

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

### Recent Developments



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

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#### U.S. GAAP Matters

##### FASB Expands Disclosures about Derivative Instruments and Hedging Activities

On March 19, 2008, the FASB issued SFAS No. 161, *Disclosures About Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133* ("SFAS No. 161") which amends Statement 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS No. 133") by requiring expanded disclosures about an entity's derivative instruments and hedging activities, but does not change SFAS No. 133's scope or accounting.

SFAS No. 161 requires increased qualitative, quantitative, and credit-risk disclosures. Required qualitative disclosures include:

- How and why an entity is using a derivative instrument or hedging activity (e.g., for risk management or other purposes).
- How the entity is accounting for its derivative instrument and hedged items under SFAS No. 133 (and related guidance).

- How the instrument affects the entity's financial position, financial performance, and cash flows.

Quantitative disclosures should include information (in a tabular format) about the fair value of the derivative instruments, including gains and losses, and should contain more detailed information about the location of the derivative instrument in the entity's financial statements. Credit-risk disclosures should include information about the existence and nature of credit-risk-related contingent features included in derivative instruments. Credit-risk-related contingent features can be defined as those that require entities, upon the occurrence of a credit event (e.g., credit rating downgrade), to settle derivative instruments or to post collateral. SFAS No. 161 also amends SFAS No. 107, *Disclosures about Fair Value of Financial Instruments* to clarify that derivative instruments are subject to SFAS No. 107's concentration-of-credit-risk disclosures. Although the FASB intended Statement to apply to all financial instruments, including derivatives, it believes the clarification was necessary to address differing views on whether entities' disclosures about concentration of credit risk should include derivative instruments.

The SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early adoption permitted. Entities are encouraged, but not required, to provide comparative disclosures for earlier periods.

[Click here](#) to access the statement on FASB's website.

[Click here](#) to access Deloitte's Heads Up on the topic.

## EITF Meeting Highlights

The EITF met on March 12, 2008 to discuss various pending issues. Following is the summary of conclusions reached and status of the issues discussed.

### **EITF Issue No. 07-4, *Application of the Two-Class Method Under FASB Statement No. 128, Earnings per Share, to Master Limited Partnerships***

Status: Consensus reached.

In a typical publicly traded MLP, cash is distributed to common units held by Limited Partners (LP), a General Partner (GP) interest, and IDRs, in accordance with the terms specified in the partnership agreement. At issue is how, when applying the two-class method under SFAS No. 128, *Earnings Per Share*, current-period earnings of an MLP should be allocated to the GP, to the LPs, and when applicable, to the IDR holder.

The Task Force discussed and reached the following consensus on this Issue:

**Earnings in excess of cash distributions** — Current-period earnings should be reduced by the amount of distributions to the GP, LPs, and IDR holder determined in accordance with the contractual terms of the partnership agreement. The remaining undistributed earnings should be allocated to the GP, LPs, and IDR holder by using the distribution waterfall for available cash specified in the partnership agreement. Therefore, current-period earnings are effectively treated as though they are available cash distributions.

**Cash distributions in excess of earnings** — Any excess of distributions over current-period earnings (loss) should be allocated to the GP and LPs on the basis of their respective sharing of losses specified in the partnership agreement.

The Task Force concluded that for the MLP to report current-period earnings per unit, the GP must use current-period information to determine the amount of available cash (i.e., the MLP becomes obligated to make distributions of available cash at the end of the current reporting period, which may be before available cash is determined).

The FASB ratified this conclusion on March 26, 2008. This Issue is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years, and should be applied retrospectively for all financial statements presented. Earlier application is not permitted.

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

Status: Consensus for exposure.

Some financial instruments 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 SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*.

Various issues on accounting for such instruments were discussed and concluded as follows:

#### ***How an entity should evaluate whether an instrument (or embedded feature) is indexed to its own stock***

The Task Force reached a consensus-for-exposure that an entity should use a two-step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock under either of the two steps. As per step 1, the entity evaluates its contingent exercise provisions. Instruments whose exercisability is affected by one or more variables other than the entity's stock price are considered indexed to an entity's own stock provided that the exercise contingency is not based on (1) an observable market, other than the market for the entity's stock, or (2) an observable index. As per step 2, the entity evaluates the instrument's settlement provisions. An instrument would be considered indexed to an entity's own stock if its settlement amount will equal the difference between the fair value of a fixed number of the entity's equity shares and a fixed amount of cash or another financial asset.

