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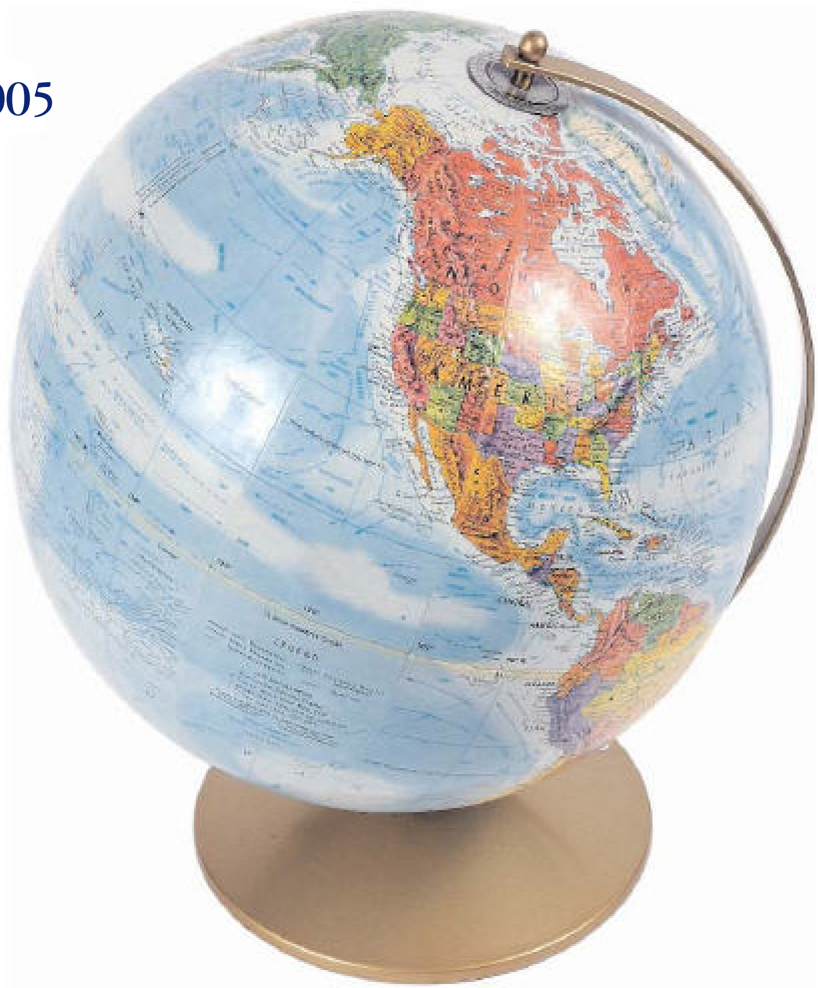
Accounting Roundup

1st Quarter in Review — 2005



April 15, 2005

Preface

Accounting Roundup: 1st Quarter in Review — 2005

During the first quarter of 2005, accounting standard-setters and accounting regulators issued a number of final and proposed FASB* Interpretations, FSPs, EITF consensuses, SEC rules, PCAOB rules, IFRSs, etc. (collectively, pronouncements) affecting accounting, financial reporting, and corporate governance.

This publication, *Accounting Roundup: 1st Quarter in Review — 2005*, presents brief descriptions of those pronouncements, as well as certain other regulatory and professional developments in accounting and financial reporting. The articles included herein were primarily drawn from issues of the *Accounting Roundup* newsletters published in the first quarter of 2005 and have been updated when appropriate. Articles that were not included in prior issues are referenced "New" in the Table of Contents. These articles also provide links to locations where additional information can be found on each topic.

Readers seeking additional information about these topics or other activities of key standard-setters and regulators should review the information available via the hyperlinks. Further information can be found on the Web site of the organizations discussed in this publication, including the FASB, GASB, SEC, PCAOB, AICPA, and IASB. Readers also should monitor upcoming issues of *Accounting Roundup* for reports of new developments.

*See Appendix B for a key to abbreviations used in this publication.

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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FASB Developments

FASB Issues Final Interpretation

FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations*

In March 2005, the FASB issued Interpretation 47. This Interpretation clarifies that the term "conditional asset retirement obligation" as used in FASB Statement No. 143, *Accounting for Asset Retirement Obligations*, refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Uncertainty about the timing and (or) method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists to make a reasonable estimate of the fair value of the obligation.

