

Accounting Roundup

Audit and Enterprise Risk Services

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FASB Developments

FASB Revises Statement 133 Implementation Issues

In connection with the issuance of FASB Statement No. 123(R), *Share-Based Payment*, the FASB revised guidance related to the following Statement 133 Implementation Issues:

- No. C3, "Scope Exceptions: Exception Related to Share-Based Payment Arrangements" — Implementation Issue C3 originally clarified that the scope exception for contracts issued in connection with stock-based compensation arrangements within paragraph 11(b) of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, applied to equity instruments granted to nonemployees as compensation for goods and services. The revisions to Implementation Issue C3 limit the scope exception only to those share-based payment contracts with nonemployees that are subject to Statement 123(R). Therefore, a contract no longer qualifies for the scope exception and may need to be accounted for as a derivative under Statement 133 once the performance related to the transaction has occurred.
- No. E19, "Hedging — General: Methods of Assessing Hedge Effectiveness When Options Are Designated as the Hedging Instrument" — Implementation Issue E19 provides guidance on assessing hedge effectiveness in hedging relationships that involve an option contract designated as the hedging instrument. The revisions to Implementation Issue E19 consist of updating the references within the guidance to Statement 123(R) without substantive changes to the existing accounting guidance.
- No. G1, "Cash Flow Hedges: Hedging an SAR Obligation" — Implementation Issue G1 provides guidance for hedging unrecognized, non-vested, stock appreciation rights (SARs). Under Statement 123(R), public companies are required to remeasure SARs at fair value each reporting period until the date of settlement. In contrast, Statement 123 required companies to remeasure SARs at intrinsic value. The revised Implementation Issue G1 will continue to allow

Accounting Roundup is prepared by the National Office Accounting Standards and Communications Group of Deloitte & Touche LLP ("Deloitte & Touche"). 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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entities to enter into cash flow hedges of the exposure to variability in expected future cash flows associated with SARs; however, hedge effectiveness will typically be assessed based on changes in the entire fair value of the purchased option instead of based on the changes in the intrinsic value of the purchased option. Implementation Issue G1 is also being revised to clarify that this Issue applies to public companies.

The effective date of these revisions is the beginning of the period in which the entity initially adopts Statement 123(R).

The [Implementation Issues](#) are available on the FASB's Web site.

Recent FASB Meetings

The summary below highlights certain tentative decisions reached or topics discussed at recent FASB meetings. Final conclusions were not reached and further consideration is expected. Additional information is available in the FASB's weekly *Action Alert* newsletter, which is available on the FASB's Web site.

Dates in parentheses indicate FASB meetings at which respective issues were discussed.

Beneficial Interests (December 22)

- The Board discussed guidance for identifying and evaluating embedded derivatives in beneficial interests in securitized financial assets and made the following decisions:
 - *Meaning of "the terms of the interests themselves"* — In situations where the identification and evaluation will be based on the terms of the interests themselves, the Board decided that the phrase "the terms of the interests themselves" refers to all of the information that describes those interests including the prospectus and other documents.
 - *Objective* — The Board clarified that the objective is to obtain sufficient evidence to determine whether there are embedded derivatives requiring bifurcation in the beneficial interests. If the terms of the interest itself do not contain sufficient evidence to conclude as to the presence of embedded derivatives requiring bifurcation, then additional information should be obtained.
 - *Consistent Approach* — The Board decided that the method of determining whether embedded derivatives requiring bifurcation exist in beneficial interests should be the same for both purchased interests and interests obtained or retained by transferors.
 - *Fair Value Option* — The fair value option should apply only to hybrid financial instruments. Nonfinancial hybrid instruments that have as their hosts the interests listed in paragraph 8 of FASB Statement No. 107,

Disclosures About Fair Value of Financial Instruments, are, therefore, excluded from the fair value measurement option.

