

# Accounting Roundup

Audit and Enterprise Risk Services

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## FASB Developments

### FASB Issues Final FSPs

**FSP FIN 46(R)-5, "Implicit Variable Interests Under FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities*"**

On March 3, 2005, the FASB issued this FSP to address whether a reporting enterprise has an implicit variable interest in a variable interest entity (VIE) or potential VIE when specific conditions exist. This FSP is applicable to both nonpublic and public reporting enterprises. It covers issues that commonly arise in leasing arrangements among related parties, as well as other types of arrangements involving both related and unrelated parties.

Although implicit variable interests are mentioned in Interpretation 46(R), the term is not defined and only one example is provided. This FSP offers additional guidance, stating that implicit variable interests are implied financial interests in an entity that change with changes in the fair value of the entity's net assets exclusive of variable interests. An implicit variable interest acts the same as an explicit variable interest except it involves the absorbing and (or) receiving of variability indirectly from the entity (rather than directly). The identification of an implicit variable interest is a matter of judgment that depends on the relevant facts and circumstances.

For entities that have already adopted Interpretation 46(R), the FSP will be effective in the first reporting period beginning after March 3, 2005. Restatement to the date of initial application of Interpretation 46(R) is permitted but not required. For all other entities, the FSP will be effective upon adoption of Interpretation 46(R) in accordance with the effective date and transition provisions of Interpretation 46(R).

The FSP is available on the FASB's Web site.

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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## **FSP EITF 85-24-1, "Application of EITF Issue No. 85-24, 'Distribution Fees by Distributors of Mutual Funds That Do Not Have a Front-End Sales Charge,' When Cash for the Right to Future Distribution Fees for Shares Previously Sold Is Received From Third Parties"**

On March 11, 2005, the FASB staff issued this FSP in response to questions that have arisen around the appropriate accounting for cash received from a third party for a distributor's right to future cash flows relating to distribution fees for shares previously sold. The FSP states that revenue recognition is appropriate when cash is received from a third party for the Rights<sup>1</sup> if the distributor has neither continuing involvement with the Rights nor recourse. These conditions are met when neither the distributor nor any member of the consolidated group that includes the distributor (1) retains any disproportionate risks or rewards in the cash flows of the Rights that are sold, (2) guarantees or assures in any way the purchaser's rate of return on the investment in the related Rights, or (3) contractually restricts the ability of the consolidated group or the mutual fund independent board to remove, replace, or subcontract any of the service providers of the fund. Deferred costs for the shares sold to which the Rights pertain should be expensed concurrent with the recognition of revenue consistent with the requirements of Issue 85-24. The FSP also requires the distributor to disclose the amount of revenue recognized and the related amount of deferred costs that have been expensed in each period in which the distributor receives cash from a third party for the Rights.

The guidance in this FSP is effective for reporting periods beginning after March 11, 2005. The effect of initially applying this FSP should be recognized as a cumulative effect of a change in accounting principle pursuant to the guidance in FASB Statement No. 3, *Reporting Accounting Changes in Interim Financial Statements*, and APB Opinion No. 20, *Accounting Changes*. This FSP should be applied based on the terms of the arrangements in place at the end of the reporting period for which the guidance is first effective.

The FSP is available on the FASB's Web site.

## **FASB Issues Proposed FSPs**

### **FSP FAS 143-a, "Accounting for Electronic Equipment Waste Obligations"**

On March 7, 2005, the FASB staff issued this proposed FSP to address the accounting for obligations associated with the directive on Waste Electrical and Electronic Equipment (the "Directive") issued by the European Union. The Directive was enacted on February 13, 2003, and requires EU-member countries to adopt legislation to regulate the collection, treatment, recovery, and environmentally sound disposal of electrical and electronic waste equipment. The Directive distinguishes between products put on the market after

August 13, 2005 ("new" waste), and products put on the market before that date ("historical" waste). The proposed FSP only addresses the accounting for historical waste. The Directive also distinguishes between historical waste from commercial users and historical waste from private households. The proposed FSP provides the following guidance:

- *Commercial Users* — Under the Directive, the waste management obligation remains with the commercial user until the historical waste equipment is replaced. The waste management obligation for the equipment may then be transferred to the producer of the replacement equipment depending on the law adopted by each EU-member country. The proposed FSP indicates that the commercial user should apply the provisions of FASB Statement No. 143, *Accounting for Asset Retirement Obligations*, to the obligation associated with the historical waste since this type of obligation is an asset retirement obligation.
- *Private Households* — The obligation associated with historical waste held by private households is to be borne collectively by producers selling in the market during each measurement period. An individual company's obligation will be based on its market share during the period. Therefore, the obligation is triggered by participation in the market during the measurement period and, likewise, should not be recognized prior to the beginning of that period. Instead, a liability should be recognized over the measurement period based on an entity's estimated market share. The liability should then be adjusted as actual market share information is received.

