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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 solely on the descriptions included in this communication.

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## Board Ratifies EITF Consensuses

At its April 2, 2003 meeting, the FASB ratified the EITF consensus reached on Issue No. 02-9, *Accounting for Changes That Result in a Transferor Regaining Control of Financial Assets Sold*, at the March 20, 2003 EITF meeting. This Issue was previously discussed in the April 1, 2003 edition of *Accounting Roundup*.

All EITF consensuses are subject to ratification by the FASB. Issues are presented at a regular FASB meeting approximately two weeks after the EITF meeting. Consensuses are not effective until ratified by the Board.

## Financial Instruments: Derivatives Implementation

At the April 2, 2003 Board meeting, the FASB staff discussed proposed SFAS 133 Implementation Issue B36, *Embedded Derivatives: Modified Coinsurance Arrangements and Debt Instruments That Incorporate Credit Risk Exposures That Are Unrelated or Only Partially Related to the Creditworthiness of the Obligor under Those Instruments*. The staff noted that it had received several comments on the interaction of the guidance in Implementation Issue B36 with that of SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. Constituents had asked the Board to permit, on the date of the initial application of the guidance in Issue B36, transfers of securities from either the held-to-maturity category or the available-for-sale category into the trading category by companies ceding insurance under modified reinsurance (MODCO) arrangements. The staff recommended, and the Board agreed, to permit such transfers, but only by companies ceding insurance under MODCO arrangements and only to the extent of the amount and type of securities related to the embedded derivatives newly accounted for as derivatives in conjunction with the initial application of that guidance.

The FASB staff also recommended, and the Board agreed, to delay the effective date until periods beginning after September 15, 2003.

This issue can be accessed at <http://www.fasb.org/derivatives/issueb36.shtml>.

## Recent FASB Meetings

The following topics were discussed at recent FASB meetings. Final conclusions were not reached, and further discussion relating to these projects is expected at future meetings. The project summaries maintained by the FASB staff are available on the FASB's website at <http://www.fasb.org/project/>.

## **April 9, 2003 Meeting:**

- Revenue recognition
- Disclosures about fair value.

The handouts distributed at this meeting are available on the FASB's website at [http://www.fasb.org/board\\_handouts/04-09-03.pdf](http://www.fasb.org/board_handouts/04-09-03.pdf).

## **April 2, 2003 Meeting:**

- Financial instruments: liabilities and equity.

The handouts distributed at this meeting are available on the FASB's website at [http://www.fasb.org/board\\_handouts/04-02-03.pdf](http://www.fasb.org/board_handouts/04-02-03.pdf).

Further information about the FASB is available on its website, <http://www.fasb.org>.

*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.*

## **GASB Proposed Technical Bulletin on Certain Derivatives**

On April 4, 2003, the GASB issued a proposed Technical Bulletin, *Disclosure Requirements for Derivatives Not Presented at Fair Value on the Statement of Net Assets*, which would require state and local governments to disclose the objectives of such derivatives, as well as their terms, fair values, and certain risks.

A final Technical Bulletin would be effective for periods ending after June 15, 2003, and would supersede GASB Technical Bulletin No. 94-1, *Disclosures about Derivatives and Similar Debt and Investment Transactions*.

The proposed Technical Bulletin and a related news release can be found on the GASB's website at <http://www.gasb.org/news/nr040203.html>. Comments should be received by the GASB by May 16, 2003.

## **GASB Statement 40 on Certain Risk Disclosures**

On March 27, 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures*, which amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, to require disclosure of information covering four principal areas:

- Investment credit risk disclosures, including credit quality information issued by rating agencies
- Interest rate disclosures that include investment maturity information, such as weighted average maturities or specification identification of the securities
- Interest rate sensitivity for investments highly sensitive to changes in interest rates (e.g., inverse floaters, enhanced variable-rate investments, and certain asset-backed securities)
- Foreign exchange exposures that would indicate the foreign investment's denomination.

GASB Statement 40 is effective for financial statements for periods beginning after June 15, 2004, with earlier application encouraged. A related news release can be found on the GASB's website at <http://www.gasb.org/news/nr032703.html>.

Further information on the GASB is available on its website at <http://www.gasb.org>.

## **SEC Requires Exchange Listing Standards for Audit Committees**

On April 1, 2003, the SEC voted to adopt rules directing the national securities exchanges and national securities associations to prohibit the listing of any security of an issuer that is not in compliance with the audit committee requirements established by the Sarbanes-Oxley Act of 2002. These new rules and amendments implement the requirements of Section 10A(m)(1) of the Securities Exchange Act of 1934, as added by Section 301 of the Sarbanes-Oxley Act of 2002.

Under these new rules, national securities exchanges and national securities associations will be prohibited from listing any security of an issuer that is not in compliance with the following requirements:

- Each member of the audit committee of the issuer must be independent according to the specified criteria in Section 10A(m).
- The audit committee must be directly responsible for the appointment, compensation, retention, and oversight of the work of any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for the issuer, and the registered public accounting firm must report directly to the audit committee.
- The audit committee must establish procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters, including procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- The audit committee must have the authority to engage independent counsel and other advisors, as it determines necessary to carry out its duties.
- The issuer must provide appropriate funding for the audit committee.