The Interpretation provides that an entity would have sufficient information to make a reasonable estimate of the fair value of the obligation under the following circumstances:

- It is clearly evident that the acquisition price of the asset embodies the fair value of the obligation,
- An active market exists to transfer the obligation, or
- The company has sufficient information to apply an expected present value technique.

The Interpretation also provides indicators that would preclude an entity from recognizing a liability for such obligations because the timing and (or) method of settlement are uncertain. These are:

- When the settlement date and the method of settling the obligation have not been specified by others (e.g., contract, law or regulation), or
- When the company does not have sufficient information to reasonably estimate:
  - o The settlement date or range of potential settlement dates,
  - o The method of settlement or potential methods of settlement, and
  - o The probabilities associated with potential settlement dates and methods of settlement.

Interpretation 47 is effective for fiscal years ending after December 15, 2005. Retrospective application of interim financial information is permitted but is not required. Early adoption of this Interpretation is encouraged.

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

FASB Issues Final FSPs

FSP FAS 19-1, "Accounting for Suspended Well Costs"

In April 2005, the FASB staff issued this FSP to provide guidance on the accounting for exploratory well costs.[1] The FSP amends the guidance in FASB Statement No. 19, *Financial Accounting and Reporting by Oil and Gas Producing Companies*, and applies to enterprises that use the successful efforts method of accounting.

Statement 19 generally requires capitalized exploratory well costs to be expensed if the reserves cannot be classified as "proved" within one year following the completion of drilling. Exceptions to the general rule exist in situations where major capital expenditures (e.g., a trunk pipeline) are required before production can begin and additional exploration wells are necessary to justify these major capital expenditures.

Questions have arisen as to whether there are other circumstances that would permit continued capitalization of exploratory well costs beyond one year. The FSP provides that exploratory well costs should continue to be capitalized when (1) the well has found a sufficient quantity of reserves to justify its 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. The FSP provides some indicators of whether an enterprise is making sufficient progress assessing the reserves and the economic and operating viability of the project. In addition, the FSP requires certain additional disclosures, including the costs of exploratory wells capitalized for more than one year from the date of completion.

The FSP should be applied to the first reporting period beginning after April 4, 2005. The guidance in the FSP should be applied prospectively to existing and newly-capitalized exploratory well costs. Capitalization of exploratory well costs that previously were expensed is not permitted. Certain transitional disclosures are required for the period of adoption and the periods preceding the adoption of the FSP.

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

1 Exploratory wells and exploratory-type stratigraphic wells, as defined in Statement 19, are referred to collectively as exploratory wells for purposes of this FSP.

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

In March 2005, the FASB staff 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.

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"

In March 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[2] 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 EITF 00-19-a, "Application of EITF Issue No. 00-19, 'Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock,' to Freestanding Financial Instruments Originally Issued as Employee Compensation"

In March 2005, the FASB staff issued this proposed FSP to clarify the application of Issue 00-19 to freestanding financial instruments originally issued as employee compensation. The proposed FSP states that freestanding financial instruments originally issued as employee compensation, which can only be settled by delivering registered shares, shall not be assumed to require cash settlement when applying the provisions of Issue 00-19. The terms of such instruments should be evaluated using paragraph 34 of FASB Statement No. 123(R), *Share-Based Payment*, to determine whether they should be recorded as liabilities. The guidance in this FSP is to be applied in accordance with the effective date and transition provisions of Statement 123(R).

The proposed FSP is available on the FASB's Web site. The comment period ends on April 15, 2005.

[2] This FSP refers to 12b-1 fees and contingent deferred sales charges for shares previously sold collectively as "Rights."

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

In March 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 Statement 143 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*"

In March 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.

- *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.

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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"

In March 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[3] 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.

FASB Revises Statement 133 Implementation Issues

In January 2005, in connection with the issuance of Statement 123(R), 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 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.

[3] 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.