Fair Value Measurements (December 15)

- The Board discussed significant issues raised by respondents to its Exposure Draft, *Fair Value Measurements*, relating to the fair value hierarchy, reference markets within the hierarchy, and credit standing in liability measurements. The Board clarified that the objective of the fair value hierarchy is to prioritize the inputs to valuation techniques used to estimate fair value in order to provide a framework for assessing the relative reliability of the estimates. The hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to an entity's own estimates and assumptions. The Board tentatively decided to adopt a four-level hierarchy and revised certain aspects of the guidance contained within the hierarchy as follows:
 - *Level 1* — Revised the guidance within Level 1 to refer to the use of quoted prices in active markets for identical assets or liabilities. The Board identified that an exception may exist in limited situations in which those prices might need to be adjusted within a lower level of the hierarchy because those prices are not readily available or representative of fair value (i.e., marketplace participants currently would not transact at those prices). The Board agreed that, in limited situations in which individual price quotes are readily available and representative of fair value but are not readily obtainable for all of the assets and liabilities to be measured, a pricing method commonly used in the market may be used within Level 1 as a practical expedient.
 - *Level 2* — Revised the guidance within Level 2 to eliminate the "objectively determinable" criterion. The revised Level 2 guidance now refers to the use of quoted prices in active markets for similar assets or liabilities adjusted, as appropriate, for differences.
 - *Level 3* — Revised the guidance within Level 3 to eliminate the "undue cost and effort" criterion. The revised Level 3 guidance refers to the use of other available market inputs.
 - *Level 4* — Added a new Level 4 to refer to the use of entity inputs in the absence of available market input. Through this addition the Board was affirming that, within Level 4, the measurement objective is fair value.
 - *Reference Market* — For Level 1 estimates, the appropriate reference market is the market for the asset or liability the entity has the ability to currently access (i.e., the principal market, or, in the absence of a principal market, the most advantageous market). For all other estimates, the appropriate reference market is

the market within which inputs relevant to the asset or liability being measured can be observed even if the entity does not have the ability currently to access that market (e.g., a restricted security).

- o *Transportation Costs* — In situations where the location of an asset or liability being measured is a characteristic of that asset or liability, related transportation costs should be considered in the estimate of fair value, while transaction costs should be excluded.
- o *Credit Standing* — The definition of fair value will include consideration of an entity's credit standing.

Fair Value Option (December 22)

- The Board discussed the comment letters received on the IASB's Exposure Draft, *The Fair Value Option*, which was released for comment in April 2004. The discussion focused on respondents' views on the benefits of a fair value option and the specific assets and liabilities to which a fair value option would be desirable. This was an informational meeting and no decisions were made.

Proposed FSP APB 18-a (January 5)

- The Board discussed proposed FSP APB 18-a to address the accounting for an investor's proportionate share of an investee's equity adjustments for other comprehensive income (OCI) upon a loss of significant influence. The Board tentatively concluded that the investor's proportionate share of an investee's equity adjustments for OCI should be offset against the carrying value of the investment at the time significant influence is lost and the application of the equity method of accounting is discontinued.

Similar Economic Characteristics (December 22)

- The Board discussed the FASB staff's view on determining whether two or more operating segments have similar economic characteristics under paragraph 17 of FASB Statement No. 131, *Disclosures About Segments of an Enterprise and Related Information*. The FASB staff believes both quantitative and qualitative factors should be considered in determining whether the economic characteristics of two or more operating segments are similar. The identification of these factors should focus on the same factors that the Chief Operating Decision Maker uses in allocating resources to the individual segments. The Board decided that the staff's view should be issued as a Board-directed FSP with a 45-day comment period.

Suspended Well Costs — Proposed FSP (January 12)

- The Board discussed issues related to a proposed FSP that would amend the guidance for suspended well costs in FASB Statement No. 19, *Financial Accounting and*

Reporting by Oil and Gas Producing Companies. The Board made the following tentative decisions:

- o *Scope* — The proposed FSP will include both exploratory and exploratory-type stratigraphic wells (collectively referred to as "Exploratory Wells)."
- o *Capitalization* — Exploratory Well costs should continue to be capitalized when (1) the well has found a sufficient quantity of reserves to justify completion as a producing well, and (2) the enterprise is making sufficient progress assessing the reserves and the economic and operating viability of the project. If either criterion is not met, or if substantial doubt about the viability of the project is raised, then the Exploratory Well costs should be assumed to be impaired and charged to expense, net of any salvage value.
- o *Indicators* — In assessing the reserves and the economic and operating viability of the project, entities must consider a number of factors to demonstrate sufficient progress is being made.