The new rules establish two criteria in Section 10A(m) for audit committee member independence: (1) audit committee members must be barred from accepting any consulting, advisory, or compensatory fee from the issuer or any subsidiary, other than in the member's capacity as a member of the board or any board committee and (2) an audit committee member must not be an affiliated person of the issuer or any subsidiary apart from capacity as a member of the board or any board committee.

The new rules apply to both domestic and foreign listed issuers. Several provisions, applicable only to foreign private issuers, have been included that seek to address the special circumstances of particular foreign jurisdictions.

Several updates to disclosure requirements regarding audit committees, including updates to the audit committee financial expert disclosure requirements for foreign private issuers, will also be made as a result of the new rules.

Two sets of implementation dates were approved. Generally, listed issuers are required to comply with the new listing rules by the date of their first annual shareholders meetings after January 15, 2004, but in any event no later than October 31, 2004. Foreign private issuers and small business issuers are required to comply by July 31, 2005.

On April 9, 2003, the SEC posted the final rule on its website and indicated that the rule becomes effective on April 25, 2003. The final rule is available at <http://www.sec.gov/rules/final/33-8220.htm>. A related press release is available on the SEC's website at <http://www.sec.gov/news/press/2003-43.htm>.

## Change in Dates of Next IASB Meeting

The next IASB meeting has been rescheduled for April 29 through May 2, 2003, in London.

Further information about the IASB is available on its website at <http://www.iasb.org.uk/cmt/0001.asp> or on Deloitte & Touche's IAS Plus website at <http://www.iasplus.com>.

## PCAOB Roundtable on Non-U.S. Accounting Firms

As reported in the March 18, 2003 issue of *Accounting Roundup*, the PCAOB has released proposed rules relating to the registration and oversight of both U.S. and non-U.S. accounting firms that either (1) prepare or issue audit reports on any issuer, as defined, or (2) play a substantial role in the preparation and furnishing of such reports.

At a roundtable meeting held on March 31, 2003, in Washington, D.C., the PCAOB heard from representatives of non-U.S. regulators and accounting firms and investor groups on whether the proposed rules should be modified for non-U.S. firms. The following were among the reasons offered for modification:

- Various practical problems might impede implementation of the proposed rules within the prescribed timetable.
- The proposed rules regarding PCAOB access to audit workpapers could conflict with local laws or standards on confidentiality of client information.
- Many non-U.S. firms already are subject to the requirements of registration and oversight bodies in their own countries, and those bodies could serve as intermediaries between such firms and the PCAOB.

An archived webcast of the PCAOB meeting is available at <http://www.connectlive.com/events/pcaob>.

## Recent Deloitte & Touche Guidance Materials

The following guidance materials were recently published by Deloitte & Touche and are available on its website or on its IAS Plus website at the links indicated.

- *For the Record*, a newsletter published by Deloitte & Touche's Technology, Media, and Telecommunications Group:
  - The March/April 2003 issue presents a summary and analysis of EITF Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables* (i.e., arrangements that involve the delivery of multiple products and/or services, often over an extended period of time). The newsletter also discusses how the EITF consensuses, which apply to covered arrangements entered into in fiscal periods beginning after June 15, 2003, differ from the current accounting for such arrangements. <http://www.deloitte.com/dtt/cda/doc/content/March03Fnl.pdf>

- The April/May 2003 issue discusses stock-option accounting and disclosures under SFAS No. 123, *Accounting for Stock-Based Compensation*, including measurement date, change in employee status, definition of noncompensatory plans, variable arrangements, modification of awards, and transition methods.  
<http://www.deloitte.com/dtt/cda/doc/content/SFAS%20123.pdf>
- An April 2003 status report discusses key differences between international accounting standards and U.S. GAAP and identifies and discusses IASB and FASB convergence initiatives.  
<http://www.iasplus.com/usa/ifrsus.htm>.

## Abbreviations Frequently Used in Accounting Roundup

AcSEC	Accounting Standards Executive Committee	IASB	International Accounting Standards Board
AICPA	American Institute of Certified Public Accountants	IFRS	International Financial Reporting Standard
EITF	Emerging Issues Task Force	PCAOB	Public Company Accounting Oversight Board
FASB	Financial Accounting Standards Board	SEC	Securities and Exchange Commission
FIN	FASB Interpretation	SFAS	Statement of Financial Accounting Standards
GAAP	Generally Accepted Accounting Principles	SOP	Statement of Position
GASB	Governmental Accounting Standards Board	TPA	Technical Practice Aid
IAS	International Accounting Standard		

### Deloitte Accounting Research Tool Available

Deloitte & Touche is making available, on a subscription basis, access to its online library of accounting and financial disclosure literature. Called the Deloitte Accounting Research Tool (DART), the library includes material from the FASB, the EITF, the AICPA, and the SEC, in addition to Deloitte & Touche's own accounting manual and other interpretative accounting guidance.

Updated every business day, DART has an intuitive design and navigation system, which, together with its powerful search features, enable users to quickly locate information anytime, from any computer. Additionally, DART subscribers receive periodic e-mails highlighting recent additions to the DART library.

For more information, including subscription details and an online DART demonstration, visit  
<http://www.deloitte.com/us/dart>.

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