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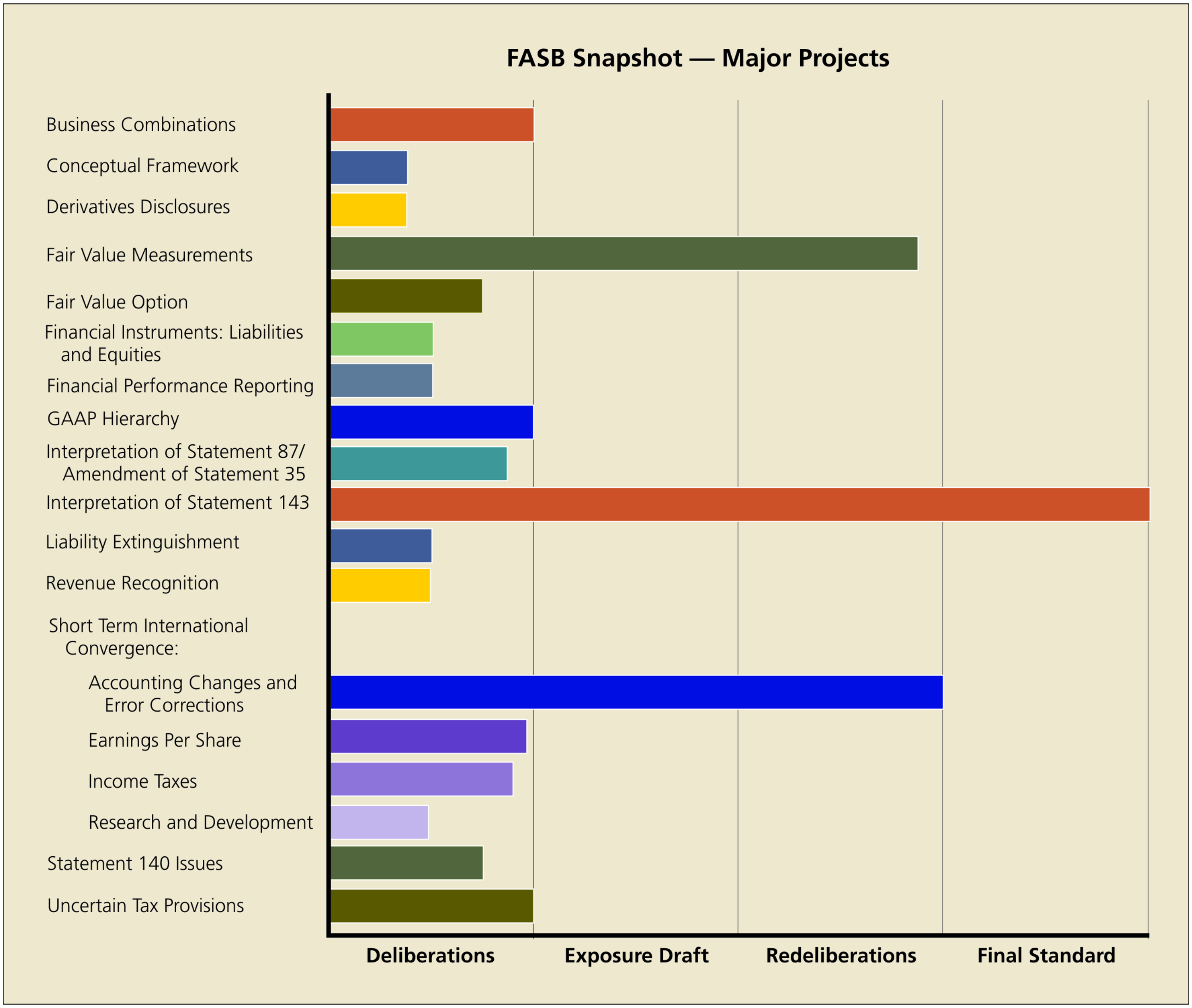

FASB Project Summaries and Meeting Minutes

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.