The Board directed the staff to develop additional disclosure requirements for discussion at a future Board meeting including (1) the amount of capitalized Exploratory Well costs, (2) a roll forward of the net changes in the capitalized costs, and (3) the amount of costs that have been capitalized for a period greater than one year after the completion of drilling and the amount of projects for which those costs relate.

Short-Term Convergence: Accounting Changes (December 22)

- The Board redeliberated certain issues related to the provisions of the FASB Exposure Draft, *Accounting Changes and Error Corrections*, issued in December 2003. The Board affirmed its decision to require retrospective application for (1) discretionary changes in accounting principle and (2) changes in principle mandated by new pronouncements of the FASB and other standard setters unless a different transition approach is mandated by the individual pronouncement. The Board also affirmed its decision that a change in accounting principle should be applied retrospectively to pre-change interim periods and that impracticability of that requirement should not be asserted. The following decisions were made by the Board:
 - o *Restatement Versus Retrospective Application* — Clarified the distinction between restatement, which is due to correction of an error in previously issued financial statements, and retrospective application, which is due to a change in accounting principle or a change in the reporting entity.
 - o *Impracticability Guidance* — Decided to modify the impracticability guidance to acknowledge that retrospective application is impracticable if an entity is

unable to apply the requirement after making every reasonable effort to do so.

- o *Use of Estimates* — Clarified that, in order to apply an accounting change retrospectively, management should be able to establish that information to develop significant estimates would have been available when an affected transaction would have been recognized in the financial statements. However, management actually need not have prepared or documented estimates contemporaneously with the preparation of the financial statements at that time.
- o *Change in Depreciation Method* — Clarified the basis for the Board's conclusion that a change in depreciation method is a change in accounting estimate effected by a change in accounting principle.
- o *Change in Estimate Effected by a Change in Accounting Principle* — Decided to carry forward into the final Statement the description of a change in estimate effected by a change in accounting principle that is contained in paragraph 11 of APB Opinion No. 20, *Accounting Changes*.
- o *Disclosures and Effective Date* — Retained the disclosure requirements in the final Statement as proposed in the Exposure Draft. The Board also decided that the provisions of the final Statement will be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

Short-Term Convergence: Income Taxes (December 15)

- The Board decided to eliminate the following two exceptions to comprehensive recognition of deferred taxes contained in paragraph 9 of FASB Statement No. 109, *Accounting for Income Taxes*:
 - o *Intercompany Transfers* — Eliminating this exception means that entities will be required to recognize deferred tax assets or liabilities for temporary differences created by intercompany transfers of nonmonetary assets between tax jurisdictions.
 - o *Foreign Currency* — Eliminating this exception means that entities will be required to recognize deferred tax assets or liabilities for differences related to foreign nonmonetary assets and liabilities that are remeasured from the local currency into the functional currency where the functional currency also is the reporting currency and that result from changes in exchange rates or indexing for tax purposes.

FASB Project Summaries and Meeting Minutes

Project summaries maintained by the FASB staff, [handouts](#) distributed at each meeting, [FASB meeting minutes](#), and [summaries](#) of FASB meetings and recent actions are available on the FASB's Web site.

Further information about the FASB can be found on the FASB's Web site, www.fasb.org.

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. The FASB Staff's guidance (FASB Staff Positions) is proposed after the Board's review and, after being exposed for public comment, becomes final if a majority of the Board does not object to its issuance.

AICPA Developments

Recent AcSEC Meeting

At its December 14-15, 2004 meeting, AcSEC discussed the following projects:

The Health Care Organization Audit and Accounting Guide

- Distinguishing, measuring, and presenting "charity care" in financial statements,
- Accounting for loss contracts, and
- Disclosures related to settlements from third-party payors.

The Casino Audit and Accounting Guide

- Accounting for loyalty and incentive programs,
- Accounting for payments or commitments made in connection with agreements to obtain the rights to manage properties for third parties,
- Accounting for gaming license and market entry costs,
- Accounting for pre-opening costs, and
- Reporting segment information.

The Airline Audit and Accounting Guide

- Accounting for routine maintenance provided under power-by-the-hour contracts,
- Accounting for liability/expense recognition for amendable labor contracts, and

- Accounting for maintenance revenues received by regional airlines under fixed rate contracts.