***How the term “standard anti-dilution provisions” should be defined and whether a conforming amendment should be made to Issue 05-2, The Meaning of “Conventional Convertible Debt Instrument” in EITF Issue No. 00-19, “Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company’s Own Stock” to change the definition of standard anti-dilution provisions in that Issue***

The Task Force decided not to address these issues. Thus, entities would evaluate all provisions by using the two-step approach noted above (e.g., evaluate whether settlement adjustments for the effects of dilutive events such as equity restructurings and dividends are inputs to the determination of the fair value of a fixed-for-fixed forward or option). In addition, no changes will be made to Issue 05-2.

***How the currency in which the strike price of an equity-linked financial instrument (or embedded feature) is denominated affects the determination of whether the instrument is indexed to an entity’s own stock***

The Task Force reached a consensus-for-exposure that an equity-linked financial instrument (or embedded equity-linked feature) would not be considered indexed to the entity’s own stock if the strike price is denominated in a currency other than the issuer’s functional currency (including a conversion option embedded in a convertible debt instrument that is denominated in a currency other than the issuer’s functional currency). The determination of whether an equity-linked financial instrument is indexed to an entity’s own stock is not affected by the currency used in the market(s) in which the underlying shares trade. This consensus-for-exposure is consistent with the FASB’s proposed Implementation Issue C21.

***How an issuer should account for market-based employee stock option valuation instruments***

The Task Force also reached a consensus-for-exposure that market-based employee stock option valuation instruments are not considered indexed to an entity’s own stock. The settlement amount of these instruments is affected by employee behavior, which is not an input in the determination of the fair value of a fixed-for-fixed option or forward. Consequently, such instruments would generally be accounted for as derivatives under SFAS No. 133.

The FASB ratified the EITF’s conclusions at its March 26, 2008, meeting which was then exposed for public comment. A consensus would be effective for fiscal years beginning after December 15, 2008, including interim periods within those fiscal years. This Issue would be applied to outstanding instruments as of the beginning of the fiscal year in which it is initially applied as a cumulative-effect adjustment to the opening balance of retained earnings. Early application would not be permitted.

***EITF Issue No. 08-3, Accounting by Lessees for Nonrefundable Maintenance Deposits***

Status: Consensus for exposure.

The Task Force reached a consensus-for-exposure that all nonrefundable maintenance deposits that are contractually and substantively related to maintenance should be accounted for as deposits. Accordingly, the maintenance deposit made to the lessor initially capitalized as a deposit should be expensed or capitalized as part of a fixed asset (depending on the lessee’s maintenance accounting policy) when the underlying maintenance is performed. If it is determined that it is not probable that a portion of the deposit will be used to fund future maintenance expense, it is recognized as additional rent expense at the time this determination is made.

On March 12, 2008, the EITF approved a consensus-for-exposure, which the FASB ratified at its March 26, 2008, meeting. It will now be exposed for public comment. This Issue would be effective for fiscal years beginning after December 15, 2008, and would 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 would not be permitted.

***Topic D-98, Classification and Measurement of Redeemable Securities*** - 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 SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51* (“SFAS No. 160”). The revisions also reflect other clarifications to Topic D-98 that are unrelated to SFAS No. 160. The revised Topic D-98 will indicate that the classification, measurement, and earnings-per-share guidance applies to noncontrolling interests which includes noncontrolling interests redeemable at fair value. The revisions to Topic D-98 that are specific to accounting for noncontrolling interests should be applied no later than the effective date of SFAS No. 160.