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EITF Developments

EITF Activity in the First Quarter of 2005

The EITF discussed the following topics at the March 17, 2005, EITF meeting:

EITF Issues on Which Consensuses (or Partial Consensuses) Were Reached

- 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" (Partial consensus)
- Issue No. 04-6, "Accounting for Stripping Costs Incurred During Production in the Mining Industry" (Final consensus)
- Issue No. 04-13, "Accounting for Purchases and Sales of Inventory With the Same Counterparty" (Partial consensus)
- Issue No. 05-1, "The Accounting for the Conversion of an Instrument That Becomes Convertible Upon the Issuer's Exercise of a Call Option That Otherwise Is Not Convertible or Not Currently Convertible Based on a Contingency" (Partial consensus)

Other EITF Issue Discussed

- Issue No. 04-7, "Determining Whether an Interest Is a Variable Interest in a Potential Variable Interest Entity"

Other Agenda Committee Items

- The following issues were added to the agenda for discussion at future meetings:
    - The Effect of Registration Rights With Liquidated Damages Provisions for Financial Instruments Subject to EITF Issue No. 00-19
    - The Meaning of "Conventional Convertible Debt Instrument" in EITF Issue No. 00-19
    - Accounting for Altersteilzeit Early Retirement Programs
- Issue requiring further agenda committee discussion:
    - Offsetting of a Right to Receive or an Obligation to Return Cash Collateral With a Net Derivative Position Under a Master Netting Arrangement
- Issue not added to the agenda:
    - Accounting for Minimum Revenue Guarantees (FSP likely)

The minutes of the EITF meeting are posted to the FASB's Web site.

Additional information on the items discussed at this meeting is available in the March issue of the *EITF Roundup*.

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

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AICPA Developments

AICPA Task Force Recommends Exploring Changes to GAAP for Private Companies

In March 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.

AICPA Issues Technical Practice Aids Related to "Accounting by Noninsurance Enterprises for Property and Casualty Insurance Arrangements That Limit Insurance Risk"

In February 2005, the AICPA issued a series of TPAs focusing on certain aspects of finite insurance products utilized by noninsurance enterprises. These TPAs have been designed to assist practitioners in identifying the relevant literature to consider in addressing their specific facts and circumstances. Although the TPAs contain many excerpts of applicable guidance, readers should familiarize themselves with all of the relevant literature. The guidance in these TPAs addresses property and casualty insurance contracts between a policyholder and an insurance enterprise, which is similar to the relationship between an insurer and a reinsurer.

The TPAs are available on the AICPA's Web site.

AICPA Issues Proposed Practice Aid for Disclosures of Derivative Loan Commitments

In February 2005, the AICPA published a draft of a proposed Practice Aid to provide illustrative disclosures of derivative loan commitments in accordance with the reporting and disclosure requirements of SEC Staff Accounting Bulletin No. 105, *Application of Accounting Principles to Loan Commitments*. The illustrative disclosures are intended to be used by both public and private issuers. The Practice Aid has not been approved, disapproved, or otherwise acted on by any senior technical committee of the AICPA or the FASB, nor does it have any official or authoritative status.

The draft of the proposed Practice Aid is available on the AICPA's Web site.

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

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SEC Developments

SEC Issues Staff Accounting Bulletin 107

In March 2005, the SEC issued SAB 107 to provide public companies additional guidance in applying the provisions of Statement 123(R). 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).

SEC Updates Current Accounting and Disclosure Issues

In March 2005, the Division of Corporation Finance (DCF) of the SEC released its periodic update of its guidance on current accounting and disclosure issues. While the staff of the DCF cautions that the guidance in the outline does not necessarily reflect the views of the Commission, the Commissioners, or other members of the SEC staff, preparers of financial statements will find the outline a useful tool in determining the accounting and disclosure concerns of the SEC. The publication is broken into three broad areas:

- Recent rules, proposed rules, and interpretive bulletins;
- Other current accounting and disclosure issues; and
- Other information about the DCF, and other Commission offices and divisions

The publication is available on the SEC's Web site.

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

In March 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

In March 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.

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- *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 Frequently Asked Questions on Voluntary XBRL Filing Program

In March 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.

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

SEC Staff Clarifies Statements of Cash Flows Presentation

In February 2005, the staff of the Division of Corporation Finance released a sample letter sent to registrants that addresses presentation of cash receipts from inventory sales in their statements of cash flows. This guidance should be considered by registrants when filing their next periodic report covering periods ending on or after December 15, 2004, as well as any registration statements that incorporate financial statements previously filed.