Proposed Statement of Position on Disclosures Concerning Credit Losses Related to Loans

- *Scope* — The proposed SOP will apply to:
 - o Loans as defined in FASB Statement No. 114, *Accounting by Creditors for Impairment of a Loan*,
 - o Lease financing receivables, and
 - o Certain off-balance sheet instruments, such as loan commitments.
- *Disclosures* — The Task Force considered several additional disclosures that may be useful to financial statement users.

Summaries of AcSEC meetings are available on the AICPA's Web site.

Further information about the AICPA and AcSEC can be found on the AICPA's Web site, www.aicpa.org.

Conclusions of the AcSEC are subject to change at future meetings and generally do not affect current accounting requirements until an official position (Statement of Position or Guide) is issued and cleared by the FASB. Official positions of the AcSEC are determined only after extensive deliberation and due process.

SEC Developments

SEC Issues Frequently Asked Questions (FAQs) Relating to Exemptive Order on Management's Report on Internal Control Over Financial Reporting and Related Auditor Report

On January 21, 2005, the SEC issued FAQs related to the exemptive order on *Management's Report on Internal Control Over Financial Reporting and Related Auditor Report*. The exemptive order was issued in November 2004. It granted certain accelerated filers up to an additional 45 days to include, in their annual reports, management's report on internal control over financial reporting and the related auditor's report on management's assessment of internal control over financial reporting. The FAQs represent the views of the staff of the Division of Corporation Finance and are not rules, regulations, or statements of the Commission. Further, the Commission has neither approved nor disapproved the FAQs.

The FAQs are available on the SEC's Web site.

Further information about the SEC can be found on the SEC's Web site, www.sec.gov.

PCAOB Developments

PCAOB Issues Staff Questions and Answers Related to Auditing Internal Control Over Financial Reporting

On January 21, 2005, the PCAOB published the fourth in a series of staff questions and answers to assist in the implementation of PCAOB Auditing Standard No. 2, *An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements*. The questions and answers set forth the PCAOB staff's opinions but are not rules of the Board. They have also not been approved by the Board.

The [Questions and Answers](#) are available on the PCAOB's Web site.

Further information about the PCAOB can be found on the PCAOB's Web site, www.pcaobus.org.

International Developments

Recent IASB Meetings

The IASB discussed the following topics at its December 15-17, 2004 and January 19-21, 2005 meetings:

- IAS 39, *Financial Instruments: Recognition and Measurement*
 - o Cash Flow Hedge Accounting of Forecast Intragroup Transactions,
 - o Amendments — Transition, and
 - o Amendments — Fair Value Option
- IAS 39, *Financial Instruments: Recognition and Measurement*, and IFRS 4, *Insurance Contracts*
 - o Financial Guarantee Contracts and Credit Insurance
- IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*
 - o Amendments: Measuring Termination Benefits
- ED 7, *Financial Instruments: Disclosures*
- Business Combinations Phase II — Purchase Method Procedures
- Revenue Recognition
- Small and Medium-sized Entities
- IFRIC Matters
- Conceptual Framework
- Income Taxes — Convergence

- Insurance Contracts Phase II
- Segment Reporting — Short-Term Convergence

A [summary](#) of the meetings are available on the IASB's Web site. The [observer notes](#) and IASB staff presentations made at the meetings are available on the IASB's Web site. A [summary](#) of the IASB meeting decisions and discussions also is available on Deloitte's IAS Plus Web site.

Further information about IASB and IFRIC can be found on the IASB's Web site, www.iasb.org, and on the IAS Plus Web site, www.iasplus.com/index.htm.

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

Other Developments

Deloitte Touche Tohmatsu Publishes Its Fourth Edition of *IFRS in Your Pocket*

In January 2005, Deloitte Touche Tohmatsu published its fourth edition of *IFRS in your Pocket*, a guide to help understand IFRSs and how these reporting standards are being adopted around the world. The guide also includes information about the IASB structure and contacts, summaries of each Standard and Interpretation, background and tentative decisions on all current IASB projects, and other useful IASB-related information.

This [publication](#) can be found on the IAS Plus Web site.

Appendix A: Significant Upcoming Dates

The chart below illustrates significant upcoming dates for the FASB, EITF, GASB, AICPA/AcSEC, SEC, PCAOB, and IASB/IFRIC.