***Other EITF Topics – final conclusions not reached***

The following topics were also discussed at the March 12, 2008, EITF meeting:

***EITF Issue No. 08-2, Lessor Revenue Recognition for Maintenance Services*** - For this on accounting for maintenance services by lessor, the Task Force tentatively concluded that “revenue related to maintenance services

should be recognized into income as those services are performed utilizing a proportional performance method that is determined to be the most appropriate method under the circumstances.” For example, an entity might recognize revenue related to maintenance services over the lease term in proportion to the costs expected to be incurred in performing maintenance services under the contract. An entity would not be permitted to default to recognizing revenue on a straight-line basis. Further deliberations by the Task Force are expected at its June 2008 meeting

**EITF Issue No. 08-1, Revenue Recognition for a Single Unit of Accounting** - Entities that enter into revenue arrangements that provide for multiple payment streams for a single deliverable or a single unit of accounting. For example, a service provider may receive an up-front payment upon inception of a service contract with a customer and then receive additional payments as services are provided to that customer. Other examples can be more complex, such as in biotechnology and pharmaceutical research and development arrangements involving multiple deliverables treated as a single unit of accounting, up-front payments, payments for specific services, and payments upon achievement of certain clinical milestones. This Issue is not limited to a particular industry. The Task Force discussed the issue but did not reach on any consensus. Further deliberations by the Task Force are expected at its June 2008 meeting.

**Issue 00-27, Application of Issue No. 98-5 to Certain Convertible Instruments** - Issue 00-27 currently includes 10 final consensuses and nine tentative conclusions on application issues related to Issue 98-5, *Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios*. The Task Force voted to discontinue discussion of the remaining nine tentative conclusions and to remove those issues from the EITF's agenda.

In a separate decision, the Task Force voted not to codify Issues 98-5 and 00-27 into a single EITF abstract. The FASB staff noted that the final consensuses in Issues and 00-27 will be codified as part of the Codification project.

**Issue 98-5, Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios** - The FASB staff discussed certain proposed updates to Issue 98-5. The staff indicated that these updates are necessary because a constituent indicated that some entities have continued to apply certain guidance in Issue after such guidance was nullified by the final consensuses in Issue 00-27 *Application of Issue No. 98-5 to Certain Convertible Instruments* or SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. Application of Issue 98-5 without the consideration of subsequent nullifications could be considered an error; however, some believe that transition guidance for related transactions is necessary since Issue 98-5 was not updated to reflect the changes resulting from the issuance of Issue 00-27 and SFAS No. 150. The Task Force reached a consensus-for-exposure that transition guidance for all conforming changes made to Issue 98-5 should be provided. The conforming changes would be effective for financial statements issued for fiscal years ending after December 15, 2008, applied retrospectively.

The Task Force also decided not to provide guidance on whether convertible instruments that have terms that provide for settlement through the issuance of (1) a variable number of shares with a fixed monetary amount if settlement occurs when the share price is less than a certain amount or (2) a fixed number of shares if settlement occurs when the share price is equal to or greater than a certain amount, should be evaluated as having (1) a single compound embedded feature (i.e., one embedded feature with the characteristics of a share-settled “put warrant”) or (2) two separate embedded features (i.e., an embedded put option and an embedded conversion feature).

[Click here](#) to access Deloitte's EITF Snapshot containing more detailed highlights the March 12, 2008 EITF meeting.

[Click here](#) to access EITF Meeting minutes available on FASB website.

## Regulatory Matters

### AICPA SEC International Practices Task Force's Q&A for Foreign Private Issuers

The AICPA's SEC International Practices Task Force (the "Task Force") has published highlights of its March 4, 2008 teleconference. The meeting highlights include a Q&A implementation document for Foreign Private Issuers (“FPI’s”) on the SEC's final rule, *Acceptance from Foreign Private Issuers of Financial Statements Prepared in Accordance with IFRS Without Reconciliation to U.S. GAAP*. The final rule allows FPIs to file financial statements with the SEC prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board without reconciliation to U.S. GAAP.

[Click here](#) to access a copy of the Task Force's meeting highlights, including the Q&A implementation document available on AICPA's website.

[Click here](#) to access a copy of the SEC's final rule eliminating the U.S. GAAP reconciliation available on the SEC's website.

## SEC Advises Registrants to Further Explain Fair Value in MD&A

Recently, the SEC's Division of Corporation Finance sent a letter to certain financial institutions concerning additional MD&A disclosure considerations regarding fair value for their upcoming filings on Form 10-Q. While the letter was sent only to financial institutions, the SEC staff has indicated that the letter can be applicable to any company.