The staff clarified that cash receipts from the sale of goods or services are operating cash flows, regardless of whether the cash flows (1) stem from the collection of a receivable from the customer or the sale of the customer receivable to others, (2) are collected on account or from the issuance of a note, or (3) are collected in the short term or the long term.

Additionally, the staff indicated that it is not appropriate to present in the statement of cash flows an investing cash outflow and an operating cash inflow between a company and its subsidiary when there has been no cash inflow to the company on a consolidated basis from the sale of inventory. For companies that have misclassified these noncash amounts within the statements of cash flows, the staff will not object to disclosures that do not specifically reference correction of an error, provided the company:

- Correctly presents the consolidated statements of cash flows for all periods presented,
- Discloses that the change in classification resulted from concerns raised by the SEC staff, and
- Includes prominent disclosures of:
  - o The historical accounting for these transactions, including an explicit statement that no cash was received on a consolidated basis when the sale was made to the customer;
  - o The fact that the consolidated statements of cash flows have been adjusted to reflect that no cash was received by the consolidated entity upon the initial sale of inventory, and to properly classify cash receipts from the sale of inventory;
  - o A reconciliation between amounts previously presented and current amounts presented; and
  - o A discussion of the effect of these transactions in the liquidity and cash flow section of Management's Discussion and Analysis.

The transition described above is limited solely to the presentation of cash receipts from the sale of inventory and should not be applied to any other presentation in the consolidated statements of cash flows.

The letter is available on the SEC's Web site.

SEC Staff Provides Guidance on Buy/Sell Arrangements

In February 2005, the staff of the Division of Corporation Finance released a sample letter sent to registrants engaged in oil and gas operations related to buy/sell transactions. Registrants in any industry that have buy/sell or comparable arrangements should provide the following disclosures in filings that include financial reports covering periods ending on or after December 15, 2004:

- Separately identify on the face of the statements of operations the proceeds and costs associated with buy/sell and comparable arrangements reported on a gross basis for all periods presented (as separate line items or parenthetically);
- Fully disclose, in the accounting policy notes the characteristics of material arrangements of this type, the circumstances under which they are used, and the accounting literature relied upon in determining whether gross or net reporting would apply;
- Indicate that the EITF is considering this matter in Issue No. 04-13, "Accounting for Purchases and Sales of Inventory With the Same Counterparty," and describe how the financial statement presentation may change if a single method of reporting is required; and
- If material, registrants also should quantify the effects and address any related material trends and uncertainties in Management's Discussion and Analysis.

If a registrant reports proceeds and related costs from buy/sell or comparable transactions on a gross basis, and it files a registration statement prior to including disclosure in its annual report, it should disclose the issue as a recent development in its registration statement.

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The SEC staff also is requiring all registrants engaged in oil and gas exploration and production activities to make certain additional disclosures as follows:

- Registrants that follow the successful efforts method of accounting should provide certain disclosures related to capitalized exploratory drilling costs pending the determination of proved reserves in filings that include financial reports covering periods ending on or after December 15, 2004, and
- Registrants that follow the full cost method of accounting should apply the guidance in the letter related to dispositions of oil and gas properties involving less than 25 percent of the reserve quantities of a given cost center.

The letter is available on the SEC's Web site.

SEC Staff Clarifies Lease Accounting Issues

In February 2005, the SEC staff issued a letter to the Center for Public Company Audit Firms to clarify its views on the following leasing issues:

- *Amortization of Leasehold Improvements* — The SEC staff is of the view that amortizing leasehold improvements over a term that includes assumption of lease renewals is appropriate only when the renewals have been determined to be **reasonably assured**, as that term is used in FASB Statement No. 13, *Accounting for Leases*. A lessee under an operating lease should amortize leasehold improvements over the shorter of their economic lives or the lease term.
- *Rent Holidays* — The SEC staff, pointing to FASB Technical Bulletin No. 85-3, *Accounting for Operating Leases With Scheduled Rent Increases*, concluded that it is inappropriate for a lessee to suspend recognition of rental expense during a rent holiday. Rather, rent expense in an operating lease should be recognized straight-line over the lease term, including any rent holiday period, unless another systematic and rational allocation is more representative of the lease property's anticipated use.
- *Landlord/Tenant Incentives* — Occasionally, a landlord under an operating lease pays the lessee an amount intended to reimburse the lessee for the cost, or a portion of the cost, of leasehold improvements. The SEC staff has the following views on the accounting for such transactions:
    - o Improvements made by a lessee that are funded by the lessor should be recorded by the lessee as leasehold improvement assets and amortized over the shorter of their economic life or the lease term;
    - o The incentives received should be recorded as deferred rent and amortized as reductions to lease expense over the lease term in accordance with paragraph 15 of Statement 13 and FASB Technical Bulletin No. 88-1, *Issues Relating to Accounting for Leases* (the deferred rent should not be netted against leasehold improvements); and
    - o The incentive payment receipt should be presented as an operating activity in the lessee's statement of cash flows. The acquisition of leasehold improvements for cash should be classified as an investing activity.