The guidance in this FSP should be applied in the first reporting period ending after the date the FSP is finalized.

The proposed FSP is available on the FASB's Web site. The comment periods ends on April 21, 2005.

### **FSP FAS 131-a, "Determining Whether Operating Segments Have 'Similar Economic Characteristics' Under Paragraph 17 of FASB Statement No. 131, Disclosures About Segments of an Enterprise and Related Information"**

On March 3, 2005, the FASB staff issued this proposed FSP to address questions that have arisen on how to determine whether two or more operating segments have "similar economic characteristics" for purposes of applying paragraph 17 of Statement 131. The proposed FSP states that both quantitative and qualitative factors should be considered for purposes of determining whether the economic characteristics of two or more operating segments are similar. The factors to be considered should be based on the primary factors that the Chief Operating Decision Maker uses in allocating resources to individual segments. The FSP offers the following examples:

- *Quantitative Factors* — Gross margins, trends in sales growth, returns on assets employed, and operating cash flows.

<sup>1</sup> This FSP refers to 12b-1 fees and contingent deferred sales charges for shares previously sold collectively as "Rights."

- *Qualitative Factors* — Competitive and operating risks, currency risks, and economic and political conditions associated with each segment.

The proposed FSP indicates that the quantitative and qualitative factors should be similar in order to conclude that the operating segments have similar economic characteristics. The evaluation of whether economic characteristics are similar is a matter of judgment and depends on the specific facts and circumstances.

The proposed FSP is available on the FASB's Web site. The comment periods ends on April 18, 2005.

### **FSP APB 18-a, "Accounting by an Investor for Its Proportionate Share of Other Comprehensive Income of an Investee Accounted for Under the Equity Method in Accordance With APB Opinion No. 18, The Equity Method of Accounting for Investments in Common Stock, Upon a Loss of Significant Influence"**

On March 11, 2005, the FASB staff issued this proposed FSP to provide guidance on how an investor should account for its proportionate share of an investee's<sup>2</sup> equity adjustments to other comprehensive income (OCI) upon the loss of significant influence (as defined in Opinion 18). The proposed FSP states that an investor's proportionate share of an investee's equity adjustments to OCI should be offset against the carrying value of the investment at the time significant influence is lost. The proposed FSP does not apply to OCI that was recorded by an investor for an underlying investment accounted for under FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, before or after accounting for that investment under the equity method.

The proposed FSP is effective as of the first reporting period beginning after the date that the final FSP is posted to the FASB's Web site. Upon adoption of this FSP, any amount of an investee's equity adjustments to OCI recorded in the shareholders' equity of the investor, relating to an investment for which the reporting entity no longer has an ability to exercise significant influence, should be offset against the carrying value of the investment. If comparative financial statements are provided for earlier periods, those financial statements should be reclassified to reflect application of the proposed FSP.

The proposed FSP is available on the FASB's Web site. The comment periods ends on April 25, 2005.

### **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 (February 16)**

The Board discussed the application alternatives for electing fair value to subsequently measure hybrid financial instruments with embedded derivatives that otherwise would require bifurcation. The Board tentatively decided that the option to elect fair value for such instruments should be applied on an instrument-by-instrument basis. The Board also tentatively decided to delete the parenthetical phrase "other than another derivative financial instrument" from paragraph 35(c)(2) of FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. This would simplify the requirements to be a qualifying special-purpose entity by eliminating the restriction that a derivative in the entity cannot pertain to a derivative beneficial interest.