The letter reminds registrants that have significant amounts of financial instruments to consider the SEC's requirements for disclosures in MD&A. Regulation S-K, Item 303, requires registrants to discuss in their periodic filings any known trends, demands, commitments, events, or uncertainties that the registrants reasonably expect to have a material impact, either favorable or unfavorable, on their results of operations, liquidity, or capital resources.

This letter is in response to the challenges, resulting from current market conditions, in determining the fair value of certain financial instruments, such as asset-backed securities, loans carried at fair value or lower of cost or market (fair value), credit default swaps, and other derivative assets and liabilities. Because of the decline in or disappearance of liquidity in some markets, judgment has become increasingly important in estimating fair values. In addition, there may be a broader range of reasonable fair value estimates for some financial instruments. As a result, judgments may materially affect a registrant's reported results of operations, liquidity, or capital resources.

Most registrants have adopted SFAS No. 157, *Fair Value Measurements* ("SFAS No. 157"), as of January 1, 2008, for financial instruments. This Statement provides a framework for determining fair value and includes detailed disclosure requirements for fair value measurements, including requirements to annually describe the valuation techniques used to measure fair value and to categorize all fair value measurements into a hierarchy that contains the following three levels:

- Level 1 — Measurements that are based on quoted prices (unadjusted) in active markets.
- Level 2 — Measurements that are primarily based on observable market information.
- Level 3 — Measurements that use significant unobservable inputs.

SFAS No. 157 requires additional disclosures for Level 3 measurements, including a reconciliation for recurring measurements of beginning and ending balances for the period (i.e., a rollforward from the previous period to the end of the current period) and total unrealized gains and losses reported for the period, and a description of the inputs and the information used to develop the inputs for all nonrecurring measurements.

While the SFAS No. 157 disclosures provide financial statement users with detailed information about fair value measurements, the SEC expects that its suggested MD&A disclosures will offer additional insight into registrants' fair value measurements of financial instruments.

[Click here](#) to access the sample letter on SEC's website.

[Click here](#) to access Deloitte's Financial Reporting Alert on the topic.

## SEC Moves Towards Mutual Recognition

From the past 20 year the Commission has engaged with other capital market regulators in an effort to promote coordination and cooperation among securities regulators. These efforts have included the reaching of memoranda of understanding regarding enforcement cooperation, technical assistance, and investigatory collaboration with more than 30 foreign jurisdictions.

To continue the theme of convergence, the SEC has announced a "series of actions it intends to take to further the implementation of the concept of mutual recognition for high-quality regulatory regimes in other countries." The steps announced were designed to better coordinate SEC regulation of the US capital markets with its counterparts' regulation in the larger global marketplace. These actions include the following:

- Comparing the regulatory regimes of the SEC and one or more of its foreign regulatory counterparts, and exploring the possibility of initial agreements with these counterparts on the basis of this comparison.
- Developing a formal process for addressing mutual recognition, including rule-making or "other appropriate mechanisms, possibly informed by one or more initial agreements with other regulators."
- Establishing "a framework for mutual recognition discussions with jurisdictions comprising multiple securities regulators tied together by a common legal framework, including Canada (which has no national securities regulator, but rather provincial regulators) and the European Union (whose national securities regulators are subject to supranational legislation and directives)."
- Reforming Rule 15a-6 of the Exchange Act to improve the access of U.S. investors to foreign broker-dealers.

[Click here](#) to access the announcement on SEC's website.

## SEC Issues Technical Amendments to Proxy Material Requirements

On March 17, 2008, the SEC issued a final rule containing technical corrections to multiple rules and releases on topics such as Internet availability of proxy materials; regulation of takeovers and security holder communications; and cross-border tender and exchange offers, business combinations, and rights offerings. Specific amendments include, but are not limited to, the following:

- Rules 14a-3(a)(3)(i) and 16(m) of the Securities Exchange Act of 1934 — Language in these rules was amended to clarify that use of the “notice and access model” is not required for business combination transactions (as defined in Rule 165 of the Securities Act of 1933), including cash transactions under Item 14 of Schedule 14A.
- Exchange Act Rules 14b-1 and 2 — The original rules referred to Legends 1 and 2. The reference should have been to Legends 1 and 3.
- Changes have been made to integrate a new disclosure schedule for tender offers (TO) that should be used in place of Schedules 13E-4 and 14D-1. All references to the prior schedules will be amended to refer to the TO schedule.
- Typographical errors and cross-reference changes.
- SEC staff contact information.

