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US Reporting Newsletter for Non-US Based Companies

Global Offerings Services

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Global Offerings Services (GOs) comprises a global team of practitioners assisting non-US companies and non-US practice office engagement teams in applying US and International accounting standards (i.e., US GAAP and IFRS) and in complying with the SEC's financial reporting rules. For more information please contact the GOs Center leader nearest you.

New York – Joel Osnoss
+1 (212) 436 3352

Hong Kong – Jay Harrison
+852 2852 6337

London – Donna Ward
+44 (20) 7007 0902

Madrid – Manuel Arranz
+34 (91) 514 2072

Mexico – Bill Biese
+52 (55) 5080 6197

Paris – Don Andrade
+33 (1) 4088 2508

Sao Paulo – Bruce Mescher
+55 (11) 5186 1261

Toronto – Rod Barr
+1 (416) 874 3630

Deloitte periodically publishes Accounting Roundup. Click here to access the published editions.

GAAP Matters

FASB Issues Statement on Fair Value Measurements

The FASB has issued Statement 157, *Fair Value Measurements* that defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. However, for some entities, the application of this Statement will change current practice.

The changes to current practice resulting from the application of this Statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements.

This Statement emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, this Statement establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The notion of unobservable inputs is intended to allow for situations in which there is little, if any, market activity for the asset or liability at the measurement date. In those situations, the reporting entity need not undertake all possible efforts to obtain information about market participant assumptions. However, the reporting entity must not ignore information about market participant assumptions that is reasonably available without undue cost and effort.

This Statement clarifies that market participant assumptions include assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value (such as a pricing model) and/or the risk inherent in the inputs to the valuation technique. A fair value measurement should include an adjustment for risk if market participants would include one in pricing the related asset or liability, even if the adjustment is difficult to determine. Therefore, a measurement (for example, a “mark-to-model” measurement) that does not include an adjustment for risk would not represent a fair value measurement if market participants would include one in pricing the related asset or liability.

This Statement expands disclosures about the use of fair value to measure assets and liabilities in interim and annual periods subsequent to initial recognition. The disclosures focus on the inputs used to measure fair value and for recurring fair value measurements using significant unobservable inputs (within Level 3 of the fair value hierarchy), the effect of the measurements on earnings (or changes in net assets) for the period.

This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Earlier application is encouraged, provided that the reporting entity has not yet issued financial statements for that fiscal year, including financial statements for an interim period within that fiscal year. The provisions of this Statement should be applied prospectively as of the beginning of the fiscal year in which this Statement is initially applied, with certain exceptions.

Click here to access the text of this Statement.

FASB Issues Final FSP on Accounting for Planned Major Maintenance

On September 8, 2006, the Financial Accounting Standards Board (the 'FASB') issued final FASB Staff Position (FSP) AUG AIR-1, *Accounting for Planned Major Maintenance Activities*. This FSP prohibits the use of the accrue-in-advance method of accounting for planned major maintenance activities in annual and interim financial reporting periods and amends certain provisions in the AICPA Industry Guide, *Audit of Airlines* (Airline Guide) and APB Opinion No. 28, *Interim Financial reporting*.

The FASB believes that the accrue-in-advance method of accounting for planned major maintenance activities results in the recognition of liabilities that do not meet the definition of a liability in FASB Concepts Statement No. 6, *Elements of Financial Statements*, because it causes the recognition of a liability in a period prior to the occurrence of the transaction or event obligating the entity.

The guidance in this FSP is applicable to entities in all industries. The guidance in this FSP shall be applied to the first fiscal year beginning after December 15, 2006. Earlier adoption is permitted as of the beginning of an entity's fiscal year. The guidance in this FSP shall be applied retrospectively for all periods presented. The FSP also requires disclosures of the effect of the change from accrue-in-advance method to another method.

Click here to access the text of this FSP.

Highlights of the September 2006 EITF Meeting

The Emerging Issues Task Force (EITF) discussed the following issues at its September 7, 2006 meeting:

- Issue No. 06-1, *Accounting for Consideration Given by a Service Provider to Manufacturers or Resellers of Equipment Necessary for an End-Customer to Receive Service from the Service Provider*
- Issue No. 06-4, *Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements*
- Issue No. 06-5, *Accounting for Purchases of Life Insurance - Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4, Accounting for Purchases of Life Insurance*
- Issue No. 06-6, *Debtor's Accounting for a Modification (or Exchange) of Convertible Debt Instruments*
- Issue No. 06-7, *Issuer's Accounting for a Previously Bifurcated Conversion Option in a Convertible Debt Instrument When the Conversion Option No Longer Meets the Bifurcation Criteria in FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities*
- Issue No. 06-8, *Applicability of the Assessment of a Buyer's Continuing Investment under FASB Statement No. 66, Accounting for Sales of Real Estate, for Sales of Condominiums*
- Issue No. 06-9, *Reporting a Change in (or the Elimination of) a Previously Existing Difference between the Fiscal Year-End of a Parent Company and That of a Consolidated Subsidiary or an Equity Method Investee*
- Changes to EITF D-Topics by SEC staff

The EITF reached consensuses on Issues 06-1, 06-4 and 06-5, and reached tentative conclusions on Issues 06-6, 06-7, 06-8 and 06-9. As reported in the June edition of this newsletter, the EITF no longer reaches a consensus without first exposing its tentative conclusion for public comment. The consensuses reached at this meeting resulted from tentative conclusions reached by the EITF at its June 15, 2006 meeting. The consensuses reached in these three issues must still be ratified by the FASB (scheduled for September 20, 2006) before they become GAAP. The consensuses reached were generally consistent with the draft abstracts of the tentative conclusions reached at the June 15, 2006 meeting that were exposed for public comment; however, certain modifications were made to provide additional guidance and to change transition and effective dates, particularly on Issue 06-4.