### **Business Combinations (February 16)**

The Board discussed certain drafting issues identified in developing the joint FASB-IASB Exposure Draft on business combinations and made the following tentative decisions:

- *Deferred Tax Benefits* — Require that any recognition of an acquirer's deferred tax benefits (through the reduction of the acquirer's previously recorded valuation allowance) that results from a business combination be included in income at the acquisition date. Currently, FASB Statement No. 109, *Accounting for Income Taxes*, requires that such a deferred tax benefit be recognized through a corresponding adjustment to goodwill or certain noncurrent assets. The amount of such benefits reported in income should be disclosed in the notes to the financial statements.
- *Reacquired Rights* — Clarify the subsequent accounting for reacquired rights in a business combination that would be initially accounted for as intangible assets under FASB Statement No. 142, *Goodwill and Other Intangible Assets*, and the application guidance of EITF Issue No. 04-1, "Accounting for Preexisting Relationships Between the Parties to a Business Combination." These rights should be amortized over the remaining contractual period of the precombination contract that granted those rights.
- *Reverse Acquisitions* — Include reverse acquisition guidance and a related example that is currently included in IFRS 3, *Business Combinations*, modified as necessary to conform with the decisions made in this phase of the business combinations project.
- *Disclosures* — Amend the disclosure requirement for the reconciliation of the carrying amount of goodwill in Statement 142 to clarify that the reconciliation should include the items listed in paragraph 75 of IFRS 3. The Board also considered, but decided not to require, certain additional disclosures currently required by IFRS 3.

<sup>2</sup> In Proposed FSP APB 18-a, *investee* refers to an investment that is accounted for under the equity method by an investor in accordance with Opinion 18.

## Conceptual Framework (February 23)

The Board approved the overall plan for this joint FASB-IASB project, including the following:

- *Phases* — Work on this plan will be conducted in several phases.
- *Overall Approach* — The project will focus on (1) omissions or contradictory areas in the original framework, and (2) changes in the environment since the original framework was issued.
- *Subject Matter Experts* — Subject matter team experts should be identified who can be called upon to provide the Board with informal advice as needed.

## Contingent Environmental Liabilities (March 9)

The Board considered a request to add a project to its technical agenda to reconsider the accounting and reporting for contingent environmental liabilities. Specifically, the Board addressed whether contingent environmental liabilities that meet the recognition criteria in paragraph 8 of FASB Statement No. 5, *Accounting for Contingencies*, should be recognized at expected value and whether contingent environmental liabilities of a similar nature should be aggregated for purposes of assessing materiality. The Board decided not to add a project to address these issues for several reasons including that the Board believes that the current accounting literature is adequate.

## Derivative Disclosures (March 9)

The Board decided to add a project to its technical agenda to reconsider enhancing the disclosure requirements of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*. The Board instructed the staff to consider whether the scope of the project should be expanded to include financial instruments that are not within the scope of Statement 133.

## Fair Value Measurement (March 2)

The Board continued discussing the Exposure Draft, *Fair Value Measurements*, focusing on the definition of fair value and its application to liabilities and related issues. The Board made the following tentative decisions:

- *Fair Value of Liabilities* — Fair value for a liability should reflect the amount that would be paid by the reporting entity to transfer the liability to a willing third party of comparable credit standing (i.e., the layoff amount). Accordingly, liability remeasurements at fair value should include the effect of changes in the entity's credit standing so that the estimate reflects the amount that would be observed in an exchange between willing parties of the

same credit quality, considering the terms of any collateral and other credit enhancements included in the contract for the liability being measured.

- *Transaction Price Presumption* — At initial recognition, where there is an actual transaction for the asset or liability being measured, the transaction price provides presumptive evidence of the fair value of that asset or liability. That presumption can be rebutted in certain circumstances in which there is persuasive evidence to the contrary. In those circumstances, guidance specifying how to recognize the difference between the transaction price and the initial estimate of fair value should be provided in individual pronouncements that require fair value measurements, not in this final Statement.
- *Use of Entity Data* — In the absence of observable market data, fair value estimates may be developed using entity data as a practical expedient within Level 4 of the fair value hierarchy, as previously revised.

## Financial Instruments: Derivatives Implementation (March 2)

The Board decided to provide an explicit scope exception from the requirements in paragraph 13(b) of Statement 133 for embedded call options in a debt instrument if the right to accelerate the settlement of the debt instrument can only be exercised by the borrower (issuer). The Board clarified that the guidance applies only to embedded call options with respect to the application of paragraph 13(b) of Statement 133 and that such call options are still subject to the requirements in paragraphs 13(a) and 61(d) of Statement 133. In addition, this guidance does not apply to other embedded features that may be present with a call option in the same hybrid instrument. The guidance will take the form of a new Statement 133 Implementation Issue (Issue B39).