The final rule became effective on April 1, 2008.

[Click here](#) to access the final rule on SEC’s website.

## SEC Issued Final Rule for Self-Regulatory Organizations

On March 19, 2008, the SEC issued a final rule that will require Self-Regulatory Organizations (“SRO”) submitting proposed rule changes in accordance with Section 19(b)(7)(A) of the Securities Act of 1934 to file all rule changes (1) electronically and (2) on their Web sites. These requirements are designed to streamline the electronic filing process and make it more cost-effective.

The final rule became effective on April 28, 2008.

[Click here](#) to access the final rule on SEC’s website.

## IFRS Matters

### 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 make available e-Learning training materials for IFRS free of charge on IAS Plus.

### IASB Publishes Discussion Paper on Employee Benefits

On March 27, 2008, the IASB published for comment a discussion paper (DP) presenting its Preliminary Views on amendments to IAS 19, *Employee Benefits*. The DP represents the first step in a comprehensive project on accounting for postemployment benefit promises and addresses the following issues:

The deferred recognition of some gains and losses arising from defined benefit plans (IAS 19 currently allows multiple options for deferring recognition).

- Presentation of defined benefit liabilities.
- Accounting for benefits that are based on contributions and a promised return.
- Accounting for benefit promises with a “higher of” option.

In the longer term, the IASB intends to work with the FASB on developing a common standard on postemployment benefit promises. Because that project will take many years to complete, the IASB has concluded that it must make short-term improvements to IAS to provide users with better information about postemployment obligations. The IASB intends to review the responses to the DP, modify or confirm its Preliminary Views, and then develop an Exposure Draft of amendments to IAS for public comment.

The Preliminary Views include the following:

- Recognition of all changes in the value of plan assets and in the postemployment benefit obligation in the financial statements in the period in which they occur. This means, among other things, removing the options for deferred recognition of gains and losses in defined benefit plans.
- Classification of benefit promises into defined benefit promises and contribution-based promises.
- Measurement of contribution-based promises (which include cash-balance plans) as follows (quoted from the press release):

*The measurement of the entity's liability for a contribution-based promise should be based on current best estimates, unbiased, probability-weighted amounts, and observable market values where they exist. Also, the entity should assume that the benefit promise does not change. The IASB believes that the measurement attribute fair value assuming that the benefit promise does not change best expresses this approach.*

- Recognition of unvested past service cost in the period of a plan amendment.
- Recognition of both vested and unvested contribution-based promises as a liability.
- Allocation of the benefits earned under a contribution-based promise to periods of service in accordance with the benefit formula.

The IASB does not express a Preliminary View on the presentation of the components of postemployment benefit cost in comprehensive income (within or outside of profit and loss). Instead, several alternatives are discussed and comments invited.

The DP is being published by the IASB. However, the FASB will also consider issuing it to its constituents for comment. The comment deadline is September 26, 2008. The IASB's goal is to issue a revised IAS by 2011.

[Click here](#) to access the Discussion Paper on IASB's website.

## **IASB Publishes Discussion Paper on Reducing Complexity in Financial Instrument Reporting**

On March 19, 2008, the IASB published a discussion paper (DP) on reducing complexity in financial instrument reporting. This DP is in response to requests to simplify IAS 39, *Financial Instruments: Recognition*, and to create new principles-based, and less complex, methods for reporting on financial instruments.

The DP focuses on the multiple measurement methods of financial instruments (e.g., fair value, amortized cost) as a primary cause of complexity. Problems resulting from this complexity include difficulty in applying the criteria for determining the measurement model, no clear measurement requirements for certain financial instruments, the requirement that management choose a measurement model in certain situations, different accounting treatment for gains and losses depending on which measurement model is used, and difficulty in determining which measurement model has been used for which financial instrument.