FASB	Status
Upcoming Adoption Dates	
Statement 153, <i>Exchanges of Nonmonetary Assets</i> , an amendment of APB Opinion No. 29	Effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005.
Statement 152, <i>Accounting for Real Estate Time-Sharing Transactions</i> , an amendment of FASB Statements No. 66 and 67	Effective for fiscal years beginning after June 15, 2005.
Statement 151, <i>Inventory Costs</i> , an amendment of ARB No. 43, Chapter 4	Effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Earlier application is permitted for inventory costs incurred during fiscal years beginning after November 23, 2004.
Statement 123(R), <i>Share-Based Payment</i>	Effective for public entities (other than those filing as small business issuers) as of the first interim or annual reporting period that begins after June 15, 2005. Public entities that file as small business issuers will be required to apply Statement 123(R) in the first interim or annual reporting period that begins after December 15, 2005. Nonpublic entities will be required to apply Statement 123(R) in the first annual reporting period that begins after December 15, 2005.
Interpretation 46(R), <i>Consolidation of Variable Interest Entities</i>	<p><u>Public companies that are not small business issuers:</u></p> <ul style="list-style-type: none"> – Provisions of Interpretation 46(R) currently are effective. <p><u>Small Business Issuers:</u></p> <ul style="list-style-type: none"> – For interests in SPEs, Interpretation 46 or Interpretation 46(R) must be applied no later than for financial statements ending after December 15, 2003. – For interests in all entities, Interpretation 46(R) must be applied no later than for financial statements ending after December 15, 2004. <p><u>Nonpublic Entities:</u></p> <ul style="list-style-type: none"> – Interpretation 46(R) must be applied by the beginning of the first annual period beginning after December 15, 2004. <p>For guidance related to foreign private issuers, refer to the SEC's Letter to AICPA Regarding Interpretation 46(R) Effective Date Provisions With Regard to Foreign Private Issuers on the SEC's Web site.</p>
Statement 133 Implementation Issue No. C3, <i>Scope Exceptions: Exception Related to Share-Based Payment Arrangements</i>	Revisions effective as of the beginning of the period in which the entity initially adopts Statement 123(R).
Statement 133 Implementation Issue No. E19, <i>Hedging-General: Methods of Assessing Hedge Effectiveness When Options Are Designated as the Hedging Instrument</i>	Revisions effective as of the beginning of the period in which the entity initially adopts Statement 123(R).
Statement 133 Implementation Issue No. E22, <i>Accounting for the Discontinuance of Hedging Relationships Arising From Changes in Consolidation Practices Related to Applying FASB Interpretation No. 46 or 46(R)</i>	Effective as of the date of initial application of Interpretation 46 and/or Interpretation 46(R).

