

November 16, 2007
Vol. 14, Issue 24

In This Issue:

- Reconciliation Elimination: The New Rule and Eligibility
- What's Next?
- Rules Approved for Smaller Public Companies

The SEC announced that it would hold two roundtables on whether U.S. companies should be allowed to use IFRSs.

SEC Removes Reconciliation Requirement, Approves Smaller Public Company Rules

by Randall Sogoloff and Lisa Delfini, Deloitte & Touche LLP

Reconciliation Elimination: The New Rule and Eligibility

On November 15, 2007, the Securities and Exchange Commission (SEC or the "Commission") [voted](#) to allow foreign private issuers to prepare their financial statements using International Financial Reporting Standards (IFRSs) without reconciling to U.S. generally accepted accounting principles (GAAP). The new rule is effective for fiscal years ending after November 15, 2007. Therefore, a calendar-year-end foreign private issuer does not have to include a reconciliation in its 2007 financial statements.

The Commission voted that, with one exception, a foreign private issuer's financial statements must fully comply with the IASB's version of IFRSs. The exception relates to foreign private issuers that use the version of IFRSs that includes the European Commission's "carve-out" for IAS 39, *Financial Instruments: Recognition and Measurement*. The Commission voted to allow such issuers to prepare their financial statements using that version for a two-year period as long as a reconciliation to the IASB's version of IFRSs is provided. After the two-year period, these issuers will either have to use the IASB's version of IFRSs or provide a reconciliation to U.S. GAAP.

Under the previous SEC rule, a foreign private issuer could use either local accounting standards or IFRSs as long as a "reconciliation" to U.S. GAAP was included in the financial statements filed with the SEC.

What's Next?

The SEC also announced that it would hold two roundtables on whether U.S. companies should be allowed to use IFRSs, as published by the IASB. The roundtables will be held on December 13 and December 17, 2007. This follows the Commission's issuance of its Concept Release on August 7, 2007, that solicited input on whether U.S. issuers should be permitted to prepare their financial statements using IFRSs.

Rules Approved for Smaller Public Companies

At the November 15 meeting, the SEC also [approved](#) the following proposed rules designed to make reporting easier for smaller public companies. See Deloitte & Touche LLP's [July 9, 2007, Heads Up](#) and [July 17, 2007, Heads Up](#) for additional details on the proposals. Click a topic in the chart below to view the proposals. The SEC will post the final rules to its Web site shortly.

The SEC's approval marks its issuance of final rules on three of the six proposals it has put forth to benefit smaller companies.

Topic	Highlight
Smaller Reporting Company Regulatory Relief and Simplification	Combines "small business issuers" and "nonaccelerated filers" into a single category entitled "smaller reporting companies" that generally have \$75 million or less of public float. Allows these companies to use the scaled SEC reporting disclosure rules created for the smallest public companies (previously only available to companies with less than \$25 million in public float).
Easing the Requirements for Unregistered Offerings (Rules 144 and 145)	Simplifies raising of capital by smaller companies in unregistered offerings.
Exemption of Compensatory Employee Stock Options From Registration	Exempts private companies from a current requirement to register employee stock options if they have over 500 option holders.

The final rules will be substantially the same as the proposals. In one notable change, the SEC decided not to periodically adjust for inflation the new \$75 million eligibility ceiling for the scaled disclosure rules. The SEC's approval marks its issuance of final rules on three of the six proposals it has put forth to benefit smaller companies. Watch for upcoming SEC votes on the other three proposals:

- [Allowing Smaller Companies to Use Shelf Registration Statements \(Forms S-3 and F-3\).](#)
- [Electronic Filing and Simplification of Form D.](#)
- [New Regulation D Limited Offering Exemption.](#)

Subscriptions

If you wish to receive *Heads Up* and other accounting publications issued by the Accounting Standards and Communications Group of Deloitte & Touche, please [register](http://www.deloitte.com/us/subscriptions) at www.deloitte.com/us/subscriptions.

Dbriefs for Financial Executives

We invite you to participate in *Dbriefs*, Deloitte & Touche'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 on:

- Sarbanes-Oxley.
- Corporate governance.
- Private companies.
- Financial reporting.
- Driving enterprise value.
- Transactions and business events.

Dbriefs also provides a convenient and flexible way to earn CPE credit — right at your desk. [Join *Dbriefs*](#) to receive notifications about future webcasts at www.deloitte.com/us/dbriefs.

On December 4 at 2:00 PM EST, we will host a 60-minute webcast, "EITF Roundup: Highlights of the November Meeting." [Register](#) for this webcast today.

Technical Library: The Deloitte Accounting Research Tool Available

Deloitte & Touche makes available, on a subscription basis, access to its online library of accounting and financial disclosure literature. Called Technical Library: The Deloitte Accounting Research Tool, the library includes material from the FASB, the EITF, the AICPA, the PCAOB, the IASB, and the SEC, in addition to Deloitte's own accounting and SEC manuals and other interpretive accounting and SEC guidance.

Updated every business day, Technical Library has an intuitive design and navigation system that, together with its powerful search features, enable users to quickly locate information anytime, from any computer. In addition, Technical Library subscribers receive *Technically Speaking*, the weekly publication that highlights recent additions to the library.

For more information, including subscription details and an online demonstration, visit www.deloitte.com/us/techlibrary.

Heads Up is prepared by the National Office Accounting Standards and Communications Group of Deloitte & Touche LLP ("Deloitte & Touche") as developments warrant. This publication contains general information only and Deloitte & Touche is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte & Touche, its affiliates and related entities shall not be responsible for any loss sustained by any person who relies on this publication.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, its member firms, and their respective subsidiaries and affiliates. Deloitte Touche Tohmatsu is an organization of member firms around the world devoted to excellence in providing professional services and advice, focused on client service through a global strategy executed locally in over 140 countries. With access to the deep intellectual capital of approximately 150,000 people worldwide, Deloitte delivers services in four professional areas—audit, tax, consulting, and financial advisory services—and serves more than 80 percent of the world's largest companies, as well as large national enterprises, public institutions, locally important clients, and successful, fast-growing global companies. Services are not provided by the Deloitte Touche Tohmatsu Verein, and, for regulatory and other reasons, certain member firms do not provide services in all four professional areas.

As a Swiss Verein (association), neither Deloitte Touche Tohmatsu nor any of its member firms has any liability for each other's acts or omissions. Each of the member firms is a separate and independent legal entity operating under the names "Deloitte," "Deloitte & Touche," "Deloitte Touche Tohmatsu," or other related names.

In the United States, Deloitte & Touche USA LLP is the U.S. member firm of Deloitte Touche Tohmatsu and services are provided by the subsidiaries of Deloitte & Touche USA LLP (Deloitte & Touche LLP, Deloitte Consulting LLP, Deloitte Financial Advisory Services LLP, Deloitte Tax LLP, and their subsidiaries), and not by Deloitte & Touche USA LLP. The subsidiaries of the U.S. member firm are among the nation's leading professional services firms, providing audit, tax, consulting, and financial advisory services through nearly 40,000 people in more than 90 cities. Known as employers of choice for innovative human resources programs, they are dedicated to helping their clients and their people excel. For more information, please visit the U.S. member firm's Web site at www.deloitte.com/us.