The IASB proposes both intermediate and long-term solutions to financial instrument complexity issues. As a long-term solution, the paper recommends a single measurement method for all financial instruments — fair value. Intermediate approaches include:

- 1) making limited amendments to the existing measurement requirements for financial instruments;
- 2) replacing the existing measurement requirements with a fair value measurement principle, but allowing some optional exceptions; and
- 3) simplifying hedge accounting. The FASB and IASB may consider each approach individually or in combination.

Furthermore, on March 28, 2008, the FASB issued an Invitation to Comment seeking input from its constituents on whether it should add a project to its agenda on "simplifying and improving standards for measurement of financial instruments."

Appendix E of the DP includes several questions for consideration. The IASB invites its constituents to comment on the questions presented, as well as any additional issues, by September 19, 2008. The feedback on the FASB's Invitation to Comment is also due by September 2008.

[Click here](#) to access the Discussion Paper on IASB's website.

[Click here](#) to access Deloitte's Heads Up on the topic.

## IASB Releases 2008 IFRS Taxonomy

In a March 31, 2008, press release, the International Accounting Standards Committee (IASB) Foundation's XBRL Team presented to the public the nearly 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. The nearly final Taxonomy has been reviewed by the XBRL Quality Review Team (established by the IASB at the end of 2007) and is now ready for public comment.

Comments on the 2008 Taxonomy are due by May 30, 2008. The final version of the 2008 Taxonomy is expected to be available by the end of June 2008 and will be available free of charge.

[Click here](#) to access the proposed taxonomy on IASB's website.

## Tips on Applying IFRS: *Statement of Changes in Equity and Statement of Recognized Income and Expense*

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.

The focus of this edition is on the statement of changes in equity contained in IAS 1 Presentation of Financial Statements (2003). We note that a revised IAS 1 was issued in September 2007 and will be operative for annual periods beginning on or after 1 January 2009. The Tips noted below do not incorporate the requirements of the revised IAS 1. Further information on the requirements of IAS 1 (Revised) is available from [Presentation of Financial Statements – IAS 1 \(r2007\) Compliance Checklist](#).

### Tip #1: Statement of Changes in Equity ("SOCIE") and a Statement of Recognized Income and Expense ("SORIE")

IAS 1.8(c) requires that the financial report includes a statement showing either:

- (a) all changes in equity, including transactions with equity holders in their capacity as equity holders such as dividend distributions, share buybacks and share issuances. Such a statement should be titled a SOCIE; or
- (b) changes in equity other than those arising from transaction with equity holders acting in their capacity as equity holders. Such a statement should be titled a SORIE.

If a SORIE is prepared, a reconciliation of beginning and ending balances of share capital, reserves and retained earnings is required to be disclosed in the notes to the financial statements in accordance with IAS 1.97.

Further, where an entity elects to recognize actuarial gains and losses in relation to defined benefit plans directly in retained earnings (IAS19.93B), the entity must prepare a SORIE instead of a SOCIE.

### Tip #2: Inclusion of Sub-totals in SORIE and SOCIE

IAS 1.96 requires an entity to present a statement showing on the face:

- (a) profit and loss for the period
- (b) each item of income and expense for the period that, as required by other Standards or by Interpretations, is recognized directly in equity, and the total of these items.
- (c) total income and expense for the period, showing separately the total amounts attributable to equity holders of the parent and to minority interest; and
- (d) for each component of equity, the effects of changes in accounting policies and corrections of errors recognized in accordance with IAS 8.

As required by (b) above, entities are required to present a sub-total of items of income and expense that is recognized directly in equity. Such a subtotal, referred to as 'Net income/(expense) taken directly to equity' should be presented as a separate line item on the face of the SOCIE or SORIE.

Further, in accordance with (c) above, a 'Total recognized income and expense for the period' subtotal should be presented, which represents the sum of 'Net income/(expense) taken directly to equity) and profit/(loss) for the period.

### Tip #3: Disclosure of Impact of Changes in Accounting Policies and Errors on the Face of the SOCIE/SORIE

IAS 8 requires specific disclosures to be presented in the notes to the financial statements where an entity changed its accounting policies or recognized an error during the year. However, entities should also ensure that they have complied with the requirements of IAS 1.96(d) as specified in Tip 2 above. The key points to note about the requirements of IAS 1.96(d) are that such information must:

- be presented on the **face** of the SOCIE/SORIE and
- be presented for **each** component of equity separately.