Statement 133 Implementation Issue No. G1, <i>Cash Flow Hedges: Hedging an SAR Obligation</i>	Revisions effective as of the beginning of the period in which the entity initially adopts Statement 123(R).
FSP FIN 46(R)-1, "Reporting Variable Interests in Specified Assets of Variable Interest Entities as Separate Variable Interest Entities Under Paragraph 13 of FASB Interpretation No. 46(R), <i>Consolidation of Variable Interest Entities</i> "	The guidance should be applied in accordance with the effective dates of Interpretation 46(R).
FSP FIN 46(R)-2, "Calculation of Expected Losses Under FASB Interpretation No. 46(R), <i>Consolidation of Variable Interest Entities</i> "	The guidance should be applied in accordance with the effective dates of Interpretation 46(R).
FSP FIN 46(R)-3, "Evaluating Whether as a Group the Holders of the Equity Investment at Risk Lack the Direct or Indirect Ability to Make Decisions About an Entity's Activities Through Voting Rights or Similar Rights Under FASB Interpretation No. 46(R), <i>Consolidation of Variable Interest Entities</i> "	The guidance should be applied in accordance with the effective dates of Interpretation 46(R).
FSP FIN 46(R)-4, "Technical Correction of FASB Interpretation No. 46(R), <i>Consolidation of Variable Interest Entities</i> , Relating to Its Effects on Question No. 12 of EITF Issue No. 96-21, "Implementation Issues in Accounting for Leasing Transactions Involving Special-Purpose Entities""	The guidance should be applied in accordance with the effective dates of Interpretation 46(R).
FSP FAS 97-1, "Situations in Which Paragraphs 17(b) and 20 of FASB Statement No. 97, <i>Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses From the Sale of Investments</i> , Permit or Require Accrual of an Unearned Revenue Liability"	Effective for financial statements for fiscal periods beginning after June 18, 2004.
FSP FAS 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003"	Effective for the first interim or annual period beginning after June 15, 2004, except for certain nonpublic entities for which the effective date is for fiscal years beginning after December 15, 2004.
FSP FAS 109-1, "Application of FASB Statement No. 109, <i>Accounting for Income Taxes</i> , to the Tax Deduction on Qualified Production Provided by the American Jobs Creation Act of 2004"	Effective as of December 21, 2004.
FSP FAS 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision Within the American Jobs Creation Act of 2004"	Effective as of December 21, 2004.
FSPs FAS 141-1 and FAS 142-1, "Interaction of FASB Statements No. 141, <i>Business Combinations</i> , and No. 142, <i>Goodwill and Other Intangible Assets</i> , and EITF Issue No. 04-2, "Whether Mineral Rights Are Tangible or Intangible Assets""	Effective for the first reporting period beginning after April 29, 2004.
FSP FAS 142-2, "Application of FASB Statement No. 142, <i>Goodwill and Other Intangible Assets</i> , to Oil- and Gas-Producing Entities"	Effective for reporting periods beginning after September 2, 2004.
FSP FAS 150-3, "Effective Date, Disclosures, and Transition for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests Under FASB Statement No. 150, <i>Accounting for Certain Financial Instruments With Characteristics of Both Liabilities and Equity</i> "	Certain mandatorily redeemable shares are subject to the provisions of Statement 150 for the first fiscal period beginning after December 15, 2004. Other mandatorily redeemable shares are deferred indefinitely, but may be subject to classification or disclosure provisions of the Statement.

FSP EITF Issue 03-1-1, "Effective Date of Paragraphs 10-20 of EITF Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairments and Its Application of Certain Investments""	Effective as of September 30, 2004.
Projects in Exposure Draft Stage	
Proposed FSP SOP 78-9-a, "Interaction of AICPA Statement of Position 78-9, Accounting for Investments in Real Estate Ventures, and EITF Issue No. 04-5, "Investor's Accounting for an Investment in a Limited Partnership When the Investor Is the Sole General Partner and the Limited Partners Have Certain Rights""	Comments due February 19, 2005.
EITF	Status
Upcoming Adoption Dates	
Issue 04-10, "Determining Whether to Aggregate Operating Segments That Do Not Meet the Quantitative Thresholds"	Effective at the same time as an expected FSP on similar economic characteristics (expected in first quarter 2005).
Issue 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings per Share"	Effective for fiscal periods ending after December 15, 2004.
Issue 04-3, "Mining Assets: Impairment and Business Combinations"	Effective prospectively to business combination allocations and asset impairment tests completed after March 31, 2004.
Issue 04-2, "Whether Mineral Rights are Tangible or Intangible Assets"	Effective for fiscal periods beginning after April 29, 2004.
Issue 04-1, "Accounting for Preexisting Relationships Between the Parties to a Business Combination"	Effective for business combinations completed and goodwill impairment tests performed in reporting periods beginning after October 13, 2004.
Issue 03-16, "Accounting for Investments in Limited Liability Companies"	Effective for fiscal periods beginning after June 15, 2004.
Issue 03-13, "Applying the Conditions in Paragraph 42 of FASB Statement No. 144, <i>Accounting for the Impairment or Disposal of Long-Lived Assets</i> , in Determining Whether to Report Discontinued Operations"	Effective for components either disposed of or classified as held for sale in fiscal periods beginning after December 15, 2004.
Issue 03-6, "Participating Securities and the Two-Class Method Under FASB Statement No. 128, <i>Earnings per Share</i> "	Effective for fiscal periods beginning after March 31, 2004.
Issue 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments"	Paragraphs 6-9 effective for reporting periods beginning after June 15, 2004. The recognition and measurement guidance in paragraphs 10-20 of Issue 03-1 has been delayed. This delay will be superseded with the final issuance of FSP EITF Issue 03-1-a, which will provide implementation guidance for these paragraphs. The disclosure requirements in paragraphs 21-22 of Issue 03-1 remain effective.
Issue 02-14, "Whether an Investor Should Apply the Equity Method of Accounting to Investments Other Than Common Stock"	Effective for the first reporting period beginning after September 15, 2004.

