SEC staff regarding disclosures in proxy statements related to the TARP Capital Purchase Program and discusses issues for consideration in the presentation of pro forma financial statements in a proxy statement. **Click here** to access the guidance on the SEC Web site

Deloitte Offers Dbriefs, Live Webcasts for Executive Level Audience

Now available to the audience outside of the U.S., Deloitte & Touche LLP offers Dbriefs, live webcasts that give valuable insights on a variety of business topics aimed at executive level audience across function and industry including:

- Financial Executives
- HR Executives
- Tax Executives
- China Issues
- Financial Services
- Consumer Business
- Technology, Media & Telecommunications
- Manufacturing
- Energy & Resources
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- Driver-Based Planning: Is It the Right Approach for Your Company?
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- Year-End Reporting Issues: An Update on Current Issues and Items on the Horizon
  January 09, 2:00 PM EST (19:00 GMT)

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- Chapter 11 Reorganization: Why Better Late Than Never No Longer Flies
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Recent Deloitte Publications

Below is a list of Deloitte publications about the most recent rule proposals and legislative actions.

- Accounting Roundup-Year in review 2008
- Accounting Roundup: November 2008
- EITF Snapshot – November 13, 2008 Meeting
- Heads Up: SEC Approves Rules Requiring Registrants to Submit Interactive Data
- Heads Up: FASB Proposes Guidance on Other-Than-Temporary Impairments and Discusses Plans for Other Financial Instrument Projects
- Heads Up: Highlights of the 2008 AICPA National Conference on Current SEC and PCAOB Developments
- Heads Up: FASB's Contingency Plan — FASB Proposes FSP to Amend Statement 141(R)'s Guidance on Contingencies
- Heads Up: FASB's New Disclosure FSP Is Effective Immediately
- Heads Up: Issue 07-5 Affects Issuers of Equity-Linked Financial Instruments (Including Debt With Embedded Conversion Options)
- Heads Up: SEC Issues Proposed IFRS Roadmap
- Heads Up: FASB and IASB Issue Discussion Paper on Financial Statement Presentation
- Financial Reporting Alert 08-19, Pension and Other Postretirement Benefits Affected by Turmoil in the Credit Markets
- Financial Reporting Alert 08-18: Effect of Statement 141(R) on Income Tax Accounting
- IFRS Resource Library
- Newsletter: IFRS Insights November 2008
- IFRS and U.S. GAAP - A Pocket Comparison
- International Financial Reporting Standards for U.S. Companies - Implications of an accelerating global trend
- Buckle Up (On the Road to IFRS) – Straight Talk Book Series - Book No. 11
- Software Revenue Recognition: A Roadmap to Applying AICPA SOP 97-2
- Consolidation of Variable Interest Entities: A Roadmap to Applying Interpretation 46(R)'s Consolidation Guidance
- Uncertainty in Income Taxes: A Roadmap to Applying Interpretation 48
- Accounting for Business Combinations and Related Topics: A Roadmap to Applying FASB Statements 141(R), 142, and 160
- A Roadmap to the Accounting and Regulatory Requirements of Postretirement Benefits: Including an Overview of Statement 158
- FASB Statement No. 123(R), Share Based Payment: A Roadmap to Applying the Fair Value Guidance to Share-Based Payment Awards
- Under Control: Sustaining Compliance with Sarbanes-Oxley in Year Two and Beyond On Optimizing SOX Compliance
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