Further details of the September EITF meeting will appear in the October edition of this newsletter.

Regulatory Matters

SEC's Office of the Chief Accountant and Divisions of Corporation Finance and Investment Management Release Staff Accounting Bulletin 108

On September 13, 2006, the Office of the Chief Accountant and Divisions of Corporation Finance and Investment Management of the Securities and Exchange Commission (the 'SEC' or 'Commission') released a Staff Accounting Bulletin that provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement.

There have been two common approaches used to quantify such errors. Under one approach, the error is quantified as the amount by which the current year income statement is misstated. The other common approach quantifies the error as the cumulative amount by which the current year balance sheet is misstated. Exclusive reliance on an income statement approach can result in a registrant accumulating errors on the balance sheet that may not have been material to any individual income statement, but which nonetheless, may misstate one or more balance sheet accounts. Similarly, exclusive reliance on a balance sheet approach can result in a registrant disregarding the effects of errors in the current year income statement that result from the correction of an error existing in previously issued financial statements.

The SEC staff believes that registrants should quantify errors using both a balance sheet and an income statement approach and evaluate whether either approach results in quantifying a misstatement that, when all relevant quantitative and qualitative factors are considered, is material.

The SEC staff will not object if a registrant records a one-time cumulative effect adjustment to correct errors existing in prior years that previously had been considered immaterial - quantitatively and qualitatively - based on appropriate use of the registrant's previous approach. The Staff Accounting Bulletin describes the circumstances where this would be appropriate as well as the required disclosures to investors.

The statements in Staff Accounting Bulletins are not rules or interpretations of the Commission, nor are they published as bearing the Commission's official approval. They represent interpretations and practices followed by the Office of the Chief Accountant and the Divisions of Corporation Finance and Investment Management in administering the disclosure requirements of the Federal securities laws.

Other Matters

PCAOB 2005 Annual Report

Click here to access the PCAOB's 2005 annual report submitted to SEC. The report gives details of the activities undertaken by the PCAOB in 2005.

PCAOB Announces Deputy Directors in Enforcement and Investigations

On August 3, 2006, the PCAOB announced that Kyra Armstrong, Ray Hamm and Jerry Decker have been named Deputy Directors in the PCAOB's Division of Enforcement and Investigations.

Ms. Armstrong, an attorney, and Mr. Hamm, an accountant, previously served as Associate Directors in the Division. In their new positions, their primary responsibilities will relate to the supervision of investigations. Mr. Decker, an attorney, will join the Division with the additional title of Chief Trial Counsel, and his primary responsibilities will relate to litigation stemming from the Division's disciplinary proceedings.

Click here to access the news release.

SEC's Office of the Chief Accountant Issues Letter Expressing Its Views on the Appropriate Application of the Stock Option Accounting Literature

On September 19, 2006, the Office of the Chief Accountant of the SEC issued a letter summarizing the staff's views regarding the accounting for stock options in the historical financial statements of public companies.

Prior to the adoption of the FASB Statement No. 123(R), *Share-Based Payment*, many public companies accounted for stock options under Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*. This letter discusses the accounting consequences under Opinion 25 of dating an option award to predate the actual award date, option grants with administrative delays, uncertainty as to the validity of prior grants, and other related circumstances.

Click here to access the letter 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:

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Upcoming Webcasts include the following:

Driving Enterprise Value

- Adopting the Value Habitat: Extracting Latent Value for Your Stakeholders (September 20, 3:00 PM EDT (19:00 GMT))

Sarbanes-Oxley

- Finance Transformation and Sarbanes-Oxley: Realizing Value (September 28, 2:00 PM EDT (18:00 GMT))

Click here for further details of these webcast and to join Dbriefs.

Recent Deloitte Publications

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

- Accounting Roundup: August 2006
- Heads Up: SEC Finalizes Executive Compensation Disclosures, Proposes Extension of 404 for Non-Accelerated, and Finalizes Extension of 404 for Certain FPIs
- AICPA committee meeting highlights
- Heads Up: Option backdating
- Accounting Roundup: July 2006
- EITF Roundup: June 2006

IAS Plus Website

Deloitte's IAS Plus website discusses current and future developments in the International Financial Reporting Standards (IFRS) environment.

e-Learning training materials for International Financial Reporting Standards

Deloitte is pleased to make available e-learning training materials for IFRS free of charge. Click here to Access Deloitte's IFRS e-Learning Material.

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