Projects in Exposure Draft Stage	
Draft Abstract Issue 04-5, "Investor's Accounting for an Investment in a Limited Partnership When the Investor Is the Sole General Partner and the Limited Partners Have Certain Rights"	Comments due February 19, 2005.
GASB	Status
Upcoming Adoption Dates	
GASB Statement No. 46, <i>Net Assets Restricted by Enabling Legislation, an amendment of Statement No. 34</i>	Effective for fiscal periods beginning after June 15, 2005.
GASB Statement No. 45, <i>Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions</i>	Effective in three phases based on a government's total annual revenues.
GASB Statement No. 44, <i>Economic Condition Reporting: The Statistical Section</i>	Effective for statistical sections prepared for periods beginning after June 15, 2005.
GASB Statement No. 43, <i>Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans</i>	Effective one year prior to the effective date of GASB Statement 45 for the employer in a single-employer plan or the largest participating employer in a multi-employer plan.
GASB Statement No. 42, <i>Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries</i>	Effective for fiscal periods beginning after December 15, 2004.
GASB Statement No. 40, <i>Deposit and Investment Risk Disclosures — an Amendment of GASB Statement No. 3</i>	Effective for fiscal periods beginning after June 15, 2004.
GASB Technical Bulletin, <i>Recognition of Pension and Other Postemployment Benefit (OPEB) Expenditures/Expense and Liabilities by Cost-Sharing Employers</i>	For pension transactions, effective for financial statements for periods ending after December 15, 2004, with earlier application encouraged. For OPEB transactions, the provisions would be applied simultaneously with the requirements of Statement No. 45.
Projects in Exposure Draft Stage	
Exposure Draft, <i>Accounting for Termination Benefits</i>	Comments due March 11, 2005.
AICPA/AcSEC	Status
Upcoming Adoption Dates	
SOP 04-2, <i>Accounting for Real Estate Time-Sharing Transactions</i>	Effective for fiscal years beginning after June 15, 2005, with early adoption encouraged.
SOP 03-3, <i>Accounting for Certain Loans or Debt Securities Acquired in a Transfer</i>	Effective for loans acquired in fiscal years beginning after December 15, 2004, with early adoption encouraged.

SEC	Status
Upcoming Adoption Dates	
Final Rule, <i>Asset-Backed Securities</i>	Effective as of March 8, 2005.
Final Rule, <i>Management's Report on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports</i> (an extension of compliance date)	Effective for fiscal years ending on or after November 15, 2004, for certain "accelerated filers." Effective for fiscal years ending on or after July 15, 2005, for "nonaccelerated filers." Effective for fiscal years ending on or after July 15, 2005, for foreign private issuers that file annual reports on forms 20-F or 40-F. For accelerated filers with (i) public equity float of less than \$700 million at the end of its second fiscal quarter in 2004; and (ii) fiscal years ending between November 15, 2004 and February 28, 2005, the filing date of management's report on internal control over financial reporting has been postponed 45 days.
SAB 106 Regarding the Application of FASB Statement No. 143, <i>Accounting for Asset Retirement Obligations</i> , by Oil- and Gas-Producing Companies Following the Full Cost Accounting Method	Effective prospectively as of the beginning of the first fiscal quarter beginning after October 4, 2004.
Use of the Residual Method to Value Acquired Assets Other Than Goodwill (an SEC announcement at the September EITF meeting)	Effective for business combinations completed after September 29, 2004. Companies that have applied the residual method to the valuation of intangible assets for purposes of impairment testing will be required to perform an impairment test no later than the beginning of their first fiscal year beginning after December 15, 2004, using a direct method.
Temporary Postponement of the Final Phase-In Period for Acceleration of Periodic Report Filing Dates	Effective as of December 23, 2004.
Proposed Rules	
Asset-Backed Securities — Certain Structured Securities	Comments due March 8, 2005.
Securities Offering Reform	Comments due January 31, 2005.
PCAOB	Status
Upcoming Adoption Dates	
Auditing Standard No. 3, <i>Audit Documentation</i>	Effective for audits of financial statements with fiscal years ending on or after November 15, 2004.
Auditing Standard No. 2, <i>An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements</i>	Effective for audits of companies with fiscal years ending on or after November 15, 2004, for certain accelerated filers, or July 15, 2005, for other companies. For accelerated filers with (i) public equity float of less than \$700 million at the end of its second fiscal quarter in 2004; and (ii) fiscal years ending between November 15, 2004 and February 28, 2005, the filing date of management's report on internal control over financial reporting has been postponed 45 days.
Auditing Standard No. 1, <i>References in Auditors' Reports to the Standards of the Public Company Accounting Oversight Board</i>	Effective for financial reports issued or reissued on or after May 24, 2004.
<i>Conforming Amendments to PCAOB Interim Standards Resulting From the Adoption of PCAOB Auditing Standard No. 2, "An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements"</i>	Effective for integrated audits of financial statements at the same time as Auditing Standard No. 2, November 15, 2004. Effective for audits of only financial statements for periods ending on or after July 15, 2005.

