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The purpose of this publication is to briefly describe key regulatory and professional developments that have recently occurred in the field of accounting and to provide links to locations where additional information can be found on each topic. Readers seeking additional information about a topic should review the information referred to in the hyperlinks and not rely on the descriptions included in this communication.

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FASB Discusses Potential AcSEC Project on Certain Equity Securities

On July 17, 2002, the Financial Accounting Standards Board (FASB or "the Board") met with representatives of the Accounting Standards Executive Committee (AcSEC) of the American Institute of Certified Public Accountants (AICPA) to consider whether the Board should clear for issuance a prospectus for a proposed AcSEC project on the valuation of equity securities issued by a privately held company in other than a business combination (e.g., securities issued to employees and services providers).

The AcSEC representatives observed that because there is no active market for equity securities of privately held companies, management must estimate their value based on company- and industry-specific factors for the purpose of presenting the transaction in a company's financial statements.

The Board agreed that the project should continue, but stated that the guidance should be issued in the form of an AICPA Technical Practice Aid. The Board asked AcSEC to address the overall scope of the project and to first address the issue of valuing privately issued securities specific to nonpublic companies expecting an initial public offering within 12 months. The Board requested continuous involvement in the project, possibly through reviews of drafts, and that a Board member serve on the project task force.

Note: Conclusions of the FASB are subject to change at future Board meetings and generally do not affect current accounting requirements until an official position (Statement or Interpretation) is issued. Official positions of the FASB are determined only after extensive deliberation and due process, including a formal vote by written ballot to issue a Statement or Interpretation.

Further information about the FASB can be obtained on the FASB's website, <http://www.fasb.org>.

SEC Staff Bulletin Changes Application of Shareholder Proposal Rule for Equity Compensation Plans

On July 12, 2002, the Division of Corporation Finance ("the Division") of the U.S. Securities and Exchange Commission (SEC) issued Staff Legal Bulletin (SLB) No. 14A, announcing that it had changed its position on the application of Exchange Act Rule 14a-8 (the "shareholder proposal" rule) to equity compensation plans.

Previously, the Division had applied the rule to permit the exclusion of shareholder proposals relating to broad-based equity compensation plans, stating that it considered such plans to be related to a company's "ordinary business" matters. Going forward, the Division will continue to preclude companies from relying on the ordinary-business provision to omit from proxy statements any proposal that focuses on equity compensation plans that may be used to compensate only senior executive officers and directors. In addition, the Division will now add equity compensation plans that would potentially result in material dilution to existing shareholders, regardless of who participates in the plan, to the list of shareholder proposals that may not rely on the ordinary-business exclusion.

SLB 14A, which applies to all SEC registrants, can be obtained on the SEC's website at <http://www.sec.gov/interps/legal/cfslb14a.htm>.

July 16-19, 2002 IASB Meeting

At its July 16-19, 2002 meeting in London, the International Accounting Standards Board (IASB or "the Board") took the following actions:

- Approved the principle that the fair value of stock options given to employees and others should be recognized as an expense. An Exposure Draft of a proposed standard is expected to be issued for comment in the fourth quarter of 2002.
- Discussed certain issues and reached certain tentative conclusions related to its projects on consolidation and special-purpose entities, business combinations, and performance reporting.
- Held a preliminary discussion of a draft of a proposed standard on disclosure and presentation of deposit-taking, lending, and securities activities.
- Reviewed areas of divergence between international accounting standards and equivalent standards of the major national standard-setting bodies to identify opportunities for convergence within a relatively short time. In this regard, the Board has already begun to address convergence in the standards on postemployment benefits.
- Held an educational session on accounting for insurance contracts.

The next IASB meeting, which will include a session with the FASB, is scheduled for September 18-20, 2002, in Norwalk, Connecticut.

Further information about the IASB can be obtained on the IASB's website at <http://www.iasb.org.uk> and on Deloitte & Touche's IAS Plus website at <http://www.iasplus.com/index.htm>.

Congress Passes Corporate Accountability Reform Legislation

On July 25, 2002, following reconciliation of their respective bills, both the U.S. Senate (by a vote of 99 to 0) and the U.S. House of Representatives (by a vote of 423 to 3) approved legislation aimed at improving corporate responsibility and the quality and transparency of financial reporting. This legislation, which will have a major impact on publicly held companies and their outside auditors, contains numerous provisions, including the following:

- Creates criminal penalties and prison terms for company fraud and illegal document shredding
- Prohibits certain loans from companies to their executives and directors
- Empowers the SEC to bar executives convicted of fraud from future service as corporate officers and directors
- Establishes an independent oversight board for the accounting profession that will be overseen by the SEC
- Imposes restrictions on the nonaudit services that accounting firms may provide to their publicly held audit clients
- Extends the period of time in which defrauded investors may bring lawsuits against companies.

The legislation, to be known as the Sarbanes-Oxley Act of 2002, now goes to President George W. Bush, who has indicated that he will sign it into law.

The legislation can be accessed at [http://thomas.loc.gov/cgi-bin/cpquery/R?cp107:FLD010:@1\(hr610\)](http://thomas.loc.gov/cgi-bin/cpquery/R?cp107:FLD010:@1(hr610)).

Deloitte & Touche Publication on Securitization Aspects of IASB's Financial Instruments Proposal

As reported in the July 1, 2002 issue of *Accounting Roundup*, the IASB issued an Exposure Draft in June 2002 that contained proposed amendments to International Accounting Standard (IAS) No. 32, *Financial Instruments: Disclosure and Presentation*, and IAS No. 39, *Financial Instruments: Recognition and Measurement*.

Given the importance of the proposal, Deloitte & Touche's Securitizations Strategies Team has devoted the entire July 1, 2002 issue of its newsletter, *Speaking of Securitization*, to a summary of the securitization aspects of the Exposure Draft. The summary includes a chart that compares such aspects to the provisions of FASB Statement of Financial Accounting Standards No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. The newsletter is available on Deloitte & Touche's IAS Plus website at <http://www.iasplus.com/usa/sos0207.pdf>.

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