The SEC staff also recognizes that determining whether improvements are assets of the lessee or the lessor may require significant judgment; the letter does not deal with this evaluation. The SEC staff indicated that its views are based upon existing accounting literature. Registrants/lessees who determine that they have made one or more of these errors, in consultation with their independent auditors, should follow one of two courses of action, as appropriate:

- Restate prior financial statements and disclose that the restatement results from the correction of errors; or
- If restatement was determined by management to be unnecessary, state that the errors were immaterial to prior periods.

The SEC staff's letter also highlights the importance of providing clear and concise operating and capital lease disclosures in the notes to the financial statements and, when appropriate, in the critical accounting policies section of Management's Discussion and Analysis. The letter is available on the SEC's Web site. Additional information is available in *Heads Up*.

SEC Updates EDGAR Filer Manual

In February 2005, the SEC adopted revisions to the Electronic Data Gathering, Analysis, and Retrieval System (EDGAR) Filer Manual to reflect updates to the EDGAR system. The revisions are being made to enable registrants to submit tagged financial information using the eXtensible Business Reporting Language (XBRL) format as exhibits to specified EDGAR filings under the Securities Exchange Act of 1934 and the Investment Company Act of 1940. Registrants choosing to participate in the voluntary program also will continue to file their financial information currently under required formats.

The final rule is available on the SEC's Web site.

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

In January 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.

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PCAOB Developments

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

In January 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.

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International Developments

IFRIC Publishes Proposed Guidance on Reassessment of Embedded Derivatives

In March 2005, the IFRIC released draft Interpretation D15, *Reassessment of Embedded Derivatives*. This draft Interpretation was developed in response to requests for guidance from constituents to clarify aspects of the accounting for embedded derivatives under IAS 39, *Financial Instruments: Recognition and Measurement*.

IAS 39 requires an entity, when it first becomes a party to a contract, to assess whether any embedded derivatives contained in the contract are required to be separated from the host and accounted for as derivatives under the Standard. The draft Interpretation provides the following guidance:

- *Periodic Assessment* — An entity shall assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract, in which case reassessment is required.
- *First-time Adopter* — First-time adopters shall assess whether an embedded derivative is required to be separate from the host contract and accounted for as a derivative on the basis of the conditions that existed when it first became party to the contract.

The draft Interpretation is available on the IASB's Web site. The comment period ends on May 31, 2005.

IASB Staff Paper on Fair Value Option

In March 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. The staff paper also presents an additional alternative that the Board may want to consider at future meetings.

The staff requested 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

In March 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.

Further information about the 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.

A summary of the IASB meetings is 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. A summary of the IFRIC meeting decisions and discussions also is available on the IASB's Web site.

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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.

Final Medicare Rules Posted

In January 2005, the final Medicare Part D Prescription Drug Rules were posted to the Federal Register. These final rules implement the provisions of the Social Security Act establishing and regulating the Medicare Prescription Drug Benefit. The voluntary prescription drug program was enacted into law on December 8, 2003. In January 2006, the benefit begins and allows all Medicare beneficiaries to sign up for drug coverage through a prescription drug plan or Medicare health plan.

These final rules will provide employers with the information necessary to determine whether benefits provided by its plan are actuarially equivalent, as that term is contemplated in FASB Staff Position No. FAS 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003."