Proposed Rules	
Proposed Ethics and Independence Rules Concerning Independence, Tax Services, and Contingent Fees	Comments due February 14, 2005.
IASB/IFRIC	Status
Upcoming Adoption Dates	
IFRS 6, <i>Exploration for and Evaluation of Mineral Resources</i>	Effective for annual periods beginning on or after January 1, 2006.
IFRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Effective for annual periods beginning on or after January 1, 2005.
IFRS 4, <i>Insurance Contracts</i>	Effective for annual periods beginning on or after January 1, 2005.
IFRS 3, <i>Business Combinations</i>	Effective for business combinations for which the agreement date is on or after March 31, 2004.
IFRS 2, <i>Share-based Payment</i>	Effective for annual periods beginning on or after January 1, 2005.
Amendment to IAS 39, <i>Financial Instruments: Recognition and Measurement</i>	Effective for annual periods beginning on or after January 1, 2005.
Amendment to IAS 32, <i>Financial Instruments: Disclosure and Presentation</i>	Effective for annual periods beginning on or after January 1, 2005.
Amendment to IAS No. 19, <i>Employee Benefits</i>	Effective for annual periods beginning on or after January 1, 2005.
Improvements to International Accounting Standards	Effective for annual periods beginning on or after January 1, 2005.
Amendment to SIC-12, <i>Consolidation — Special Purpose Entities</i>	Effective for annual periods beginning on or after January 1, 2005.
IFRIC Interpretation 5, <i>Rights to Interests Arising From Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	Effective for annual periods beginning on or after January 1, 2006.
IFRIC Interpretation 4, <i>Determining Whether an Arrangement Contains a Lease</i>	Effective for annual periods beginning on or after January 1, 2006.
IFRIC Interpretation 3, <i>Emission Rights</i>	Effective for annual periods beginning on or after March 1, 2005.
IFRIC Interpretation 2, <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	Effective for annual periods beginning on or after January 1, 2005.
IFRIC Interpretation 1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	Effective for annual periods beginning on or after September 1, 2004.
Projects in Exposure Draft Stage	
IFRIC Interpretation D11, <i>Changes in Contributions to Employee Share Purchase Plans</i>	Comments due March 1, 2005.
IFRIC Interpretation D10, <i>Liabilities Arising From Participating in a Specific Market — Waste Electrical and Electronic Equipment</i>	Comments due February 11, 2005.

Appendix B: Abbreviations

AcSEC	Accounting Standards Executive Committee	IASB	International Accounting Standards Board
AICPA	American Institute of Certified Public Accountants	IFAC	International Federation of Accountants
APB	Accounting Principles Board	IFRIC	International Financial Reporting Interpretations Committee
ARB	Accounting Research Bulletin	IFRS	International Financial Reporting Standards
EITF	Emerging Issues Task Force	MD&A	Management's Discussion & Analysis
FAS	Financial Accounting Standard	NCGA	National Council on Governmental Accounting
FASB	Financial Accounting Standards Board	PCAOB	Public Company Accounting Oversight Board
FIN	FASB Interpretation	SAB	Staff Accounting Bulletin
FSP	FASB Staff Position	SEC	Securities and Exchange Commission
GAAP	Generally Accepted Accounting Principles	SOP	Statement of Position
GASB	Governmental Accounting Standards Board	TPA	Technical Practice Aid
IAS	International Accounting Standards		

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