**Tip #4: Description of Each Class of Reserves**

IAS 1.97 requires, amongst other things, reconciliations between the carrying amount of **each reserve** at the beginning and the end of the period. This disclosure can be presented either on the face of the SOCIE or if a SORIE is prepared, in the notes to the financial statements. While many of the reserves included as part of the requirements of IAS 1.96 and 97 are commonly known and clearly captioned (e.g. revaluation on Property Plant & Equipment), there may be other types of reserves designated by the entity which are not familiar to the users of financial statements such as reserves established under an entity's capital management policies or under local statutory requirements that are segregated from the retained profits and not available for distribution. Where such reserves exist, supplementary information regarding the purpose of the reserve, and how it will be utilized, is necessary in accordance with IAS 1.76(b).

## 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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- Real Estate
- Public Sector

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### Selected Webcasts Include the Following:

#### Financial Reporting

- FASB's Proposal to Narrow Equity: More Liabilities on Company Balance Sheets  
April 15, 2:00 PM EDT (18:00 GMT)

#### FAS 109

- FIN 48 Adoption: Will Hedge Funds and Private Equity Firms Be Ready?  
April 14, 2:00 PM EDT (18:00 GMT)
- FAS 109 and FIN 48: How State Tax Complexities Can Impact Your Tax Provision  
April 28, 2:00 PM EDT (18:00 GMT)

#### Sarbanes-Oxley

- Transforming the Close Process: Strategies for Improvement  
April 24, 2:00 PM EDT (18:00 GMT)

#### Driving Enterprise Value

- Closing the Tax Expectations Gap: Perception Is Reality, and How to Change It  
April 16, 3:00 PM EDT (19:00 GMT)

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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: First Quarter in Review 2008](#)
- [EITF Snapshot – March 12, 2008 Meeting](#)
- [Heads Up: Making the Complex Less Complex — FASB Invites Comments on IASB's Financial Instruments Discussion Paper](#)
- [Heads Up: FASB Expands Disclosures About Derivative Instruments and Hedging Activities](#)
- [Heads Up: FASB Proposes New Disclosures for Defined Benefit Plans](#)
- [Heads Up: Less Is More — FASB Reduces Board Members From Seven to Five](#)
- [Heads Up: The Missing Link — Repurchase Financing Transactions May Be Derivatives Under FASB's New FSP](#)
- [Heads Up: Valuation Resource Group Discusses Six Topics at February 1, 2008, Meeting](#)
- [Heads Up: DeCIFIring Complexity — SEC Advisory Committee Releases Progress Report](#)
- [Financial Reporting Alert 08-7: SEC Advises Registrants to Further Explain Fair Value in MD&A](#)
- [Financial Reporting Alert 08-6: Recent Tax Ruling Requires Entities to Reconsider Their Tax Positions Related to Executive Compensation](#)
- [Financial Reporting Alert 08-5: FASB Expands the Scope of the Interpretation 48 Deferral](#)
- [Special Reports: SEC Comment Letters to Filers](#)
- [IFRS in Your Pocket 2007](#)
- [Software Revenue Recognition: A Roadmap to Applying AICPA SOP 97-2](#)
- [Third Edition: A Roadmap to Applying Interpretation 46\(R\)'s Consolidation Guidance](#)
- [Uncertainty in Income Taxes: A Roadmap to Applying Interpretation 48](#)
- [A Roadmap to the Accounting and Regulatory Aspects of Postretirement Benefits: Including an Overview of Statement 158](#)
- [Accounting for Business Combinations, Goodwill, and Other Intangible Assets: A Roadmap to Applying Statements 141 and 142](#)
- [A Roadmap to Applying the Fair Value Guidance to Share-Based Payment Awards](#)
- [SOX Optimization: Improving Compliance Efficiency & Effectiveness](#)
- [Under Control: Sustaining Compliance with Sarbanes-Oxley in Year Two and Beyond](#)
- [Audit Committee Brief: Fourth Quarter 2007](#)
- [Optimizing SOX Compliance: Leading Retailer Shows the Way](#)
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