## Financial Instruments: Liabilities and Equity (March 2)

The Board plans to post to FASB's Web site under its liabilities and equity project a summary of the Board's decisions relating to the classification of single component instruments. This summary will include a basis for the Board's decisions and will be in a format similar to a proposed FASB Statement. The Board discussed this summary and decided to (1) make certain clarifications to the draft of the proposed guidance, and (2) deliberate four additional issues.

In future meetings, the Board plans to address the definition of multiple-component instruments and develop its overall classification approach for both single- and multiple-component instruments. Thereafter, the Board will consider distinguishing between substantive and nonsubstantive (or remote) settlement requirements and the classification requirements for rights to receive assets or shares.

## Leveraged Leases (March 2)

The Board discussed several issues related to transactions that are classified as leveraged leases under the provisions of FASB Statement No. 13, *Accounting for Leases*, and directed the staff to post a proposed FSP to the Web site with a 45-day comment period. The Board made the following tentative decisions:

- *Scope* — The proposed FSP will apply to all leveraged leases.
- *Change in Timing of Tax Benefits* — A change in the timing of the realization of tax benefits from a leveraged lease will require a recalculation of that leveraged lease. These changes in the timing should be those directly related to the leveraged lease and, therefore, should not include changes in timing as a result of alternative minimum tax and net operating loss carry forwards.
- *Threshold* — A threshold should not be incorporated into the guidance for determining whether a recalculation should be performed for a change in the timing of the realization of tax benefits.
- *Lease Classification* — A reevaluation of the lease classification for a leveraged lease should be performed when a recalculation of that leveraged lease is performed.
- *Effective Date and Transition* — The guidance will be effective for fiscal years ending after December 15, 2005. An entity should recognize the cumulative effect of initially applying this guidance as a change in accounting principle as described in paragraph 20 of Opinion 20.

## Life Insurance Settlements (February 16)

The Board decided to add a project to the agenda related to life settlements. A life settlement occurs when an individual sells his or her life insurance policy to a third party. The Board considered, but decided against, including life insurance policies within the scope of the project. The Board will consider whether to add a life insurance project to its agenda at a later date.

## Qualifying Special-Purpose Entities and Isolation of Transferred Assets (March 9)

The Board focused on two issues: (1) whether a transferor's participating interest that results from a transfer of a portion of a financial asset that does not utilize a qualifying special-purpose entity (QSPE) should be remeasured at fair value, and (2) whether to reconsider its decision to require that a transferor pass through a share of any benefits it receives from a setoff event to transferees to achieve sale accounting.

- *Issue 1* — In conjunction with the projects that address the measurement of beneficial interests and servicing rights, the Board, at a previous meeting, tentatively decided that all transferors' interests should be initially measured at fair

value. The Board reconsidered this conclusion but did not reach a decision at this meeting. The Board narrowed down the alternatives to two. Both alternatives require that a transferor's participating interest be initially measured at allocated carry-over basis. However, one of the two alternatives would only allow a transferor's interest to be measured at allocated carry-over basis if a QSPE had not been used.

- *Issue 2* — The Board previously had decided that, in all circumstances, in order to achieve sale accounting, a transferor was required to agree to pass through a share of any benefits received from exercising setoff involving transferred financial assets to transferees (investors). The Board reconsidered that decision but deferred further consideration of this issue until it has time to consider additional materials.

## Short-Term Convergence: Accounting Changes (March 2)

The Board redeliberated certain issues related to the provisions of the December 2003 FASB Exposure Draft, *Accounting Changes and Error Corrections*. The Board made the following tentative decisions:

- *Direct Effects of Retrospective Application* — Retrospective application should consider the direct effects of a change in accounting principle and the related income tax effects of the change.
- *Indirect Effects of Retrospective Application* — Indirect effects on items based on income before taxes or net income, such as profit-sharing expense and certain royalties, that would have been recognized if the newly adopted accounting principle had been followed in prior periods, should not be included in the retrospective application. Adjustments relating to indirect effects should be (1) reported in the period in which the accounting change actually is recorded, and (2) disclosed in accordance with the disclosure requirements of the final Statement. This guidance also applies to cases in which a limited retrospective application is used because full retrospective application is impracticable. Indirect effects recorded in the current period that are attributable to each specific prior period presented should be disclosed, if it is practicable to determine that information.
- *Corrections of Errors* — Retain the Opinion 20 restatement requirement for a correction of an error, without providing an impracticability exception as is provided in IAS 8, *Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies*.
- *Depreciation, Amortization, and Depletion* — Clarify that the reference to depreciation, amortization, and depletion in the final Statement refers only to methods of allocating costs of long-lived, nonfinancial assets and not to other uses of those terms in GAAP.