Employers and sponsors are reminded that paragraph 16 of FSP FAS 106-2 discusses how to account for changes in the expected subsidy as a result of changes in regulations or legislation. Paragraph 18 provides guidance for plans amended to reduce coverage such that actuarial equivalence is no longer met. Paragraph 33 discusses how to account for subsequent determination of actuarial equivalence as might occur upon the clarification of regulations related to the Act. Additionally, FSP FAS 106-2 provides a decision flow chart in Appendix B that may be useful in determining subsequent accounting considerations after the initial adoption of FSP FAS 106-2.

The regulations were effective March 22, 2005. Additional information about the rules can be found at the Centers for Medicare and Medicaid Services Web site.

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Appendix A: Significant Adoption Dates and Deadlines

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

FASB	Status
Upcoming Adoption Dates	
Statement 153, *Exchanges of Nonmonetary Assets*, an amendment of APB Opinion No. 29	Effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005.
Statement 152, *Accounting for Real Estate Time-Sharing Transactions*, an amendment of FASB Statements No. 66 and 67	Effective for fiscal years beginning after June 15, 2005.
Statement 151, *Inventory Costs*, 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), *Share-Based Payment*	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 47, *Accounting for Conditional Asset Retirement Obligations*	Effective as of the end of fiscal years ending after December 15, 2005.
Interpretation 46(R), *Consolidation of Variable Interest Entities*	Public companies that are not small business issuers: – Provisions of Interpretation 46(R) currently are effective. Small Business Issuers: – 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. Nonpublic Entities: – Interpretation 46(R) must be applied by the beginning of the first annual period beginning after December 15, 2004. 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.
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), *Consolidation of Variable Interest Entities*"	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), *Consolidation of Variable Interest Entities*"	The guidance should be applied in accordance with the effective dates of Interpretation 46(R).

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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), *Consolidation of Variable Interest Entities*"	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), *Consolidation of Variable Interest Entities*, 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), *Consolidation of Variable Interest Entities*"	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 19-1, "Accounting for Suspended Well Costs"	Effective for the first reporting period beginning after April 4, 2005.
FSP FAS 97-1, "Situations in Which Paragraphs 17(b) and 20 of FASB Statement No. 97, *Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses From the Sale of Investments*, 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, *Accounting for Income Taxes*, 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, *Business Combinations*, and No. 142, *Goodwill and Other Intangible Assets*, 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, *Goodwill and Other Intangible Assets*, 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, *Accounting for Certain Financial Instruments With Characteristics of Both Liabilities and Equity*"	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.
Statement 133 Implementation Issue No. C3, *Scope Exceptions: Exception Related to Share-Based Payment Arrangements*	Revisions effective as of the beginning of the period in which the entity initially adopts Statement 123(R).
Statement 133 Implementation Issue No. E19, *Hedging-General: Methods of Assessing Hedge Effectiveness When Options Are Designated as the Hedging Instrument*	Revisions effective as of the beginning of the period in which the entity initially adopts Statement 123(R).

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Statement 133 Implementation Issue No. E22, *Hedging — General: Accounting for the Discontinuance of Hedging Relationships Arising From Changes in Consolidation Practices Related to Applying FASB Interpretation No. 46 or 46(R)*	Effective as of the date of initial application of Interpretation 46 and/or Interpretation 46(R).
Statement 133 Implementation Issue No. G1, *Cash Flow Hedges: Hedging an SAR Obligation*	Revisions effective as of the beginning of the period in which the entity initially adopts Statement 123(R).
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 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 EITF 00-19-a, "Application of EITF Issue No. 00-19, 'Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock,' to Freestanding Financial Instruments Originally Issued as Employee Compensation"	Comments due April 15, 2005.
Proposed 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*"	Comments due April 18, 2005.
Proposed FSP FAS 143-a, "Accounting for Electronic Equipment Waste Obligations"	Comments due April 21, 2005.
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, *The Equity Method of Accounting for Investments in Common Stock*, Upon a Loss of Significant Influence"	Comments due April 25, 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 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 04-6, "Accounting for Stripping Costs Incurred During Production in the Mining Industry"	Effective for fiscal years beginning after December 15, 2005.
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.