## Uncertain Tax Positions (February 16)

The Board continued its discussions on this project and made the following tentative decisions, which will be incorporated into the next draft of the proposed Interpretation and submitted for vote via written ballot:

- **Recognition** — An entity should recognize the benefit of tax positions when it is probable, in the context of Statement 5, that the position will be sustained when challenged by taxing authorities. Entities must presume that a taxing authority will review a tax position when evaluating whether the position is probable of being sustained. Therefore, consideration of the risk of detection is inappropriate.
- **Derecognition** — The benefit of tax positions should be derecognized when it is more likely than not that the position will not be sustained.
- **Measurement** — The financial statement benefit of a tax position should be measured using a best estimate.
- **Liability Classification** — Liabilities that result from the difference between the probable tax basis in the financial statements and the as-filed tax basis should be classified based on the expected timing of cash flows to settle underpayment controversies with taxing authorities.
- **Interest Expense** — Entities should recognize an interest expense accrual for the settlement of underpayment controversies based on the amounts reflected on the tax return for which a benefit has not been recognized in the financial statements.
- **Disclosure and Transition** — Disclosures should be made in accordance with Statement 5. The impact of adopting the new pronouncement should be accounted for as a cumulative effect of a change in accounting principle.

## 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](http://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

### AICPA Task Force Recommends Exploring Changes to GAAP for Private Companies

On March 1, 2005, a task force comprised of key constituents of private company financial reporting unanimously recommended that a process be established to evaluate potential changes to GAAP in order to improve the usefulness of private company financial reporting. The task force, sponsored by the AICPA, began its work in early 2004 in response to concerns expressed by interested parties about the relevance, benefits, and related cost of certain financial reporting requirements for privately held, for-profit entities. Conclusions of this task force were based on the inputs of business owners, public accounting practitioners, financial managers, lenders, investors, and sureties. The Financial Accounting Foundation (FAF) and FASB neither endorse nor reject the task force's conclusions. The AICPA, FAF, and FASB agreed that any proposed changes that might result from this effort would need to be fully exposed for public comment and debate.

A complete copy of the [task force report](#) can be found 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](http://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 Staff Accounting Bulletin 107

On March 29, 2005, the SEC issued SAB 107 to provide public companies additional guidance in applying the provisions of FASB Statement No. 123(R), *Share-Based Payment*. Among other things, the SAB describes the SEC staff's expectations in determining the assumptions that underlie the fair value estimates and discusses the interaction of Statement 123(R) with certain existing SEC guidance. The guidance is also beneficial to users of financial statements in analyzing the information provided under Statement 123(R).

The SAB should be applied upon the adoption of Statement 123(R). The [SAB](#) is available on the SEC's Web site.

Deloitte & Touche LLP will be hosting a [Dbriefs webcast](#) on May 17 to discuss frequently asked questions on Statement 123(R).

## Extension of Compliance Dates for Non-Accelerated Filers and Foreign Private Issuers Regarding Internal Control Over Financial Reporting Requirements

On March 2, 2005, the SEC extended the compliance dates for non-accelerated filers and foreign private issuers to include in their annual reports a report of management on the company's internal control over financial reporting. These companies must begin to comply with that requirement for the first fiscal year ending on or after July 15, 2006. The SEC has also extended the compliance dates for these companies to evaluate, as of the end of each fiscal period, any change in the company's internal control over financial reporting that occurred during the period that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting. This evaluation will now be required each period beginning with the first periodic report due after the first annual report that includes management's report on internal control over financial reporting.

The SEC is also extending the compliance dates for non-accelerated filers and foreign private issuers for amendments to certain rules regarding (1) a company's maintenance of internal control over financial reporting, and (2) the certifying officers' responsibility for establishing and maintaining internal control over financial reporting.

The extended compliance period does not change any of the other requirements regarding internal control that are in effect.

The [final rule](#) is available on the SEC's Web site.