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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, *Accounting for the Impairment or Disposal of Long-Lived Assets*, 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, *Earnings per Share*"	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.
GASB	**Status**
Upcoming Adoption Dates	
GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation, an amendment of Statement No. 34*	Effective for fiscal periods beginning after June 15, 2005.
GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*	Effective in three phases based on a government's total annual revenues.
GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*	Effective for statistical sections prepared for periods beginning after June 15, 2005.
GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*	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, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*	Effective for fiscal periods beginning after December 15, 2004.
GASB Statement No. 40, *Deposit and Investment Risk Disclosures* — an amendment of GASB Statement No. 3	Effective for fiscal periods beginning after June 15, 2004.
GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit (OPEB) Expenditures/Expense and Liabilities by Cost-Sharing Employers*	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.

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AICPA/AcSEC	Status
Upcoming Adoption Dates	
SOP 04-2, *Accounting for Real Estate Time-Sharing Transactions*	Effective for fiscal years beginning after June 15, 2005, with early adoption encouraged.
SOP 03-3, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*	Effective for loans acquired in fiscal years beginning after December 15, 2004, with early adoption encouraged.
SEC	**Status**
Upcoming Adoption Dates	
Final Rule, *Asset-Backed Securities*	Effective as of March 8, 2005.
Final Rule, *Management's Report on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports* (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), *Share-Based Payment*, and Certain SEC Rules and Regulations	Effective upon the adoption of Statement 123(R).
SAB 106 Regarding the Application of FASB Statement No. 143, *Accounting for Asset Retirement Obligations*, 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**
Upcoming Adoption Dates	
Auditing Standard No. 3, *Audit Documentation*	Effective for audits of financial statements with fiscal years ending on or after November 15, 2004.
Auditing Standard No. 2, *An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements*	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, *References in Auditors' Reports to the Standards of the Public Company Accounting Oversight Board*	Effective for financial reports issued or reissued on or after May 24, 2004.
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"	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.

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IASB/IFRIC	Status
Upcoming Adoption Dates	
IFRS 6, *Exploration for and Evaluation of Mineral Resources*	Effective for annual periods beginning on or after January 1, 2006.
IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*	Effective for annual periods beginning on or after January 1, 2005.
IFRS 4, *Insurance Contracts*	Effective for annual periods beginning on or after January 1, 2005.
IFRS 3, *Business Combinations*	Effective for business combinations for which the agreement date is on or after March 31, 2004.
IFRS 2, *Share-based Payment*	Effective for annual periods beginning on or after January 1, 2005.
Amendment to IAS 39, *Financial Instruments: Recognition and Measurement*	Effective for annual periods beginning on or after January 1, 2005.
Amendment to IAS 32, *Financial Instruments: Disclosure and Presentation*	Effective for annual periods beginning on or after January 1, 2005.
Amendment to IAS 19, *Employee Benefits*	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, *Consolidation — Special Purpose Entities*	Effective for annual periods beginning on or after January 1, 2005.
IFRIC Interpretation 5, *Rights to Interests Arising From Decommissioning, Restoration and Environmental Rehabilitation Funds*	Effective for annual periods beginning on or after January 1, 2006.
IFRIC Interpretation 4, *Determining Whether an Arrangement Contains a Lease*	Effective for annual periods beginning on or after January 1, 2006.
IFRIC Interpretation 3, *Emission Rights*	Effective for annual periods beginning on or after March 1, 2005.
IFRIC Interpretation 2, *Members' Shares in Co-operative Entities and Similar Instruments*	Effective for annual periods beginning on or after January 1, 2005.
IFRIC Interpretation 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*	Effective for annual periods beginning on or after September 1, 2004.
Projects in Exposure Draft Stage	
IFRIC Draft Interpretation D12, *Service Concession Arrangements — Determining the Accounting Model*	Comments due May 3, 2005.
IFRIC Draft Interpretation D13, *Service Concession Arrangements — The Financial Asset Model*	Comments due May 3, 2005.
IFRIC Draft Interpretation D14, *Service Concession Arrangements — The Intangible Asset Model*	Comments due May 3, 2005.
IFRIC Draft Interpretation D15, *Reassessment of Embedded Derivatives*	Comments due May 31, 2005.

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Appendix B: Abbreviations

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

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On May 17 at 2:00 PM EDT, we will host a 120-minute webcast on frequently asked questions about FASB Statement No. 123(R), *Share-Based Payment*. Register for this webcast today.

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