## SEC Staff Alert — Annual Report Reminders

On March 4, 2005, the staff of the Division of Corporation Finance issued an alert designed to remind companies of important points in completing their upcoming annual reports on Forms 10-K and 10-KSB. The alert indicates that its contents are not new interpretations, but rather highlight existing requirements or reiterate previously articulated positions of the Commission or the staff:

- *Previously Unreported Form 8-K Events* — Any information that is required to be reported on Form 8-K in a company's fourth quarter, but was not so reported, should be disclosed in the company's annual report under Item 9B of Form 10-K or Item 8B of Form 10-KSB.
- *Correct Version of Certifications* — Accelerated filers with fiscal years ending on or after November 15, 2004 are now required to include, in their annual reports on Form 10-K, management's report on the company's internal control over financial reporting. The certifications filed with these annual reports must now include all of the required language in Rules 13a-14(a) and 15d-14(a). Until the Section 404 rules were effective for the company, certain portions of these rules had been deferred.

- *Placement of the Internal Control Reports* — The final rules do not mandate the placement of either management's report over financial reporting or the auditor's report on management's assessment of internal control over financial reporting; however, the SEC has stated its expectation that such reports would be placed near the Management's Discussion and Analysis disclosure or in a portion of the document immediately preceding the financial statements.
- *Auditor Consents* — The auditor's consents should cover both the auditor's report on the financial statements and the auditor's report on management's assessment of internal controls over financial reporting.

The [staff alert](#) is available on the SEC's Web site.

## SEC Issues FAQs on Voluntary XBRL Filing Program and Delays Its Start

On March 21, 2005, the SEC issued FAQs about the XBRL Voluntary Filing Program. This voluntary program is intended to assist in the evaluation of the usefulness of data tagging and XBRL. In addition, the SEC originally expected the program to start on March 16; however, the SEC now expects the program to be available for filer use on April 4, 2005.

The [FAQs](#) and [further information](#) on this topic 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](http://www.sec.gov).

## International Developments

### IASB Staff Paper on Fair Value Option

On March 23, 2005, the IASB staff issued a paper discussing the tentative conclusions reached by the Board at the March meeting regarding the effective date and transition requirements of the amendments to IAS 39, *Financial Instruments: Recognition and Measurement*. The staff paper also presents an additional alternative that the Board may want to consider at future meetings.

The staff is requesting comments on the matters discussed in this paper by April 8, 2005. The [staff paper](#) is available on the IASB's Web site.

### IFRIC Issues Proposed Guidance on Accounting for Service Concession Arrangements

On March 3, 2005, the IFRIC released three draft Interpretations for public comment related to the accounting for service concession arrangements. Service concession arrangements are arrangements whereby a government or other body grants contracts for the supply of public services

(e.g., roads, energy distribution, prisons, hospitals, etc.) to private operators. The proposed Interpretations would not amend existing IFRSs. Instead, they would clarify how concession operators should apply existing IFRSs to account for the obligations they undertake and the rights they receive in service concession arrangements. The proposed Interpretations would be effective for annual periods beginning on or after January 1, 2006.

The comment period ends on May 3, 2005. The [Interpretations](#) are available on the IASB's Web site.

## Recent IASB Meeting

The IASB discussed the following topics at its meeting on March 15-17, 2005:

- ED 7, *Financial Instruments: Disclosures*
- Amendments to IAS 39, *Financial Instruments: Recognition and Measurement* — Fair Value Option
- Accounting Standards for Non-Publicly Accountable Entities
- Business Combinations
- Financial Instruments — Convergence With US GAAP
- Liabilities and Equity
- Financial Instruments Puttable at Fair Value
- Financial Guarantees Contracts and Credit Insurance
- Short-term Convergence
  - Segment Reporting
  - Income Taxes
  - Accounting Changes and Error Corrections
- IFRIC Matters

[Summaries](#) of the IASB 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.

[Summaries](#) of the IASB meeting decisions and discussions are also available on Deloitte's IAS Plus Web site. [Summaries](#) of the IFRIC meeting decisions and discussions are also available on the IASB's Web site.

Further information about IASB and IFRIC can be found on the IASB's Web site, [www.iasb.org](http://www.iasb.org), and on the IAS Plus Web site, [www.iasplus.com/index.htm](http://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.*



## Appendix A: Significant Adoption Dates

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

FASB	Status
<b>Upcoming Adoption Dates</b>	
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"> <li>– Provisions of Interpretation 46(R) currently are effective.</li> </ul> <p><u>Small Business Issuers:</u></p> <ul style="list-style-type: none"> <li>– For interests in SPEs, Interpretation 46 or Interpretation 46(R) must be applied no later than for financial statements ending after December 15, 2003.</li> <li>– For interests in all entities, Interpretation 46(R) must be applied no later than for financial statements ending after December 15, 2004.</li> </ul> <p><u>Nonpublic Entities:</u></p> <ul style="list-style-type: none"> <li>– Interpretation 46(R) must be applied by the beginning of the first annual period beginning after December 15, 2004.</li> </ul> <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 FIN 46(R)-5, "Implicit Variable Interests Under FASB Interpretation No. 46(R), <i>Consolidation of Variable Interest Entities</i> "	Effective in the first reporting period beginning after March 3, 2005, for entities that have adopted Interpretation 46(R). For all other entities, effective 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 Activities 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 85-24-1, "Application of EITF Issue No. 85-24, 'Distributors of Mutual Funds That Do Not Have a Front-End Sales Charge,' When Cash for the Right to Future Distribution Fees for Shares Previously Sold Is Received From Third Parties"	Effective for reporting periods beginning after March 11, 2005.
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.
<b>Projects in Exposure Draft Stage</b>	
Proposed FSP APB 18-a, "Accounting by an Investor for its Proportionate Share of Other Comprehensive Income of an Investee Accounted for Under the Equity Method in Accordance With APB Opinion No. 18, <i>The Equity Method of Accounting for Investments in Common Stock, Upon a Loss of Significant Influence</i> "	Comments due April 25, 2005.
Proposed FSP FAS 131-a, "Determining Whether Operating Segments Have 'Similar Economic Characteristics,' Under Paragraph 17 of FASB Statement No. 131, <i>Disclosures About Segments of an Enterprise and Related Information</i> "	Comments due April 18, 2005.
Proposed FSP FAS 143-a, "Accounting for Electronic Equipment Waste Obligations"	Comments due April 21, 2005.
<b>EITF</b>	<b>Status</b>
<b>Upcoming Adoption Dates</b>	
Issue 04-10, "Determining Whether to Aggregate Operating Segments That Do Not Meet the Quantitative Thresholds"	Effective at the same time as the proposed FSP FAS 131-a becomes final.
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.
Topic D-108, "Use of the Residual Method to Value Acquired Assets Other Than Goodwill"	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.
<b>GASB</b>	<b>Status</b>
<b>Upcoming Adoption Dates</b>	
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 No. 2004-2, <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 GASB Statement 45.
<b>AICPA/AcSEC</b>	<b>Status</b>
<b>Upcoming Adoption Dates</b>	
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
<b>Upcoming Adoption Dates</b>	
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, 2006, for "nonaccelerated filers." Effective for fiscal years ending on or after July 15, 2006, 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 107 Regarding the Interaction Between FASB Statement No. 123(R), <i>Share-Based Payment</i> , and Certain SEC Rules and Regulations	Effective upon the adoption of Statement 123(R).
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.
Temporary Postponement of the Final Phase-In Period for Acceleration of Periodic Report Filing Dates	Effective as of December 23, 2004.
PCAOB	Status
<b>Upcoming Adoption Dates</b>	
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, 2006, 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. Effective for audits of only financial statements for periods ending on or after July 15, 2005.

IASB/IFRIC	Status
<b>Upcoming Adoption Dates</b>	
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 19, <i>Employee Benefits</i>	Effective for annual periods beginning on or after January 1, 2006.
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.
<b>Projects in Exposure Draft Stage</b>	
IFRIC Draft Interpretation D12, <i>Service Concession Arrangements — Determining the Accounting Model</i>	Comments due May 3, 2005.
IFRIC Draft Interpretation D13, <i>Service Concession Arrangements — The Financial Asset Model</i>	Comments due May 3, 2005.
IFRIC Draft Interpretation D14, <i>Service Concession Arrangements — The Intangible Asset Model</i>	Comments due May 3, 2005.
Staff Paper on the Effective Dates and Transition Provisions for the Amendments to IAS 39, <i>Financial Instruments: Recognition and Measurement</i>	Comments due April 8, 2005.

## Appendix B: Abbreviations

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

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